



## **The Land Geek Podcast With Mark Podolsky, AKA The Land Geek**

**Mark talks with David Pelligrinelli - [AFX Title](#)**

### **Transcript**

**Mark:** Hey, it's Mark Podolsky, The Land Geek with your favorite nichey real estate website TheLandGeek.com and today of all podcasts I've done if you miss this podcast you are probably going to kicking yourself because my guest is an expert in due diligence. He is the owner of AFX Title a research and marketing firm which he started 1995, he is also a licensed private investigator and what he is about to share today is going to blow your mind because a lot of it I didn't even know about how you a proper title research on your properties. So without further ado it is my great pleasure and honor to bring to The Land Geek community David Pelligrinelli the owner of AFX Title. David how are you?

**David:** Mark great. Thanks a lot, glad to here, I appreciate the intro and an excellent start to the fall. I hope you and your listeners are having the same.

**Mark:** Thanks, thanks. Okay so this is going to be the Thanksgiving podcast as well.

**David:** Beautiful.

**Mark:** So I want to just let everybody know hey I'm very thankful for Dave for being on the podcast but I'm also thankful for all of the listeners, but I'll

get into that later. All right lots to be grateful for. Let's talk about you and AFX Title. How did this company even come about? What was going on here in '95 or '94' when you started?

**David:** Yeah, it's interesting. I'm glad you asked the question. It started actually as somewhat of a marketing firm. We were doing a lot of data acquisition, finding ways to reach out to potential clients and potential customers for our clients and we found that real estate records was a good source of demographic data. So we were buying up these large volumes of property documents and real estate records and because we had excess documents when we were done doing our analysis and filtering we started to sell the documents to law firms and legal community and people started asking us what about a title search?

So I'm thinking when somebody is asking to buy something I'm sure as heck going to figure out how to sell it. And about 20 years ago we found that in the title research community there is no way for a private individual or even a company for that matter to purchase a title search, standalone by itself without going through a title agency and during the closing. For example if you and I just wanted to buy a title search in 1996 or '97 if we called up XYZ title down the street and say hey I want to buy a title search the first thing they would do is say, "Well are you performing a closing with us or are you doing a sale with us?" No, okay well sorry we only do title searches as part of the closing package because it's a very low margin, low mark up, not a big profit product or service so nobody wanted to touch it by itself. So we got into that business and the rest is history. It's been fantastic, we appreciate all of our individual investor, sale clients because that's kind of our bread and butter and we're love helping them out with their due diligence and with getting properties on the market successfully.

**Mark:** Okay, so walk me through the process. I'm an investor, I'm looking at a piece of raw land and now it's time for me to do my due diligence on the chain of title. I want to make there's a few things: no liens, no encumbrances, no break in the chain. Am I missing anything?

**David:** No, you're on the right track and that's really the most important reason that a title search is usually requested to make sure that there's no defects which include liens or claims or prior gaps or jumps in the chain of title which could create a problem upon sale and those are the most common reasons that a title search is performed, absolutely.

**Mark:** So okay so I'm going through this process and I'm thinking to myself okay I can go through the title company or I can go to your company TitleSearch.com. Why TitleSearch.com? Why not just go through the Title

Company and sleep better at night knowing I've got a huge company doing the search?

**David:** You certainly can and the reality is when a property closing is performed at a title company and a title company is typically is an Escrow company that does the closing. They normally don't do their own title search. They hire it out to an abstracting which is what we are and the title abstractor is the person or firm who actually goes into the record rooms, pulls this documents, pulls all these deed books and we're going to talk about that in a while and creates that official document of a title search which is called the Title Abstract or Abstract of Title, hands that of to the escrow company.

The escrow company main job is to transact the sale, get the money in, the deed out and everybody is settled properly and in some cases they also sell a title insurance policy which requires a title search to underwrite. In fact you'll see in a closing statement a title search is normally an item and all of your listeners have probably seen a closing statement where it issued to be called a [00:05:47] [indiscernible] now the Consumer Finance Protection Bureau has different form for the closing statement or escrow statement. Title search in on their listed as an item usually \$350-\$400.

**Mark:** Right.

**David:** Well, we sell that title search to an attorney or title company or closing agency for the typical search it's about \$150.

**Mark:** 150 bucks.

**David:** Yeah, that's the wholesale internal cost of a title search. It's the same search if you want to go through the title company they may provide other services: the escrow, the closing if you're getting a title insurance policy they will provide that as well. If you need a title search by itself an independent abstracting firm is the way to go. The most important thing Mark however to make sure is that it has credentials.

**Mark:** It has credentials. So what does that mean it has credentials?

**David:** If you were running the list and tomorrow you wanted to open a company and say we do title searches there is no license or law that is required to be a title searcher. So what we've done is made sure that there is a certification process and there's an organization called NALTEA, National Association of Land Title Examiners and Abstractors that provides

certification for title examiners. There are only 52 in the entire country that are certified and five of them work for our company.

**Mark:** Are you kidding me? There are only 52 certified.

**David:** 52 certified title abstractor in the country.

**Mark:** Wow.

**David:** And NALTEA which is this national land title trade organization is the only organization that certifies for independent abstractors and over the years I've become very involved with them. I am in their board of directors and the organization is an excellence industry trade group for that segment of the real estate industry because everything else if you think about it in the transaction is licensed: the real estate agent is licensed, the broker is licensed, the escrow company licensed, the mortgage broker is licensed, heck even the gap raised for [00:07:51] [indiscernible] is licensed, but the title researcher does not have to be licensed. So this certification ensures that it's done to industry standards, there's nothing missing, there's nothing that is called a 'title search' that really isn't of value to the client.

**Mark:** Unbelievable. So 150 is going to get me a great title search with your company.

**David:** Yeah, that's the most common type of search requested by attorneys and title companies. There are all kinds of searches you can get. The most important thing Mark is to make sure that the search is done using the official hard copy land records not electronic records, not data, not online records that somebody is physically looking at paper documents because title records are simply a chain of events that happened in that properties history: there was a deed from party A to B, there was a mortgaged from party B to bank C, there's another deed, there's a release, there's liens. Every document or every even is documented with a piece of paper that signed with wet ink and stamped and brought to the recorder and put in a book.

The process of a title search is going through all those books, finding every document that was ever recorded on that property for whatever time period is requested and then creating a report that outlines what the current status is. For example if there's a mortgage on that property from 1998 but it was paid off in 2000 that mortgage will still be in that book where it was originally filed on that day. So not the searcher has not to find that release document, connect the two together and say okay this cancels it out, that one is done but that process has to be meticulously gone through and you

have to read both pieces of paper because that release if you just say oh here's a release it matches that boom it's gone. What if that release has a contingency, or it only released part of it or it released it with a subsequent remainder interest? You have to read those papers one by one.

**Mark:** Okay. So Dave here is a common scenario and how would you solve this? Mom dies, and property then goes to joint tenancy with [00:09:58] [indiscernible] property automatically goes to dad. Dad dies but the kids don't file the probate papers with the county so it's not clear who the next owner of record is. Are you following me on this?

**David:** Yeah, it's very common. We see that quite a bit.

**Mark:** So what do you do? How do you get that property conveyed to you when the kids want to sell it pennies on the dollar to someone like myself an investor?

**David:** Yeah, the common strategy we see with clients first is and this sounds self-serving but it's really important is to get the official title status because there may be other documents that aren't in the land records system that are in one of the others side sources: probate court, civil court, civil docket where there may be reference to that. Even if some of the underlying past deeds there may be cross-references to other documents.

So first of all you want to get what does the official title say, what is the real problem because if you go by that last deed or the death certificate you might think you know what the problem is, but it might be simpler or more difficult than what you imagined. Once you've determined what the actual problem is then you can look at a solution. A common solution for an investor is to get a scope and scale of what that defect might be, purchase the property based on the fact that there is a risky and discount that into the selling price, but then go remediate that using one of three methods. One of the most common methods and this is a legal process is a quiet title.

**Mark:** A quiet title right.

**David:** If you go do a quiet title and you see the period of time associated with it three or six months statutory depending on the state and has a cost associated with it; it's a simple, most direct route especially if there may be other unknown title defects that could be potential issues for an insurer that is going to underwrite a title policy for your buyer when you go to sell it as an investor. So that is the fastest method especially if you can get sign off from all of the known heirs because they are the ones who are selling it and

the certified title abstract will tell you if there is any other claims, any other taxes not paid or potential liens.

One of the things that is very important is since those two or three or however many heirs are selling at pennies on the dollar they are presumed to be that chain of title. So any liens or judgments against that are presumed to accrue to that property. So if Joe Smith dies and leaves it to Sally, Bob and Mary Smith if during that short of period of time that they were on 'title' even though the deed did not transfer to them if Joe Smith has a tax lien attached to him during that time a title insurer is going to presume well the IRS may come after that property because there is a relationship between their debtor and the property. So you want to identify all those and get a stop of letters and make sure all of the potential claimants and signed off on before you go to the quiet title or certainly before you go title underwriting.

**Mark:** Is there any way to get around the legal fees on that because like some of the properties that I am looking that will eat up my margin?

**David:** It might be even more than the value of the property.

**Mark:** Yeah exactly. Is there any way around that besides maybe partnering with an entrepreneurial attorney? Which by the way I'm looking for.

**David:** Yeah, that's a good strategy the problem for many investors they're dealing with so many different jurisdictions. It might be in their target market but if they are in a different county a lot of attorneys like to stay in their county or close by. It's a little bit of a risk but since we're talking about such a low dollar amount at risk to begin with some of our investor clients are taking their first deal through an attorney paying the legal fees. Even if it wipes out their margins, even if it's a loss and shadowing the process the quiet title process has been done on a do-it-yourself basis. I'm not saying I'd recommend that or not. It's kind of like do you want to do it yourself brain surgery, who knows.

**Mark:** Right, right, right.

**David:** But on the other hand it's something which I've seen done and here's the thing worst case scenario once you do that if you get there and it's a legal process and there's something defective about the filing the court is going to kick it out anyways and you may learn from that process. But certainly good legal advice is a great part of any investment strategy but sometimes if you're smart and you're entrepreneurial and you're clever you

can pick up on the legal process by watching it one or two times and then clone it and duplicate it yourself after the fact.

**Mark:** That's genius. That's genius.

**Mark:** So, anyone can do a quite title search. You don't have to be an attorney, you don't have to go to court and the judge will say no I'm sorry we're not going to deal with you you're not an attorney.

**David:** If you handle the filings in the correct format which may take some time to understand in most jurisdictions the attorney is not required. Now, attorneys are not going to like hearing that but a lot of attorneys don't like those cases anyway because they are low margin, a lot of times they're not the best use of their time and they have a paralegal work on them anyways. Look there is jail house attorneys that file defenses against their capital cases. So you can go into court on high cases, on high jurisdiction cases on your own. Whether it's going to work or not who know but on the other hand if it's an investment strategy you running into a lot then you may want to learn that and go that route.

**Mark:** That's fantastic. Okay so what are the typical deals that you see or typical frequently asked questions or big mistakes that you see investors make when they are doing their due diligence and then they come to you and you're like oh no what is going on here, this is a mess.

**David:** It's kind of the same question about the quiet title on one hand I'm saying maybe look at doing it yourself.

**Mark:** Right.

**David:** I don't recommend it because for the same reason we don't recommend doing your own title search. There's too much at risk and there are a lot of misconceptions about what a title search is. In this day and age a very common misconception and many of your listeners may already know this but the title records are data. Kind of like you do a carfax or you do a Google search you put in the information on the property, hit enter boom it pops up on your screen, right?

**Mark:** Right.

**David:** When in reality the process of a correct title abstracting research is usually a six or seven hour process. We average about five and a half hours as professionals to do a full title search in the land records, pulling records and reading records. So there are sources of data which will give you title

information, it's not a complete title search; it won't certainly include all the records. For example in the state of Pennsylvania they have an office called the prothonotary office and if you don't know to search that you can miss a tax lien.

**Mark:** No kidding.

**David:** Yeah, and in some states there's records even at the state level; UCC documents at the secretary of state. If you don't know the jurisdiction and what to search you can miss something easily or if you do know the records if you're not reading each document correctly and have that process down pat, you can miss things and for some investors they have a strategy. Look I'm going to save my money on title searches put that money in the bank and save it up for when I do have a missed lien and use it to cover them, kind of insure myself. If you do enough deals it might be a worthwhile strategy. We have so many investors that only use us as a title researcher on high risk or high value deals and do their own searches or do no searches, they fly blind and that's an investment strategy.

**Mark:** That's scary.

**David:** Yeah, and sometimes they come to use after they buy the deal to do a search and we find in it oh yeah that mortgage that they bought at an auction was a second mortgage there was a first in front of it and that's just the cost of doing business when they have that kind of a loss.

**Mark:** Right, right. Honestly what's scary for me is that I've been using online documents this whole time thinking that oh well I'm saving some money and I'm getting the full picture of that chain of title, seeing liens and encumbrances but now you're coming to me and saying Mark you're missing a lot by just looking at online data, a lot.

**David:** Yeah, it might be a good a point to start way early in the deal evaluation process maybe to filter out properties and then narrow it down. If you find something that's just a deal breaker use it at that point. Once you get it narrowed down to a group of properties that are more likely to be purchases then maybe go forward with a more in-depth due diligence. I get it's an expense and sometimes it cuts into the margin but we deal with investors all the time that had that one big loss that's taken away all of the fun out of the last 10 really good deals and it's a strategy.

People ask as all the time what should I do? And that's just a risk versus reward decision for each individual investor. I'll lay out the facts either way you can do fly blind, do no searches, save a lot of money. If you would do



50 searches in a month that will be seven or eight grand in searches and if you just save that money and if you miss one \$8000 lien every month well you'll breaking even. So that's a good idea but if you miss a \$100,000 lien now you're backwards. But some of these land deals the property values are so small where it may be right on the edge of that borderline but at least if nothing else do a good full title search once in a while on a property to see what it looks like, see what the process is and then maybe match it up with the search you did yourself to see how well you're doing and how complete some of the research you might be doing is or your other sources electronically.

**Mark:** That's phenomenal advice, phenomenal. So let's go back into the licensed private investigator arm of AFX. Why would I want that service? Like what situations would occur or scenarios where I'd say man I could really use a licensed private investigator now?

**David:** Sometimes it helps in the title search itself or our kind of curiosity and insightful training from being an investigator it helps us look at other documents. We do what's called Title Forensics. When we look at some documents and there's something a little bit sketchy or maybe questionable we do some forensics on that search. For example if we see a document that's recorded, let's say a probate document or a quick claim deed or even an affidavit sometimes a power of attorney doesn't look right. What we'll do is everybody has seen property documents that has a book and page reference on the top that's how the documents are located book 125 page 82 and that's another good flashback to what we talked about before title records are actual paper documents in a book on a shelf.

**Mark:** Yeah, but Dave you guys can't really literally physically get every piece of paper, right?

**David:** We do. When we do a title search we look at each document that goes into that chain and all the intervening documents: liens, mortgages, assignments. We pull the book off the shelf, make a copy and we start by just pulling everything [00:22:06] [indiscernible].

**Mark:** That means that you physically go to the county and do this?

**David:** Physically go to the county. Some counties have an access for abstractors or investigators where we can actually view their books remotely but it's not through online or databases it's through physically where they've taken every one of their books scanned it and indexed it the same way they do in person. If it's not an official record we have people all over the country

that will go in to the document rooms, pull the records and read them by hand.

So let's say that power of attorney that we're thinking might be a little bit sketchy is book 182 page 25 we'll also go and pull the documents on either side page 21, 22, 23 and page 26, 27, 28 because here's the thing documents are recorded not by property. Meaning that all the documents for that property are not going to be right next to each other, they're going to be spread out, they are recorded in chronological order. Mark, if you bring a deed for 12 Main Street Down to the county today and five minutes later I bring a deed down for 21 Elm Street it's going to go right next to yours even if they have nothing to do with each other just whatever time or order they come in it's how they are put in that book.

So what I'm going to do if I see a sketchy power of attorney or a quick claim deed I'm going to find out what was recorded right before it and right after it because a lot of times a title company or even a private individual when they bring their paper down it will give you an idea what was happening right before and right after that and that power of attorney might have a different power of attorney for a different property or that quick claim deed might have a quick claim deed for another property. It will tell you what those properties are doing other than just on this one property and give you some insight on whether or not are there tax liens, are there other liens, are there some real estate scam going on where somebody got a blank power of attorney and is bringing them down there because the county recorder is not responsible for verifying the legitimacy of the document if it meets their criteria: right size paper, signature in the right place, it's got a notary, it's got a witness, it's a legal description they are required by law to record it in most jurisdictions, most venues.

**Mark:** Very interesting.

**David:** They don't verify the signatures; they don't verify if it's the right person they just record it.

**Mark:** Okay. Well, how about this scenario let's say that I'm going through the tax records and I notice one company or one individual they owe back taxes on like 30 properties and I want to get hold of that person and I can't find them for whatever reason. You know the tax records the county has are not up to date and that's probably the reason they haven't been paying their taxes anymore instead of getting the tax bills. Could I go to TitleSearch.com and say hey Dave find this company for me. I want to send them offers on 30 properties?

**David:** Not only can we find the company but we can find the principles and they may be principals or executives of other companies or a subsequent firm or even if that company is now not a viable entity anymore we can find out where they are located individual as an investigative process as long as it fits the profile and criteria of a legitimate investigation. We do locate all the time even in some of the investigations we do for fraud cases we find people who are legitimately trying to be fugitives and hide and we can find them.

And I will give you a little tip maybe you and your listeners can use what you want and won't need an investigator. Let's say if you look at a document where there's the person who signed for a company who you can't find. Take a look at that piece of paper and see if there's a witness signatures or a notary on that document. Most pieces of paper, mortgages or what not need one or two witnesses to the document and notary. If you look at those names you may find that those might be colleagues of the subject because think about it if you're going to sign let's say a mortgage in your office. A mortgage company comes out or you go to a closing the witness don't need to be anybody in particular they just need to be whoever is there.

**Mark:** Sure.

**David:** So if it's signed at your office if you look around right now, everybody here look around who is in your office it's going to be somebody who works with you, somebody who maybe is a relative or a friend, especially if it's got the same last name. That's one of our title forensics tricks that we use to find out who was around that person at the same time. One of the things we've do even in advanced cases is pull every deed or lien mortgage that Josh Shaman ever signed over the last 10 year and look at all the witnesses and notaries on all those documents. If Josh Shaman had Sally Brown as a witness in 1996 and again in 2001 it's very likely that those know each other it wasn't just a random person at the title company that day.

**Mark:** Right, right. That's brilliant. It's so funny because Florida requires two witnesses and when I was I'd always go to whoever was in my office and just have them witness it. I never even thought about that. That's great. Okay so Dave it's the time in the podcast that I love especially with new guests. I'm going to put out on the spot what is your tip of the week? It could be a resource, a book, or a website it doesn't matter I just really want to make you sweat. What's your tip of the week?

**David:** You put me on the spot.

**Mark:** Yeah.

**David:** This will to the middle of the heart of the biggest success and advantage your listeners could have and also eliminate the biggest risk and that is use the official property records any time you're doing any kind of research, due diligence, even if you're doing a title search or having somebody else do a title search make sure that whoever that you're going with or yourself uses only official government records. Don't use online data, don't use databases, don't use even the County assessors records because those won't be the official title chain documents or intervening records that give you the due diligence you need.

Look if you are an investor and you're doing this for a living and you're putting food on your table and you're paying your bills with this make sure that you're eliminating all of the potential risks you can by using only the official records not databases, not online sources because it's so much easier to do it that way. You may save some time, a little bit of money but in the long run at some point you're going to get bit because there's something missing or the records for that deed will only have the first name as the guarantor and will be missing the second or it will only have the date, amount and the guarantour and guarantee. It won't have all of the life estate information or other information that will be helpful for you as an investor or even to find a deal. Sometimes you can even deals by tracking potential sellers. Official records are your friend, the more you can be disciplined to use those diligently that type of intel and knowledge will pay off dividends in the long run even though it might be less convenient.

**Mark:** Wow, Dave this is fantastic. I can't thank you enough. My tip of the week is going to be obvious and it's going to be going to TitleSearch.com and I'll have a link to it in the show notes as well and follow Dave's advice, especially on those larger deals. I mean if you want to take a risk on the smaller deals Dave is like okay save your money then, right?

**David:** Yeah.

**Mark:** But know going in what you're doing that something can come up. If you want to completely eliminate risk go and it's not that much money \$150.

**David:** Yeah, the most common type of search is what you and your listeners have seen on closing statements at about 350 or 400 and it's the same search provide to those escrow companies for about \$150. We normally do business with those business enterprise but for investors we have the same pricing, you buy one, you buy five it doesn't matter it's the

same pricing that we would sell to we do a hundred of them for a lender or an insurer I mean it's about \$150 for that type of search wholesale pricing.

**Mark:** So to sleep well at night knowing you're going to get a professional abstractor that's physically looking at the records go to TitleSearch.com. Dave are we good? What's going on for thanksgiving?

**David:** It's going to be great. We are crew here at our main office. It's going to be a big thanksgiving blow out here on Monday and then all of us are going to be with our respective families and having some fun for that weekend. The end of the year is almost here Mark. I mean it seemed like 2014 just started and now we're almost cracking open a new 2015.

**Mark:** No, I know it's crazy. I tell my wife it's just one long day we're living.

**David:** [00:31:16] [indiscernible] I love that.

**Mark:** It's just one long day. So thanks so much. Land Geek community I want to wish everyone a happy, healthy thanksgiving. Thanks so much for being a part of my life and listening to this podcast and of course being involved in the community.

Look if you want to learn more go to TheLandGeek.com and download for free the *Passive Income Blueprint*, get the e-book *How To Avoid The Three Fatal Land Buying Mistakes* and of course always get this informative and engaging podcasts delivered each week to your email inbox. Give me some love, leave a comment on iTunes and let us know how we're doing we'll really appreciate that.

Look if you're looking for some wholesale land go to FrontierPropertiesUSA.com as well. Anyways Dave Pelligrinelli thanks a lot and I appreciate you and I'm very grateful for everyone. Everyone have a happy, healthy thanksgiving. This is Mark Podolsky, the Land Geek. I'll see everybody next week, thanks a lot.

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