

## One-Third of All Real Estate Transactions Have Title Issues, According to Survey

According to a 2005 member survey by the American Land Title Association (ALTA), title problems were found in 36 percent of all residential real estate transactions (new homes, resale transaction, and refinances), up from 25 percent in 2000. The “Abstracter and Title Agent Operations Survey” tracks changes in the title industry, including the number of orders received and percentage of title issues discovered and repaired prior to closing or escrow.

The most frequent curative action taken is obtaining releases and/or obtaining pay-offs for discovered liens, such as prior or existing first or second mortgages, unpaid child and spousal support, outstanding taxes, and other judgments against the property.

The next most common curative action is obtaining releases for assignment on deeds of trust/and or mortgages, followed closely by recording errors of names, addresses, or legal descriptions of the property.

The booming real estate market during the last several years increased the number of transactions significantly, which means that more title problems were found as title companies scrubbed and rescrubbed the public record. More recently, the downturn in the real estate economy has brought to light a disturbing increase in the incidence of real estate fraud, forgeries and identity theft. This clearly demonstrates how important it is for consumers to obtain title insurance in all real estate transactions.

Unlike other forms of insurance that focus on insuring against future events and that charge monthly or annual premiums (risk assumption), title insurance is purchased for a one-time fee at closing or escrow and protects against losses arising from pre-existing title hazards and defects (risk elimination). Title companies examine a wide range of records and resolve problems before they happen, most times without having to involve the homebuyer or borrower. So while title insurers pay fewer claims than most other insurers, their upfront costs are substantially higher.