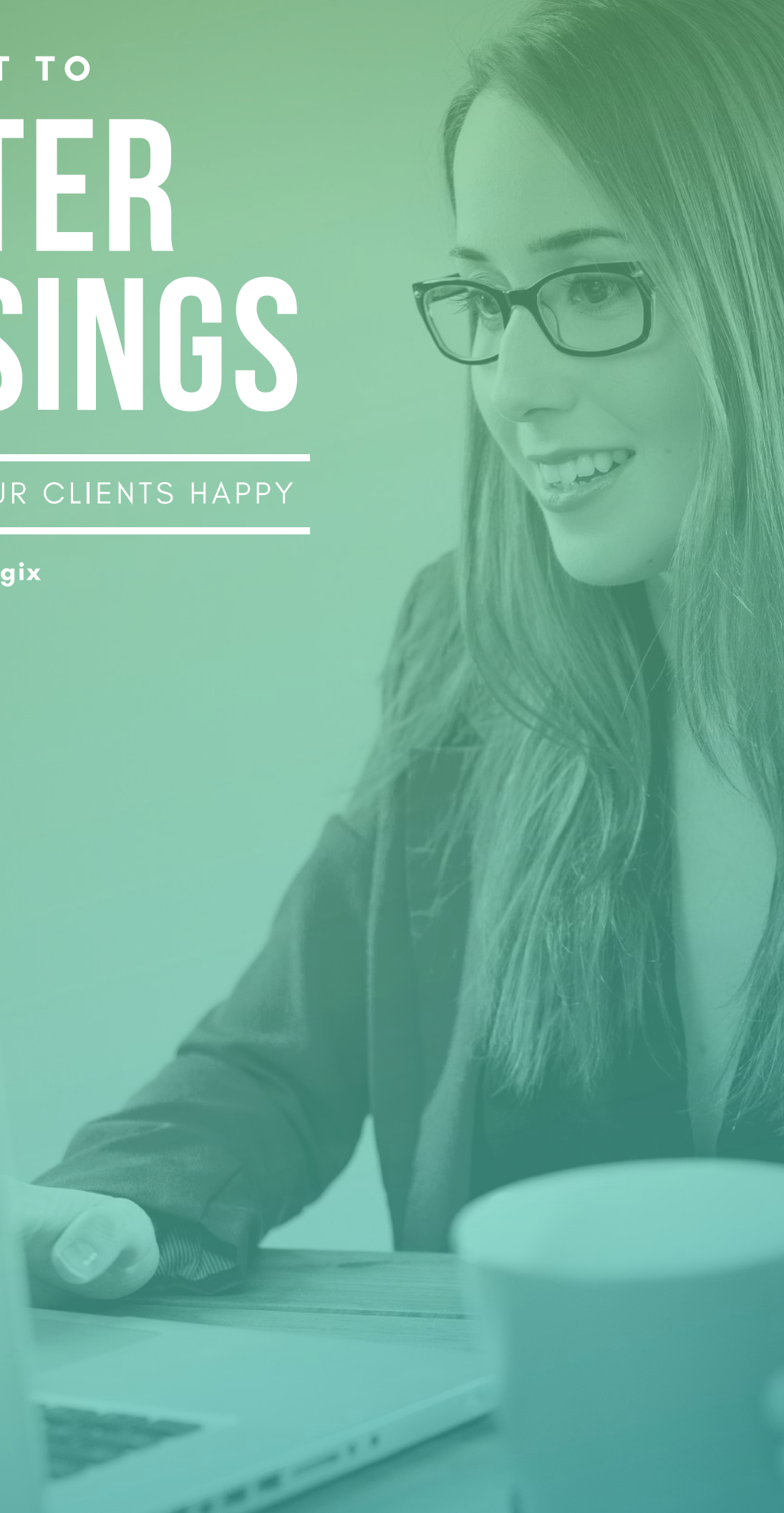


THE SECRET TO

BETTER CLOSINGS

& KEEPING YOUR CLIENTS HAPPY

an ebook by **PropLogix**



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HOW MUCH IN-HOUSE DUE DILIGENCE REALLY COSTS

In a recent poll of title agents and real estate attorneys, respondents identified juggling too many different responsibilities, not having enough time/rushing through tasks, and finding ways to generate new business as their biggest hurdles.



Indeed, **time is money**, so how are title companies and law firms that deal with real estate transactions getting back some of those coins to invest in growing their business?

If you're looking for ways to get to the closing table more efficiently while minimizing risks and maximizing your opportunities for business growth, you may be looking for a real estate due diligence partner.

Average Time Spent on Due Diligence

- 1hr | HOA Identification
- 2hr | Finding surveyors & getting quotes
- 2hr | Post-closing follow-up
- 3hr | Taxes, permits, municipal debt
- 4hr | HOA letters or certificates

This works out to be roughly **12 hours per closing**. The average title company does about 50 closings a month resulting in a total of **600 hours a month spent on due diligence**.

.... **ABOUT \$9,600/MONTH**

Processors make on average \$16 an hour, so that means a conservative estimate is about \$9,600 a month spent on coordinating and performing due diligence tasks in addition to the traditional title search.

PROPERTY DEBT NOT DISCLOSED IN YOUR TITLE SEARCH

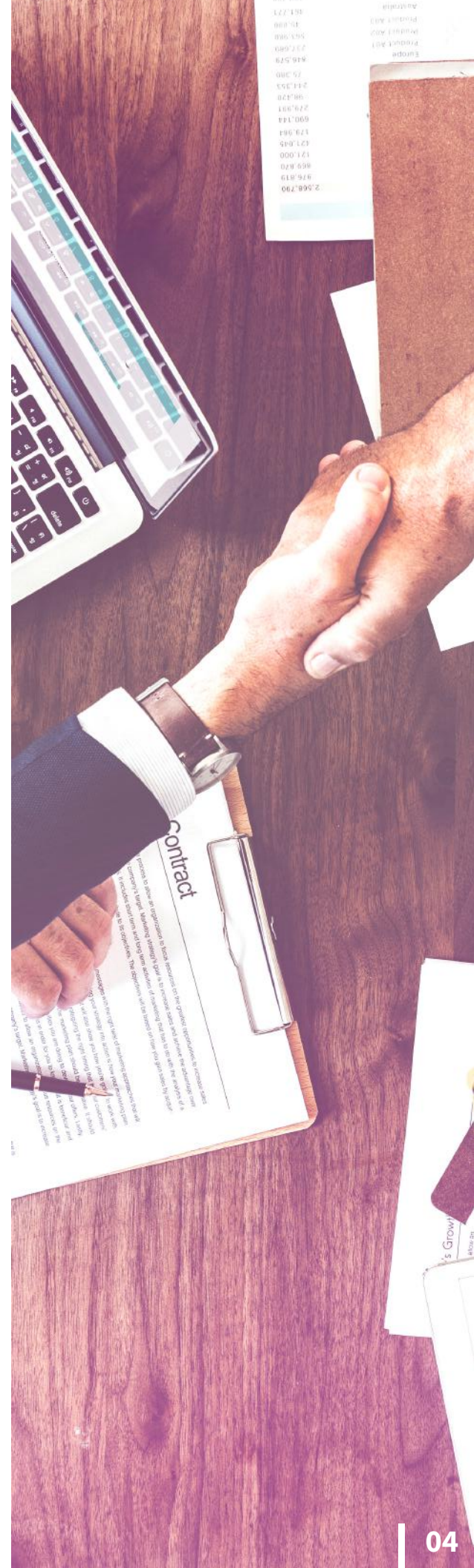
You understand how important complete due diligence is in order to protect your clients' biggest investments, your reputation with the underwriter, and real estate agents you work with.

While the traditional title search will reveal all the recorded issues on a property, there is a growing trend where municipalities around the United States attach high unrecorded bills and fees to a property. These records are not accessible in the public record, yet the fees and issues can be passed onto a new, unsuspecting buyer.

A traditional title search *does not* reveal unrecorded property debt.

A title search of the public records on a particular date will not always provide the most current information about the title to the property on that date. Title searchers and title insurance agents should be aware of the “**gap**” problem that may arise due to indexing delays at a county clerk’s office. A gap period exists between the time that an instrument is submitted to the county clerk or comptroller for recording and the time that the instrument is actually indexed so that it can be found during a search of the public records.

Many municipalities are also slow to record outstanding utility bills and code violations as liens against a property. This gap may create additional risks for the title insurer.



COMMON MISCONCEPTIONS ABOUT UNRECORDED PROPERTY DEBT

01 | My underwriter performs this search

Unrecorded debt is usually not a part of the title search. Requesting this information from the municipality is the best way to find costly issues like unpaid utility bills, code enforcement violations, and open or expired permits. This search provides a deeper dive into every aspect of the property regarding municipal fees and fines that could eventually be recorded as a lien.

02 | I don't need a search if it's not a distressed property.

These debts can affect any kind of property. Every governing body's restrictions vary. Some are far more strict than others and quick to issue code violations to property owners. Permitting fees tied to open/expired permits are passed to new owners in many municipalities. Issues have been found in more than half of the "non-distressed" property searches we perform.

03 | Utility liens will be discovered through a title search

Not always. A woman in New York recently bought a foreclosed home. While there were no recorded utility liens on the property, she was hit with a \$4,000 water bill when she requested to turn on the water. Apparently, 1.3 million gallons of water was used in between the last meter reading just before foreclosure and when the water was cut a year later. There was no request for a final meter reading before she closed on the home. Even when a meter reading is done beforehand, some utility authorities are slow to issue liens. Requesting a reading and current bill is the only way to prevent this.

04 | Buyers don't want to pay the extra cost

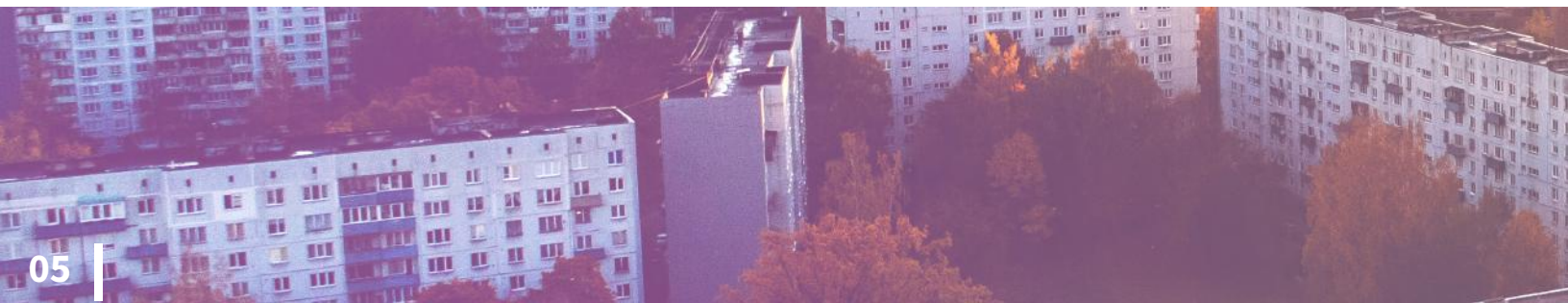
Unrecorded property debt searches are becoming a common practice. The average municipal lien search is less than 3% of the total typical closing costs. It's hard to justify skipping this relatively inexpensive and crucial step since it can have serious financial repercussions for the buyer, especially since litigation to settle any related claims will be far more costly and time-consuming.

Many homebuyers are simply unaware of these potential issues after closing and assume that title insurance will cover all hidden costs and issues. Just as buyers have been informed of how important the appraisal and inspection is, municipal lien searches need to become a bigger part of real estate due diligence education.

the average lien search
is less than 3% of total
typical closing costs.

05 | This debt stays with the individual, not the property.

This can vary from state to state and city to city, but many states do have statutes that allow for government authorities to exercise liening on a property to recoup their losses as opposed to following the previous owner's credit history. While many sellers may not intentionally hide such problems, There may be unrecorded liens or permit issues attached to the property due to another owner years before they even acquired the property.





HOW TO FIND HIDDEN DEBT:

MUNICIPAL LIEN SEACHES & TAX CERTIFICATES

What is a Municipal Lien Search?

This search looks for all unrecorded property debt that the title search won't uncover. Most debt is recorded as a lien. However, in states where items like government taxes and fees supersede a bank's lien, many times they go unrecorded. This debt could become a lien and the responsibility of an unaware buyer, as the debt is against the property, not an owner. The debt is expected to be corrected by whoever owns the property at the time.

Code Violations & Liens - Any outstanding fees, fines, or liens issued by the governing body's code enforcement department. A current payoff letter good for 30 days is also provided if a lien is found.

Open/Expired Permits - For any open, expired permits or fees associated, contact information and instructions are provided on how to correct before closing. If available, a full permit history is provided.

Special Assessments - Any unique charges that a public or non-association private body (like a CDD) levies on the property to fund local improvements.

Taxes - The last three years of property and tangible taxes as well as notification of any prior years tax delinquency (including tax deeds and tax sale.)

Utilities - Identification of the utility system serving the subject property, and any outstanding utility fees (for example, water, sewer, storm water and garbage).

WE'VE RESEARCHED
1000'S OF PROPERTIES
61%
HAD SOME KIND OF ISSUE.

What is a Tax Certificate?

This certificate will detail the individual taxing authorities for a property, including taxing jurisdiction, exemption amount, and tax rate. It also provides a comprehensive description of the assessed value of the property and taxes imposed to a property. It will include property assessment details, and a summary of current tax year amounts owed with and without exemptions and disclosure of delinquent tax years.





DO YOU HAVE ASSOCIATION ANGST?



**THERE ARE AN ESTIMATED
351,000 HOA's
IN THE USA & THE NUMBERS KEEP GROWING**

Whether buyers love them or hate them, associations are an unavoidable part of the real estate industry. As a result, the headache of requesting information from all governing associations is growing for title agents and underwriters alike.

It's not uncommon to see properties that are governed by 4 associations or more in some regions. Sometimes, a dissolved association can also cause a problem for a new owner by coming back to demand outstanding dues if and when reinstated.

A closing agent can call the association listed in the title commitment and still miss thousands of dollars in assessments and unpaid fines from a hidden second, third or fourth association.

Title commitments are intended to keep track of all these associations. This is vital information for transactions to run smoothly and quickly. If our research uncovers an association is missing on the current title commitment, we work with underwriters to ensure the information is included in future title commitments.

We work to provide accurate and transparent property information for all transactions whether we ever work on a closing for that property in the future or not.

OUTSOURCING ASSOCIATION RESEARCH IS RIGHT FOR YOU



Do you have time to devote to tracking down associations?

If you have ever dealt with a self-managed association, you know how hard it can be simply to reach the right person to process your requests. Even in large and well-managed associations, the manager isn't always sitting in an office in the clubhouse. If you want someone else to worry about all that, it may be helpful to find a due diligence partner.



Do you want to front fees until closing?

Carrying those extra costs can be a real burden on a company. If you can get someone to prepay, then you're in good shape, but if you have to float that extra expense until closing, it can be expensive. Would you prefer to have another company take that on for you?



Do you want to be liable when something is missed?

When you outsource this responsibility to a reliable company, they are going to guarantee their work and take on the liability when something is missed. That means you're getting insurance without paying a premium out of your own pocket. Also, when the association screws up and misses information, we'll cover you up to \$2,500 for their mistakes.



Do you like going toe-to-toe with the associations?

Sometimes, associations are run by the kindest and most competent of managers. Sometimes they're not. Sometimes they're blessedly helpful. Other times they're the opposite of that. It's not uncommon to come across an HOA or COA run by someone who doesn't know what documents are required for a closing or that there are laws which require them to provide information in a timely (kind of) manner.



When applicable, do you want to fight to get a refund if the deal cancels?

We run into associations in some states often that don't even know the law requires them to refund fees when the deal falls through. We help educate them all the time.

WHICH IS RIGHT FOR YOU?

ESTOPPELS VS IDENTIFICATION



Association Estoppels

This report is best for title companies and law firms looking to scale their operations. Our experienced and thorough analysts provide you with all the detailed closing documents from associations.



Association Identification

This service is a good option for those companies that have the resources to request directly from associations and management companies but not the time to do all the initial research.

What's Included?

- All governing associations & dues*
- Violations & collection payoff letter
- Buyer requirements
- Community special assessments
- Rec leases/insurance funds
- Utilities

*Title commitment must be provided

What's Included?

- Name & contact info for associations and management company
- Info on additional associations if they exist
- How to order the report
- Estimated fees
- Turnaround times

THE PROPLOGIX ADVANTAGE

We have an extensive database to track the appropriate contact of a management company or association. We provide email updates on information as it's gathered. This is especially helpful for any property information which may cause a delay in closing such as an active collection status. The final comprehensive report comes with a quick-look summary on the cover page, so there's no second-guessing on what's due to each association.



WHY EVERY TRANSACTION NEEDS A NEW SURVEY

The practice of obtaining a new land survey for each new transaction varies wildly depending on the state, property type, and underwriter policies and procedures. While some underwriters are comfortable with the liability of removing the survey exception under certain conditions in lieu of a new survey, this can come back to haunt a title company or law firm and throw you off your game, preventing current transactions from closing on time and making it difficult to generate new leads.

“3 of the top 10 common title problems are related to survey or boundary issues.”

- The American Land Title Association

A new survey is almost universally considered a buyer's closing cost, so it can be difficult to convince some to spend an additional few hundred dollars on this line item on the contract. For closers, it's another task on the closing checklist that keeps them from completing transactions quicker. Getting quotes from qualified surveyors in your area and contacting the best option takes time. Eliminate this stressful task by utilizing the PropLogix surveyor network on your next closing.

..... Services From Our Surveyors

- Boundary Surveys
- ALTA Surveys
- Location Surveys/Certificates
- Topographic Surveys

HOW TO AVOID POST-CLOSING WOES

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Every title agent knows that the job isn't over after closing. Post-closing tasks of tracking the recordation of various instruments listed in the title commitment still need to be performed. This is a core title service that can be easy to lose track of in the shuffle of files piling up on your desk (or computer).

“There’s an issue with about **10% of post-closing recordings...** and many of those issues could result in title claims.” - **The Closing Alliance**

Even as the digital age takes hold of more industries, much of the real estate and title industry still relies on antiquated methods of recordkeeping. A human error like transposing numbers on a mortgage satisfaction recorded in the county clerk can lead to issues for new homeowners when they go to sell. It's easy to lose track of this imperative follow-up when dealing with multiple closings in a week. Whether it's a HELOC, mortgage, judgment lien, lis pendens or any other type of instrument, we'll track it.

PropLogix Advantage



We specialize in residential & commercial transactions.



We'll deal with the lenders & municipalities so you don't have to



We'll fix post-closing issues



OUR COMPLETE SUITE OF DUE DILIGENCE SERVICES



Municipal Lien Search

Comprehensive property reports of property and tangible taxes, special assessments, code and permit information, and current utility balances. We guarantee protection against third-party reporting errors up to \$2,000



Association Research

Additional associations, violations, association dues, collection payoff letter, special assessments, buyer requirements, right of first refusal, utility information, rec leases and insurance funds.



Tax Certificate

This report provides a description of the assessed value of the property, taxes imposed on a property, and any exemptions currently applied.



Association Identification

This service includes the name and contact information for the association(s) and management company as well as information on any additional associations if they exist.



Land Surveys

We have a nationwide survey network providing surveys and certificates related to the property's region.



Release & Payoff Tracking

Track satisfactions of mortgages, liens, judgments and other open debts against properties within a state's mandated timeframe.



Commercial Services

UCC searches, Certificates of Good Standing, zoning letters and judgment searches.



Title Curative Services

Resolve issues of unrecorded satisfactions of mortgages, liens, judgments and other outstanding debts against properties.

ABOUT PROPLOGIX

We are a real estate due diligence partner offering a variety of support services to help your title company or law firm close on more deals and focus on growing your business. Working with us will mitigate unseen risks and liabilities when preparing for or following up with a closing.

HOW TO ALLEVIATE END OF MONTH MADNESS

Our commitment to our clients doesn't end after we deliver a property report.

A part of simplifying the closing process means providing stellar client support, educational material for buyers and sellers, weekly blogs to keep real estate professionals informed on the latest trends in the title and real estate industries, and exclusive webinars to help you improve your everyday work flows.

Our Client Success Team is here to help answer your questions and concerns 24/7. They are devoted to helping assist you in providing a seamless closing for your clients.

Our integrations with some of the most popular closing software means you don't have to navigate away from your screen to rekey property information.

Your reputation and your clients' investments are protected with our \$2 million Errors and Omissions coverage.

If you're one of the many title agents or attorneys looking to reduce stress and worry over some of these due diligence tasks PropLogix is here to help.



GET STARTED TODAY

PropLogix.com | 941.444.7142

TEAMWORK IS THE ABILITY TO WORK TOGETHER

TOWARD A COMMON VISION, TO DIRECT
INDIVIDUAL ACCOMPLISHMENTS
TOWARD ORGANIZATIONAL OBJECTIVES

IT'S THE FUEL

THAT ALLOWS COMMON PEOPLE TO ATTAIN

UNCOMMON RESULTS

- ANDREW CARNEGIE
