

Abstract of Title

An abstract of title is a summary of the legal history of a piece of real property. It is used by title insurance companies as the basis for issuing title insurance and by attorney's examining title as the basis for their conclusions with regard to ownership. Despite its importance, the abstract of title is not a legal document and is not prepared by any governmental agency. Rather, it is a summary prepared by a title company or abstracting firm. To prepare the abstract, an employee of the firm, called an abstractor, reviews all of the records on file with the office of the county recorder or similar government land title office, which relate to that particular piece of property. The abstractor prepares a short summary of each transaction, arranged in chronological order, which identify the instruments (deed, mortgage, etc.), names the grantor's and grantees, lists the dates the instruments were signed and filed, and, where appropriate, provides a summary of their contents. This sequence of deeds and other documents are often call the property's chain of title, and the function of the abstract is to summarize it accurately.

The abstract of title will have as its first entry a summary of the transaction by which the United States Government conveyed the land to a private party for the first time. It then shows every transaction affecting the land from that date up until the present. A new abstract is not prepared each time the property is sold. Rather, at each sale the abstract is updated to reflect new transactions since the time of the last update.

Each time the abstract is updated, the abstractor will also conduct a search for judgments, bankruptcies, tax liens and other similar documents that could affect title to the property. Generally, a purchase agreement will provide that the seller will pay for and provide an updated abstract to the prospective buyer for examination.

While an abstract is not a legal document and can be replaced at any time by a qualified abstract or title firm, it is still an important document to safeguard. A new abstract is expensive. Depending on the history of the property, creating a new abstract can cost several hundred to a few thousand dollars. Not all property, however, requires an abstract of title. If property is governed by the Torrens or land title registration system, the owner received a governmental title to the property which eliminates the need for the abstract.