



What Is A Title Company And What Does It Do?

The title company is a third party that works on behalf of both the lender and the buyer. You hire them to research and ensure the title of the home you're buying.

Why is that important? Let's say you buy a home without hiring a title company. Later on, you find out the seller inherited the home when his father died and actually only owns half of the home. The other half belongs to his brother, who turns up on your doorstep wanting his 50% of the property. You can imagine what an unpleasant situation that would be for everyone. This is why you hire a Title Company!

Chain Of Title

Title companies will research what is called the "[chain of title](#)," or the full history of the home or property ownership. A search from a title company would have revealed the second owner and stopped the sale before you close on the mortgage. They also look for existing liens, so you won't find out the hard way a contractor never received payment for past work completed on the home and is now expecting payment from you, the new owner. They'll also make sure all property taxes are paid in full. Now that you know what a title company is and why they're important, here's what you can expect for your money.

Title Research

When research is complete, the company provides a report called a "title abstract." You and your lender will get a copy to review before you close on your home. The abstract is not your title insurance policy. That's a separate document you'll get from your agent.

Title Insurance

Title companies provide two kinds of title insurance policies: one for you, the buyer, and one for your lender. Because your lender has a financial interest in the property, title insurance protects them the same as it does you: financially and legally, if someone comes forth with a claim for the property that was missed in the title search.

Generally, the seller of the home you're buying pays for your title insurance policy, and you pay for your lender's policy. But unlike most insurance policies that require you to pay a yearly or monthly

premium to keep your coverage, you only have to pay title insurance once when you close on the property. You're then covered for as long as you own the home.

Who Holds The Title?

It's important to work with your title company to make sure that the wording on your title accurately describes who has the right to transfer ownership. Your title phrasing may also affect how you pay property taxes and fees if you sell your home in the future.

If you're not married and you're the only one on the title, it's easy: you hold the title in sole ownership as Your Name, a single person. But if you're married, it gets more complicated. Your title company will help you understand what's best for you and what the title should say.

Closing

Title companies usually manage the [closing](#) on your home. This service may be called "settlement." They appoint a signing agent or real estate attorney (depending on what your state requires) to review all [closing documents](#) and finalize the deed and title transfer.

Funding

Title companies may hold and manage money in escrow, with the help of an [escrow agent](#). An escrow account is a savings account managed by a third party – in this case the title company – which distributes payouts under certain conditions.

Escrow accounts are common in real estate transactions because mortgage lenders want to make sure that you have enough money for certain expenses. For example, if your lender requires a certain number of months' worth of expenses held in escrow, a title company will likely manage this account on behalf of both you and your lender.



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