Forever Cash Real Estate Podcast 012

# 7 Tricks to Get the Most out of Your Real Estate Investing Title Insurance and Title Company: Part 2

*Hosted by: Jack and Michelle Bosch*

**Intro:** Are you ready to transform your financial future? Here's your chance to see inside the mindset of self-made millionaires, Jack and Michelle Bosch as they go back the curtain on secrets that can make you rich. Discover how everyday people are breaking the norms and building empires from the ground up using a little low yet proven and time-tested wealth building real estate strategies. It's my pleasure to welcome you to the ForeverCash.com podcast and introduce you to our hosts, serial entrepreneurs, investors, educators and best-selling authors, Jack and Michelle Bosch. Strap yourself in for the ride of your life.

**Jack:** All right. Hello, everyone. This is Jack Bosch speaking and...

**Michelle:** ...And Michelle Bosch.

**Jack:** All right. Husband and wife team again here in our podcast number 12, right?

**Michelle:** I believe so, yeah.

**Jack:** Episode number 12. We are going to talk today about how to actually do a closing either in-house meaning that without using a title company and with an absentee owner.

**Michelle:** Yeah.

**Jack:** So, with people that don't live in your town or don't live anywhere closer to the property but mostly don't live close to you and people that... We're even showing you how to do this without even using a title company.

**Michelle:** Yeah. And, it’s in much more detail I think than one of the other podcasts that we have already talked about the title company.

**Jack:** It's actually the second part of that.

**Michelle:** Yeah, it’s the second part of that. And so, it’s much more detailed. It’s actually going into a little bit of the nitty-gritty of to how to conduct the title search.

**Jack:** Right, exactly. So, I believe we have podcast episode number 10 or so...

**Michelle:** Ten, yeah.

**Jack:** ...That talked about the diverse part of it and we promised you the second half of it. Here it is.

**Michelle:** Yeah.

**Jack:** Okay, before we get started, as always, I wanted to let you know that just as a thank you for listening to this podcast, we have a free mini course on tax delinquent real estate investing which is our specialty. It's about how to buy properties when the owners haven’t paid the property taxes. Instead of going to the auction by going around the auction, we're buying them directly from the owners. And, we have put together a mini course. It's basically "get all the core knowledge" in literary like an hour and a half course like a pump full of content and you can get that under the website www.ForeverCashFreedom.com.

Also, any kind of podcast notes and the transcripts and those kinds of things and the links that we're mentioning right here in this podcast are going to be available in our podcast website which is under ForeverCash.com/Podcast, ForeverCash.com/Podcast for the notes and ForeverCashFreedom.com for your free gift. So, with that, let’s get started.

**Michelle:** Let’s go. Can I go?

**Jack:** Absolutely, Michelle. You go first.

**Michelle:** Okay. So, with an absentee owner, you can close with either a title company or without a title company.

**Jack:** Yeah. But really, the thing is that I mentioned earlier... Excuse me if just quickly jumped in.

**Michelle:** Sure, go ahead.

**Jack:** So, there are really the same options no matter where the owner lives. Even if the owner lives next door or the owner lives across town, you can meet with the owner, you can meet with the owner at the title company, you can have him come to title company, but you can also do this also by mail and so on. We are going to talk about both methods really quickly or the one with the title company really quickly because it’s really simple. The one without the title company, a little bit more in detail. So there, as I mentioned...

**Michelle:** Yeah. And, there's a third way which is a hybrid closing which is doing, outsourcing a little bit of the leg work and you're just completing by preparing the documentation that your seller is going to sign over what he has signed a property over to you.

So, let’s start with closing with the title company. And, some of the advantages of closing with the title company, I remember because originally when we started, we were doing everything ourselves. And then, at some point in time we decided, "Okay, know based on the value of certain kinds of properties, I think we should start outsourcing this."

We are doing a lot of volume outside of our backyard which was the state of Arizona and we were going out into the Southwest and the rest of the U.S. And so, we're like, "Okay, let’s start using title companies," and immediately what I saw when we started doing that for a chunk of the properties was that it was very hands-off.

There was really nothing to do. They pretty much do everything. They do the title search. They draw up the documents. They are in contact with your seller. They send the documents out. They get them back. They record the deed. They distribute the funds. They pretty much take care of everything so...

**Jack:** Right! If we are talking about dialing with an absentee owner, the only thing that comes in here is that if they live in town, what typically happens and that's what most people are used to with the...

**Michelle:** Uh-huh.

**Jack:** Basically, if you buy a house from the owner and you live in... I don't know. If you live in Atlanta, you want to buy your house because you want to move in and you have a realtor help you and the "seller is a Realtor" help you and the seller moves out of that house, what happens is that the title company invites you to their office for you to sign the documents and invites the seller to the office for them to sign the documents.

Well, if you are dealing with an absentee owner, really, the only difference is they can't invite them to their own office because they would have to take an airplane right over there which most people are not willing to do because of the extra cost. So therefore, what they do is they either send the documents out to them by mail...

**Michelle:** Yup!

**Jack:** ...For them to sign.

**Michelle:** Or email.

**Jack:** Or, if it's a mortgage kind of where you'll be involved and it's a whole bunch of stack of documents, what they can do particularly if you are working with a nationwide title company like First American and those kind of guys that are all over the country, almost all over the country, they can invite the seller and the buyer separately into a title office that's close to where they live and send the documents there and help the title officers there to help them sign the documents and that's what's called a "courtesy closing" in those locations.

So, if you take an example. For example, if you have a property in Atlanta, the buyer is in Chicago and the seller is in Los Angeles, California, well, there is no way. And, the title company therefore is in Atlanta because you want to pick a title company that's in the state where the property is.

**Michelle:** Where the property is located, yeah.

**Jack:** So, in this case, the title company, what they do is they either send the pack or set of closing documents to the seller and the buyer by mail or by e-mail even...

**Michelle:** Yup!

**Jack:** ...Which they then printed out, signed and authorized and so on. Or, if they are not familiar with that or they are not comfortable with that, they call an office of First American in Chicago and they call a First American office in L.A. and basically send the documents to them. And then, whoever it is in that one party or the party who lives in L.A. goes in that office in L.A. The party who lives in Chicago goes to that office in Chicago. They sign it right there. And then, the title offices of those two cities send the documents back to their sister office in Atlanta.

**Michelle:** Yeah.

**Jack:** Right? That's the other way that you can do that but bottom line to that is you don't have to worry about it. Because as Michelle just said, the title company takes care of all of that and that's why you are ultimately paying them for.

**Michelle:** Yeah. And then, when you do that, the great thing about it is that you can also go ahead and if you find a title company that you like to work with, they give you a good deal so you have an amazing like super star escrow officer. That is a person that you continue to deal with. First, it's having to deal with many different ones on different states wherever you are doing business with your properties. So therefore, there is only person to manage, one person to follow up with on docs and on closings that need to happen by a certain date and that's great!

**Jack:** That is just wonderful, yes!

**Michelle:** Yeah.

**Jack:** So, the disadvantages, and then I think Michelle already mentioned this. They actually record the deed and they distribute the money to the seller and once a deed is recorded, if you are the buyer, you are the new owner of that property.

And then, they take the money from that you send to the title company, wherever they are, and they distribute that money to the seller after paying off all the kind of liens and back taxes and keeping a little bit of their own escrow fees and so on and so forth. So, it's really very simple. They do everything. You don't have to do a whole lot. The disadvantage of working with title companies are obviously...

**Michelle:** Well, it costs more money. And, for us, that's why I had mentioned earlier, we decided that a certain value of property was not worth the money of going through a title company and getting title insurance on the property especially on properties where we're paying $100, $200, $300 or $500 bucks.

It's like you are going to spend $900 on title and the title company, which is way more than what you are paying for the property. So, for us, it started making sense when we were at a certain level of value of a property or what we were paying for those properties. And then, it started making sense for us outsourcing those out because of the costs involved. It runs anywhere between $500 and $900 and I have seen them as low as $500 but it's more around the $900 ballpark.

**Jack:** Right.

**Michelle:** And so, another of the disadvantages is that you then have to manage the title company. Of course, you need to make sure that you are on top of them, that you don't go past your date of expiration on your agreement because otherwise, you are going to have to contact the seller and try to get an extension to your agreement and who knows? By then, 30 or 45 days have passed and they are thinking, "Maybe this is not going to happen," and they may be reluctant to be extending the agreement.

So, you want to stay on top of the title company to make sure that you are closing within time. Because again, if you are dealing with a piece of property such as land, more than likely, your file will be at the bottom of the stack because if they have a lot of other closings that are $100,000, $200,000 homes where banks are involved, they'll probably give priority to those. So, you need to stay on top of them and making sure that you are a squeaky wheel and that your closing takes place basically.

**Jack:** Absolutely. So, good. I'm glad you covered...

**Michelle:** Actually, one more thing is that the title insurance doesn't cover that much. It really only covers you for the amount that you are paying for the property and not for the value of the property.

**Jack:** Yeah, the standard title insurance only covers that. You can get an extended title insurance that actually covers the value of the property, but then, the title insurance costs even more.

**Michelle:** Yeah.

**Jack:** So now, you have to pay even more money. So again, the thing is here in this kind of thing, it's actually not a disadvantage. But, one of the pieces that I want to mention is what Michelle just said. Actually, Michelle talked about it already so I want to just reiterate that.

As what Michelle just said, one way to make working with a title company more enjoyable is you just pick one major title insurance that has offices all over the country because they can do things like these courtesy closings. And, what they also can do is they can have... They can allow you to do deals all over that state without having to work with yet another title insurance officer. So therefore, you get all the services from one office, from one person instead of having to deal with 15 different title officers if you do deals in 15 different states. So, now, the question is...

**Michelle:** Is closing without title which is a... It reminds me of our roots. This is how we started our land investing business. It was a lot of mistakes at the beginning and you learn from those mistakes so much that at some point we were so, so good at title search that whenever title companies didn't know the way out of a title problem, we would have the solution for them. So...

**Jack:** We fixed lots of title problems that the other people were not able to, what the title company was not able to actually solve.

**Michelle:** Yeah.

**Jack:** But, the key thing is because the main thing in doing it, whether you are doing it yourself or you are doing it with a title company, the main thing of a closing comes down to a good title search. And so, the title company does nothing different than what you could do which is they do a very thorough title search.

And, if the title search comes up what we call clean and we'll explain in a second what that means, then they'll basically be ready to buy, ready to close on that property and ready to insure the property. Because in that sense, when they buy this property, when they insure the property, they know that chances are that never anything else will pop up that will make them have to basically use that insurance or make the owner use that insurance.

**Michelle:** Yeah.

**Jack:** Well, if they do such a good job in dong the title search and if the title search and the results of the title search are all clean, effectively, you don't need a title search. You don't need a title insurance. Because if the results are all clean, you might as well... If you can do the same level of title search as the title company does, then you can basically effectively self-insure those properties because the chance that somebody ever is going to come after you for something that wasn't properly is extremely, extremely low.

**Michelle:** Low, yeah.

**Jack:** So therefore, it comes down to the title search. So, if you are willing to learn how to do a title search yourself, if you are willing to learn the ins and outs on how to do that for every deal that you do, you can save yourself those $700 to $900 in title search.

So basically, "When would you want to do that?" is the question. When you want to do that is you want to do that mainly for deals that you can buy super, super cheap. In this case, particularly for land deals. For example, every house deal that we do, we send to a title company.

**Michelle:** Yeah.

**Jack:** Especially tax delinquent houses, they might have other liens on them. They might have other things on there. So houses, we want to do with title insurance.

**Michelle:** Yeah, absolutely. And then, like I said earlier, it makes no sense if you're paying a $100 for a property to go spend $900 bucks to get the title work done. So, that's the main reason for wanting to basically do your own title search and draw up your own documentation which is mainly a deed or what we call here in Arizona, an "affidavit of transfer" or "transfer affidavit" or it's called in California. There's basically some sort of document that helps the assessor find the value of the transaction that is happening when you're transferring ownership from one person to the other.

So, it's really those two documents. It's really a deed and some kind of form that shows the value of this transfer of property. And, that is pretty much it. We have another few documents that we include like CYAs, which are in order to ensure, for example, that our seller is not probably selling their property to somebody else. So, we developed our own couple set of docs, but that's about it. And, you can have access to those docs. I think they're in the LPG if I'm not mistaken. So…

**Jack:** Yes, they're in the Land Profit Generator so a lot of these documents are in there. And, as I said, the Land Profit Generator is the document that usually do for land deals. So, for example, you come across a land deal that's worth only $3,000 and you can get this property for $57. And, don't be laughing because we've probably bought 300 to 500 deals like that. I mean, one time we bought 110 pieces of land for $110,000. That means it's an average of $90 a property.

We've bought a property for $37 dollars. So, usually, we only pay at least $50. So, if you pay $50 for a piece of land, it really doesn't make sense to insure or to pay $700 to $900 to insure it. And, even if you get it insured for the full $3,000, you just paid 30% or almost 30% of the value of that property to insure it. And, on top of it, now, if you sell it for $1500 as a quick sale, you're making a whopping amount of $500 on that deal.

**Michelle:** Yeah.

**Jack:** It doesn't make sense. So, in those cheap deals, it makes sense to do this yourself because it just takes perhaps 20 minutes to do a good title search if you know how to do it or once you do it. The first time around is probably going to take you a couple of hours. But, once you get used to it, it takes 20, 30 minutes to do a good title search. And then, it takes another 20, 30 minutes to draw up the documents, and then you send them out by FedEx to the seller. They sign it. They send it back. You send them the money. And now, you spend $57 plus perhaps another $50 in FedEx cost and you're basically at $100, $107 if I calculate this right.

**Michelle:** Uh-huh.

**Jack:** And, you can sell this property for $1500 and you make $1400 profit. Now, this deal looks much more interesting.

**Michelle:** Yeah.

**Jack:** Because now, you do three deals like that a month and you have replaced the American family income with that.

**Michelle:** Yeah.

**Jack:** So, that is kind of the point on where you want to use that, where you want to go without the title company versus with the title company.

**Michelle:** Another thing that I want to say though is that if you are ready to really scale this and have a substantial higher volume of deals going on, you may choose to not do title search yourself because the time that you're spending doing the title search could actually be spent instead looking for new areas to invest and negotiating with your sellers. Basically, at some point in this game, the value of your time will increase and it will no longer make sense. But, if you're at the beginning and you want to try this and you want to do this yourself, here is how to go about it.

So, how to do the title search? So, you start by going to the county clerk or recorder's office. And, if they have that online, it would be ideal. You can always walk into their offices as well depending on the county that have electronic records or you might find yourself looking through microfiche or these little films which I've done in the past. We no longer do that but it's how we started. And so, you want to start looking for the name of the person that is selling the property to you.

In the deed in which that person received the property, they are called the grantee. They're the ones receiving. And, whoever they purchase the property from is the grantor. So, you want to put the name of the grantee which is your seller and you put in their last name, their first name. And, more than likely, the property will show up and what will show up is a deed where that person took title to the property.

What could happen is that if this person also owns other properties in that county, you'll see other deeds come up with their name as well. And, in that case, you're going to have to open each of those documents and go take a look at the legal description of those deeds and figure out which one is the one that is pertaining to you, which one is the one that you're purchasing. So, once you have basically the grantee, the name of the person that you're buying it from and you have identified their deed. You look at the legal description. "Yeah, this is the lot. Lot 20 in Bridge Canyon Country Estate Subdivision. This is the one that I'm buying. This is the one that matters."

So, then you go and you start looking at any other liens such as mortgages that could be against that one lot. And usually, any other lien will have the legal description of the property in question because it is usually liens against the property versus against the person at this point. So, you look for that. You look for mechanic's liens. These are liens that say for example, it's a piece of land and somebody put on a mobile home and in order to do that, they need to get a septic in there. And somehow, they didn't pay whoever did the septic work for them, and all of a sudden now, this company, this contractor puts a lien against the property and those are called mechanic's liens.

And so, if you find some of those, what you want you look for is you want to look for releases. Other liens will be HOAs. They will put liens against the property when the owner has not paid the HOA fees. And so, you want to look for releases or if you find a lien and they have not paid basically those HOAs fees, at this point, you want to go back to your seller because at this point, you are in a very good situation to basically renegotiate what you're buying the property for if the liens are excessive.

**Jack:** Or, what happens is that sometimes these liens have been paid off and they…

**Michelle:** Forgot to...

**Jack:** Record the release.

**Michelle:** ...Record the release, yeah.

**Jack:** Particularly, one that was a personal kind of loan or private loan from his fictitious Uncle Bob or not fictitious. But, for example, his uncle. His uncle gave him a loan on a property and he paid it off. But then, his uncle never gave him a release or he gave him a release and the seller didn't know that he actually had to record that. So, it's sitting in the file folder of the seller in his home office and he doesn't know that he needed to that. Well, the thing is when you do this, just like Michelle just mentioned, when you go through this and you find all the stuff that is attached to that property and you need to see if something is attached to the property like a mortgage, well, ideally, it should be released.

**Michelle:** Yup.

**Jack:** But, if the lien is an HOA lien, it needs to be released. And, if it's not, then on paper, it's still being owed.

**Michelle:** Yeah.

**Jack:** And, if it's still being owed, then it can destroy the deal or you then have to go back and renegotiate with them. But, bottom line is all those things effectively have to be paid at some point of time by whoever owns the property.

**Michelle:** Another type of lien, of course, that you would find there is a property tax lien.

**Jack:** Well, it depends if they're already attached on not. If it's just back taxes in a tax deed state, you'll find those over at the tax collector's office. But, bottom line here is that you want to look and see, "Does this property owe anything to anyone or does the owner in this case?" because you're looking for the owner. Does the owner owe anyone still money where he has pledged this property as a collateral?

**Michelle:** Yeah.

**Jack:** That's effectively what you're looking for. So, what's very possible is that, just to summarize this, what you find is if this owner has owned this house or piece of land for 40 years and you find that four years ago he got a deed, and then he also further signed a deed of trust for the that property and he also signed a note. So, you see a note, a deed of trust and a deed. So, that means that he had a mortgage on it. And then, in an ideal world, 20, 30 years later, you will find a release of that note and a deed of release and reconveyance back to the seller, back to the person that owns the property and now wants to sell it to you.

In that case, if you find nothing else, then that shows the property is free and clear owned. If you find an additional mechanic's lien, then you got to go start searching for those releases to that lien and once you find that release, then great! That mechanic lien has been issued and has been released. So again, it's off the property.

**Michelle:** It goes in and out.

**Jack:** It goes in and out. And, you keep looking like that all the way through. You keep going for that and looking that, once you find this out for this owner, the person that owns the property and wants to sell it you right now, now, you need to also... You look up the deed where he bought the property. And, let's say if his name is Jim Beam and he sells the property to you, then perhaps he bought it from Jack Daniels.

**Michelle:** Yeah.

**Jack:** So now, you have found out everything about Jim Beam and about this property. And now, you got to go and got to see, "Well, he bought it from Jack Daniels. Did that transfer happen properly?" Because one thing is the liens, but the other thing is the ability to actually be able to sell that property to you. Did Jim Beam actually buy it from the rightful seller?

**Michelle:** Yeah. And so then, you go back to them and repeat kind of like these steps with…

**Jack:** For each previous owner.

**Michelle:** With each previous owner, yeah.

**Jack:** For the minimum of 35 years. Now, why 35 years? Because the title company also goes back to 35 years. If anything fishy happens past 35 years, typically the title companies don't care anymore. They will still insure that property. 35 years is kind of like their time horizon that they look at. Anything older than that usually doesn't matter that much anyway.

**Michelle:** I have seen up to five, six where people were exchanging this property often but no more than six. I really haven't gone. Traditionally, you'll see people that will have owned the property 10, 15 years, 5 years.

**Jack:** Bought by another for three years.

**Michelle:** Yeah. So, you'll have to go back maybe three owners back and that's about it and you'll have the 35 years.

**Jack:** Yeah. And, just one thing I wanted to quickly mentioned here is and that is the piece that if you're remotely far away from that property, don't be thinking that you actually have to be in the county in person. Nowadays, almost every county…

**Michelle:** Yeah, you can…

**Jack:** ...Actually allows you to do this title search online on their county database.

**Michelle:** And it's called the grantor/grantee index.

**Jack:** So, you can do this remotely from anywhere in the world. As a matter of fact, we have students that live in Peru that do deals. They buy tax liens and tax deeds and they buy properties and sell properties. They live in some town in Peru and they actually do this online from there. They do all the title searches online from there because they have Internet access.

They can log in from anywhere in the world and they can find everything out, and then they can use FedEx and all those things to send documentation out there. Or, in that case, because they live in Peru, they use title companies in the United States. So, the question of whether or not you use a title company comes really down to a few things. It comes down to number one, the value of the property.

**Michelle:** Uh-huh.

**Jack:** If the property is worth a lot, you probably want to just let the pros do the work there. If the property is a super low price property where it's not worth spending all that money on insuring it, then it's worth for you doing it yourself to save a bunch of money. And, it also depends on where you are. If you are in a place where you don't have access to the Internet, then probably you want to use a title company for that, right? But, if you are in place where you can use the Internet, then you could be pretty much anywhere in the world and still do these things yourself.

**Michelle:** Yeah.

**Jack:** Okay? So, these are some of the things that you do, and obviously in some of our programs, we offer that. Particularly, in our land program, you can go to www.LandProfitGenerator.com. Again, www.LandProfitGenerator.com and learn about it there.

**Michelle:** Yeah.

**Jack:** Right.

**Michelle:** And so, that's a little bit of detail on the general process of doing a title search. So, let's go back a little bit to the original deed that you find in the grantor/grantee index and where basically your seller is the grantee and has received ownership to the property. This will be the place where you see, "Okay, if you're buying from say John Smith and John Smith is the one that has signed the sale agreement..."

**Jack:** You don't want to use Jim Beam?

**Michelle:** No, not really.

**Jack:** Okay.

**Michelle:** ...That you've seen that deed if John Smith is the only owner," because it could be that John Smith was married to Anna Smith and they're no longer married to each other, either because of divorce or because of death. And so, how they own that property really, really matters at this point because say for example... And, I want to tell you actually a story before. So, in the beginning of one of our first deals, I remember I was dealing with a lady up here in Yavapai County and she was selling us like a one-and-a-half acre lot and her name was Mrs. George. I still remember. And, she sold us the piece of land and I basically failed to pay attention. I just didn't know any better to be frank that she owned that property at this point with her husband.

And so, we go through the transaction. She sends me a deed where she signs the property off to us, where she is the grantor. We are the grantees receiving the property. We send her the money. We send it for recording. A few months pass by and we got a tax bill from Yavapai County tax collector and I see that our LLC owns the property but also Mr. George's name is still on title. And, I'm like, "Oh, my gosh!" So, I'm like, "How do I fix this now?" because I knew from my conversations with her that Mr. George was no longer with us. He was deceased. So, I'm like, "Okay, let me figure how to do this."

And then, I found out that in that original deed where they took ownership, they owned this property as joint tenants with rights of survivorship. So, what that meant was that whoever passed away, the second person would have 100% interest in the property and could sell off that property. And so, I was fine with Mrs. George selling it to me, but what I failed to do was to basically request from her a death certificate so that I could record that death certificate prior to my deed where I received the property so that I can remove him from title. And then, I once I removed him from title, then she as the sole owner would then be granting that property to me.

And so, that was kind of like the order of recordation of how things needed to have happened. It was I needed to have requested his death certificate first, and then the deed where she's transferring the ownership from her to us as sole owner.

**Jack:** And, just to jump in here for a moment, that took the name off because…

**Michelle:** Because... And, we are not attorneys but…

**Jack:** We are not attorneys but it's because they owned this property as joint tenants with right of survivorship. So, if they own the property with joint tenants of right of survivorship, what that means or what joint tenancy means... And again, we are not attorneys. We are not giving legal advice.

But, our understanding of how this works is that in a joint tenant, two people owns some property and joint tenancy means that each of these parties owns 100% of the property. Now, 100 doesn't mean 200, but it basically means that each of them... And, one way you can visualize that is that each person owns half of every square inch of that property.

**Michelle:** Yeah.

**Jack:** So basically, you can't say one owns the south half and the other the north half, no. Every one owns a piece of everything and if one of them passes away, the other party automatically owns everything.  So, there is no probate need. There is no need to issue a deed from the deceased person to the other person. They automatically own everything, which by the way is kind of little bit alarming. If you'll ever going into a partnership with somebody that you are not married to or that's not family or if it's just like your buddy and you...

You go into a partnership or something and you buy a property and you put it into a joint tenancy with right of survivorship and it's a $1 million parcel by the time you pass away or a $1 million house by the time you pass away that's free and clear and it's a commercial property and the two of you own it together and you are thinking like, "Great! When I pass away, that ownership goes to my wife and my kids." You are wrong. Because the moment that you pass away, if the other party is still surviving, that property is 100% owned by the other joint tenant on the deed.

**Michelle:** Yeah.

**Jack:** So, that means your heirs are not going to get anything off that because the moment that you pass away, the other surviving joint tenant gets 100% and when he passes away his heirs get everything.

**Michelle:** Yeah.

**Jack:** You don't get anything. Now, it could also, of course, work the other way around. If you have a joint tenancy and the other party passes away, you own everything and then it goes to your heirs 100% and his or her heirs get nothing. So therefore, this a great way to do this for a husband and wife because it avoids probate, but it's not particularly a good way to do a deal if you have business partners working together that have their separate families and they otherwise don't have much to do to each other.

So, it's a little deviation of what we just talked about but I figured to throw this in there from my understanding of the law. To blink it back to Michelle's story, the key is that if you find somebody like when we talk about Mrs.... What was her name again?

**Michelle:** Mrs. George.

**Jack:** Mrs. George.

**Michelle:** I remember because it was my first screw up.

**Jack:** You're right! When we dealt with Mrs. George, we basically... It was a joint tenancy with right of survivorship which we didn't even know this. We didn't even know what that means. We just learnt on the fly and we realized it afterwards when we did a little research. We found out we could actually fix this by just getting the death certificate and that was our savior there because otherwise, we might have had to pay for probate.

**Michelle:** Yeah.

**Jack:** So, those are the little things that you'll learn as you do a title search because effectively, that's what we did to fix the title issue that was there that they had never recorded.

**Michelle:** And, actually, if I go back to that story just to close that loop... So, we called Mrs. George months later and Mrs. George doesn't answer the phone. So, Jack tries again and we got her son to answer the phone and her son says that Mrs. George is no longer with us either. And so, now, we have to explain to him what had happened and thank God she communicated with him back whenever she was selling and she was going through this transaction with us.

So, he knew what we were talking about and he was able to provide that death certificate for us of his father so that we could basically record that certificate first, then our deed and basically have a clean title to the property. So, that's the end of the story.

Now, another thing you that you need to look out for when you are looking at that first deed where your seller is receiving title is not only where they are receiving title, for example, with their spouse. Like I said, in this case that the spouse had passed away, it could be that the spouse that they divorced. And basically, if there was never a quitclaim deed or interspousal deed back to him so that he would 100% of the property, then you need to hunt that spouse down to get that in order to have a clean title. But, you have to go through that.

**Jack:** You need to find him, not hunt him down.

**Michelle:** Well, you usually get the information from whoever you are dealing with. They usually have a good idea…

**Jack:** The seller is guaranteed to know how to contact the spouse and if they are in good terms, great. If they are not in good terms, now it starts becoming a little bit more iffy. And, here is the cool part of that point, if you are at this point now doing this yourself, when you find all kinds of issues, guess what?

**Michelle:** Give it to a title company.

**Jack:** Give it to the title company, exactly. You have two choices. You either fight your way through and solve them all yourself... No, three choices. That's choice number one. Choice number two is you back out of the deal because it's all too much. But, if it is a very profitable deal, you don't want to back out of it, but instead, in this case, if you find all these kinds of stuff, pass it on to the title company.

**Michelle:** Yeah.

**Jack:** And, the reason why we share this and I am glad, Michelle, you brought up this story. This was one of our first deals that we decided to do ourselves. So, you guys are operating out there under the assumption that we are perfect, with the assumption that you're comparing yourself today to us today. But, you got to yourselves today to where we were back in 2001, 2002 and 2003 when we started this.

And, when we were back in 2001, 2002 and 2003 when we started this is we didn't know all these things that we know now. It was a learning curve that we had to go through and we laughed today about these things that happened. And, the bottom line and what I want you to take from the story is that at the end of the day, the sellers and even their kids, they were afraid that we would want to give their property back to them.

**Michelle:** Yeah, exactly.

**Jack:** They didn't want the property anymore. They were happy we had taken care of that before his mom also passed away. And, they more than gracious and more than happy to give us…

**Michelle:** To help us.

**Jack:** ...To help us and give us the death certificate that we needed so we could record it and we put the name of that person out of the way. So, really, if you think about it, when you are dealing with people that don't want their properties anymore, don't be afraid if you do something wrong to call them back afterwards and reengage them and have them fix whatever you messed up because they are afraid of you coming back and wanting their property back because they had it for years.

**Michelle:** Wanting their money back.

**Jack:** Yea, giving them their property back and wanting their money back because they are happy that you took the burden of property ownership off their shoulders.

**Michelle:** Yeah.

**Jack:** All right. So, with that, let's move on to the next part that we want to cover which is a hybrid closing.

**Michelle:** Just one more thing, if everyone is dead and that estate has not been probated, then you have to go through probate. Depending on the size of the estate, there is this short probate that can be done but I think that's probably a discussion for another of these sessions.

**Michelle:** Yeah.

**Jack:** So then, the hybrid closing is really where you outsource the title search part to an abstractor. And, if you go to Google and you put in abstractor and the state in which the property is located, more than likely you will get services out there because title companies sometimes use them as well. And so, they will do the entire title search for you and what is left for you to do is really drawing up of the paperwork which is like I said, the deed from whoever is selling it to you.

We always want warranty deeds when we are receiving property. I think quitclaim deeds are our least favorite. And so, you have the paper work to do, that deed, the transfer affidavit, the one more affidavit that we use as well and that's pretty much it. You'll send that for recording and when you have the original back though signed from your seller, you will go ahead and basically FedEx the funds with however your agreement or whatever the price was that you decided to pay the seller.

You want to basically fulfill on your end because all along here, you have been extremely professional with them in the way you've contacted them, in the way you've dealt and you've kept them abreast of what's happening in the transaction. And so, you've shown a level of professionalism and you want to continue that level of professionalism by basically immediately when you have your deed back and that deed looks good and the notary public sample looks good and their signature and everything is okay, you want to go ahead and turn around and send the funds that you guys agreed upon on that agreement. That's what I have.

**Jack:** Right, absolutely. Those are some key parts. So, if you're to have questions about what an abstractor is and just to clarify this in a couple of words, an abstractor is basically a person or a company that has certified title search people there and they are basically certified in how to do a title search. And these people, you can hire them for $50 to $90 per title search. They run the title to research. They give you all the results, and all you need to know is to identify the results.

So, we just went through like half an hour of how to do a title search and all those things and what to find and what to do. Well, the good news is it's good to know that information but you really don't have to do it yourself and still save the title insurance cost. You can spend $50 to $90 to have an abstractor do all of that. They give you the results and if the results are nice and clean then... What I mean with clean is basically if there are no outstanding mortgages or if there are no outstanding bunch of liens. And, it's basically clear if they've found a mortgage and a release and they found a tax lien and a release and they found a mechanic's lien and a release and so on and so forth.

So, it's very clear that you are dealing with the people that with the owners, your sellers are indeed people that own the property. They have the full right to the sell the property to you. There are no liens against the property. They have owned it for 40 years. Everything is perfect. In that case, you now say, "Thank you, abstractor." You just spent perhaps $75 on that. And now, you draw up the deed with those extra documents that are included in our programs. And then, you go and send them the deed, have them sign it, have them send it back to you and then you pay.

**Michelle:** And usually, depending on the state, you will need for that deed to be notarized. Some states might even require you that there are one or two witnesses. It depends on the state in which the property is located. But basically, your seller will need to notarize their signature on that deed where they are basically transferring ownership to you.

We've even had the situation where our sellers were not very mobile. So, we had to basically hire a mobile notary to come to their homes and notarize their signatures. But, for any obstacle you think out there, there is a solution to make the deal happen.

**Jack:** Exactly. Good! And, that's really... But, we call that a hybrid close or anything where the person is closing without the title company. Actually, what we call it is the FedEx close.

**Michelle:** Yeah.

**Jack:** Because in essence, what you do is you the send the seller the documents by FedEx. They sign them. They notarize them, send them back to us, and then we send them for a recording and you are done. In the occasional case that the seller does not want to sign the document before they receive the money, what you do is you use the UPS. In that case, it will be called the UPS close because you use what's often called what you know there is an entire chain of UPS stores. You send the documents to a UPS store...

**Michelle:** With the check.

**Jack:** With the check. It's in a sealed envelope and you ask the seller to come into that UPS store to sign the documents. Because in every one of this UPS stores, there is somebody with a notary stamp.

**Michelle:** Yeah.

**Jack:** Then, you send the documents to that person in a notary stamp and sends to the seller there. The guy that works there opens the documents, has the seller sign the documents, sticks them to an envelope back to you, and gives the seller the envelope all in a letter lined out. You line this all out in a letter to the person in the UPS store. And, as a result, now the seller signs the documents. The seller receives this money and the UPS clerk just took the signed deed and sends it back by mail to you as you wanted him to do. So, you basically write the letter that says, "Dear UPS Person, please do the following. Number one..."

**Michelle:** Yeah, I usually call them up first.

**Jack:** "Number one: when this person comes in, have them sign this document and hand them an envelope and then use the other envelope. You include another FedEx envelope and their UPS envelope. Please put the signed deed in there and send it back to us."

**Michelle:** Yeah.

**Jack:** So, in essence, what now happened is the person in the UPS store acted as an escrow agent without even knowing that he was doing it.

**Michelle:** Yeah. And, I have used that also with banks where they felt more comfortable with me sending it to their bank because with the bank, there was going to be a notary. So, I basically sent it to their banking rep. And, the banking rep, like you said, acted as an escrow agent as well.

**Jack:** Right! And, once you own the property, you go and sell it in the market for quick cash. You pay off the property taxes. If it is a house, you move in. Live free of mortgage happily ever after or pay off some back taxes in some cases. Because if you go outside the title company, there is nobody who forces you to pay the back taxes. You just... All the seller cares is about how much you promised him net in this pocket. So, if you have a property that has $5000 in back taxes, is worth $50,000 and you've offered the seller an extra $2000 on top of the $5000 back taxes, all you need to pay at this moment is $2000 to the seller.

You then buy the property. You record the deed. And now, you still owe the $5000 in back taxes which you now can pay off or you can pay off a portion if your state allows that delaying the foreclosure or delaying the sale and then giving you more time to sell the property.

Or, if you still have half a year or a year before the property is being sold at auction, you have plenty of time to then take this property with a minimum cash outlay and turn around and sell it again. And really, that's really all we have here right now. And with that, we're concluding our podcast for today. So again, thank you very much for listening.

**Michelle:** And, thank you. And, please don't forget. Just really quickly, if you liked this information, give us a review. We love to hear and read and see your feedback. So, please do give us a review.

**Jack:** Yes, absolutely, a review. For that, very simply, go to iTunes.com if you have it opened or if you are on your iPhone, you can simply just actually write there on your iTunes. On the iPad app, you can actually rate us. You can give us a 1 to 5 star rating. Obviously, the higher the better. I don't think you actually give a written review on there but you can rate us. And, the written review, if you can do that on iTunes, it doesn't matter. Good or bad one, we want from you. We want to hear your reviews and we would love to hear from you. Thank you very much.

**Michelle:** Give us a good one though.

**Jack:** All right. Thank you very much and this concludes our podcast and see you next week. I'm sure in the next few days or in the next week, we have another podcast coming.

**Michelle:** Thank you very much.

**Jack:** Thanks. Buh-bye.

**Michelle:** Bye.

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