

## The Societal Benefits of Title Insurance

Title insurance relies upon an exhaustive search of the public record to identify and correct liens and other legal encumbrances on property. A recent national study showed that title companies undertake corrective action to protect consumers in more than one out of every three real estate transactions. During the search and examination process, title companies generate societal benefits such as collecting delinquent child support payments, performing other curative work to clear up issues such as liens that should not be on the property, maintaining the integrity of property records, identifying recorded matters that protect the environmental, and detecting fraudulent documents.

### **Title Companies Recover Millions in Delinquent Child Support Payments**

Not only do title insurers undertake an exhaustive search of public records to protect property owners, they also coordinate with government agencies to identify and recover delinquent child support, spousal support and tax payments that would otherwise have gone uncollected. Recent figures from the California Department of Child Support Services indicate that title companies, which serve as the primary source for the collection of child support liens in the state, helped recover more than \$80 million in delinquent payments during the 2005-06 Fiscal Year. According to these same figures, title companies have helped secure more than \$330 million in delinquent child support payments since July 2002.

In 2006, Governor Schwarzenegger signed into law Assembly Bill 2126 by Assemblyman Ted Lieu. The legislation, supported by CLTA, streamlines the collection of child support payments in California and strengthens the enforcement of the law to protect children and parents who have a legal right to child support money. In 2007, the CLTA is supporting Senate Bill 892 by Senator Ellen Corbett which will streamline the process of recording liens for delinquent child support obligations. The collection of delinquent child support is just one example of the importance of the title insurance industry to the lives of Californians.

### **Title Company Curative Work Protects Consumers**

Title companies perform searches of the public record to identify liens, judgments, easements and other legal impairments to real property. If a child support lien, un-reconveyed deed of trust or other lien or defect is discovered, the title company performs the necessary curative work to clear the title to the real property – that is, the company ensures that the new buyer does not inherit any of these pre-existing problems. One in three real estate transactions require some type of curative work on the title to real property. Some of the benefits of this curative work include:

- ✓ Identifying and collecting outstanding tax payments to local, state and federal government;

- ✓ Maintaining the integrity of property records by updating and correcting documents;
- ✓ Reducing the risk and opportunity for fraud by confirming that the seller actually owns the property and identifying liens, judgments and other encumbrances attached to the property;
- ✓ Obtaining corrective deeds from parties with a lingering interest in the property whose transfer was previously “missed”: For example, such a correction may be needed in connection with an estate transfer or transfer of a property held by a family with many individuals listed on the title. Corrective deeds are also used to make lot line adjustments where, for example, there are overlaps or gaps in legal property descriptions;
- ✓ Validating or invalidating uninsured deeds: Documents are often recorded in between transactions which title companies have insured. These deeds often result from quitclaims of property between family members or in and out of a family trust. Unfortunately, they are also commonly used to perpetrate real property fraud; and
- ✓ Clearing liens, including family support liens: The title industry has collected hundreds of millions of dollars in unpaid child and family support liens through its curative work.

### **Title Companies Advance California’s Environmental Policy**

The title industry plays a key role in protecting the environment through its search of public records. Items that can arise in a title search include:

- ✓ Conservation Easements designed to preserve habitats
- ✓ Liens recorded to enforce environmental protection laws
- ✓ Restrictions on property contained in recorded documents that restrict specific activities which might harm the property or the public using the property.
- ✓ Recorded designations of property as hazardous waste border zone property under California’s environmental laws.

In 2001, the work of the California Land Title Association was recognized by the Mountains Restoration Trust in assisting the passage of legislation (AB 1011-Pavley) creating local public indexes for conservation easements.