Title companies represent more than properties

by Jim_Woodard

Title companies play a little-known role in our lives beyond searching for property title defects and adding substantial costs at sales transactions closing tables. They also serve as a primary information source for collection of child support liens filed against real properties.

"The role title companies play in the collection of child support often goes unrecognized by regulators and consumers," said California Land Title Association Executive Vice President Craig Page. "Not only do title insurers undertake a search of public records to protect owners, they coordinate with government agencies to identify and recover delinquent child support, spousal support and tax payments that would otherwise be uncollected."

Title companies nationwide are providing this service. "Irrespective of whether or not money is being tracked, I would guess that many title companies throughout the country are playing the same essential role of collecting money like we do in California," Page said.

Earlier this year, the California governor signed into law legislation that helps the Department of Child Support Services and local child support agencies automate the filing of real property liens against delinquent child-support obligors. This law was one of two recent bills designed to strengthen the enforcement of the law to protect children and parents who have a legal right to child support money.

There has recently been much criticism leveled at the title insurance industry, often relating to overcharging for policies and paying kickbacks for business referrals. However, it's important to keep the positive aspects in mind.

Title insurance is used by home buyers and lenders for protection against back taxes, undisclosed liens, legal judgments, forgeries, fraud and other potential legal and financial problems that can arise when purchasing or refinancing property. A national study revealed that title companies undertake corrective action in about one out of every three real estate transactions, Page pointed out.

Most of the premium goes toward identifying and eliminating potential title problems before the close of escrow. Consumers pay only once for title insurance. There are no monthly premiums.

Q: Are more renters turning into home buyers?

A: With rising rents and few available rental units in many markets, the motivation for longtime renters to invest in their own home is indeed growing. Today's low mortgage interest rates often make it possible to pay less on a mortgage than the rental amount for a comparable unit. And, of course, there are tax advantages and potential capital gains benefits in homeownership.

Current market factors are driving a growing trend of converting existing rental units into condominiums. This is primarily seen in or near downtown core areas where many buyers seek a condo residence close to their point of employment. Commuting long distances is becoming less and less attractive, considering the rising cost of gas and increasing traffic congestion in many metro areas.

From the investor's perspective, it's more appealing and feasible to develop and sell condos than build rental apartment structures requiring expensive and trouble-prone management services.

Q: Does the mortgage industry approve of pending new laws to reform the bankruptcy code?

A: Apparently not. Currently proposed legislation to reform the bankruptcy code will create significant costs on consumers by restricting the flow of capital into the mortgage market thus increasing their cost, according to David Kittle, chairman-elect of Mortgage Bankers Association.

"If you chip away at the security created on home mortgages you chip away at the entire core of the mortgage finance system. In order to account for the added risk, you will add costs to obtaining a mortgage. Rates would jump, going up to 2 points for everyone taking out a loan," Kittle predicted.

Q: What new laws are targeted at controlling lending practices?

A: New legislation has been proposed that would restrict lending practices, encourage states to enact stronger mortgage regulations and set up federal-level regulations if they don't do so. The bill, proposed by Rep. Barney Frank, D-Mass., chairman of the House Financial Services Committee, is designed to protect future borrowers.

The new law would bar mortgage lenders and brokers from receiving incentive payments to sign up borrowers for overly expensive loans. It would force lenders to give borrowers a range of suitable loan options and make sure the consumer (borrower) has a reasonable ability to repay the loan. It would also enact strict limits, but not an outright ban, on penalty charges made to borrowers who make their payments early.

However, a newly released study by Public Opinion Strategies indicates that most Americans believe government intervention in the mortgage market would distort the natural correction that would otherwise take place, and prolong uncertainty and turmoil in the housing market. Consumers understand this and believe individual homeowners and lenders need to adjust to market realities, according to the report.

About 90 percent of those surveyed in the study viewed subprime mortgages as a serious crisis, but only 31 percent of respondents believe the federal government should get involved. Rather than create new federal mandates and regulations, 93 percent of respondents support disclosure to provide consumers with more financial information before signing up for mortgages.

About 87 percent favor verifying finances and incomes to ensure buyers can pay back their loans. By more than a two-to-one margin, people opposed legislation that would eliminate the need for a down payment on federally funded loans.

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