

*Creating Opportunities
for Growth*



Madison Title Agency, LLC

JOINT VENTURES IN TITLE





“Any business arrangement that is not profitable to the other person will in the end prove unprofitable for you. The bargain that yields mutual satisfaction is the only one that is apt to be repeated.”

— **B. C. FORBES**, *founder of FORBES MAGAZINE*





What Is a Joint Title Venture?

In a joint venture, two or more businesses join together to create a separate, independent company that capitalizes on each partner's respective strengths. In a joint *title* venture, the contributing businesses are usually:

- A company that handles a significant number of real estate transactions and, therefore, either buys title insurance for its own enterprises or represents others who buy title insurance, and
- A company that sells title insurance.

Together they create a new, fully-compliant title company and may lawfully share in the profits.

The Advantages of a Joint Title Venture

The partner that buys title insurance—or, represents consumers who buy title insurance—gains the opportunity to tap into a new profit center. As part owner of a title company this partner has the right to share in the profits. Apart from the joint venture, this partner could not benefit financially from its own purchasing power and client contacts because payment for referrals is generally illegal.

For the partner with the existing title business, the joint venture represents an additional profit center built on a reliable source of new business.

In addition to creating a new profit center for the partners, a joint title venture offers the partners these advantages:

- **Seamless transactions**—the entire title transaction is controlled by one party, rather than a series of different parties
- **Quality control**—the partners control the operating policies of the joint venture
- **Customer service**—the joint venture has a dedicated employee who services their clients. Partners and clients alike gain confidence when they have a dedicated contact person. That one-on-one relationship translates into better customer service.





Legal Considerations

There are both federal and state laws that affect the way a joint title venture must be structured and operated. On the federal level, a joint title venture must comply with the Real Estate Settlement Protection Act (RESPA). State laws vary, but generally follow RESPA requirements with two notable exceptions:

- Unlike RESPA, which applies only to residential transactions, most state laws apply equally to both residential and commercial transactions
- Some states require that the joint venture must get additional business from other sources (i.e., sources other than the JV partners).

The core compliance issue for a joint title venture is that the joint venture must be structured and operated as an independent entity. To that end, the joint venture must, among other things:

- Be adequately capitalized
- Have at least one dedicated employee performing core title services
- Have its own office, and
- Pay for all the normal overhead expenses attributable to the business.

Madison's partners can rest comfortably in the knowledge that Madison has invested significant time and money consulting with the leading law firms in the field to make sure that our joint ventures are compliant with both federal and state laws.

Business Considerations

Apart from the legal issues, there are business considerations that are specific to a joint venture. One of the more important relates to the division of profits. The profits must be divided based on the percentage of ownership in the joint venture—not on the amount business each partner generates.

Another important consideration is service. The joint venture must provide service that is at least equal to, if not better than, its competition. Otherwise salesmen, even those who work directly for one of the partners, will not send clients to the door. The best way to ensure high quality service is to choose a joint venture partner who has the expertise and experience on the title side to create a truly viable, competitive title operation.





Madison Title: The Ideal JV Partner

Madison Title Agency has perfected the joint title venture. With guidance from the top legal experts in the field, we have created a joint venture model that is state and RESPA compliant. Our JV model has been scrutinized by JV partners who, because of the nature of their core businesses, are extremely sensitive to the issue of RESPA compliance. And, we always pass muster.

In addition to RESPA compliance, our JV model is operationally sound. Madison is a large agency with full national and regional practices in both commercial and residential real estate transactions. Our reputation for excellence has attracted clients among the nation's most prestigious law firms, REITs, investors and lenders. Madison's size gives us advantages that other title partners cannot match:

- Twelve in-house attorneys, experienced title officers, title searchers, support staff etc.
- A national department led by one of the top attorneys in the business
- Relationships with seven of the nation's largest underwriters
- Unprecedented access to the top decision-makers at our underwriters.

In addition, we provide support services most title agencies cannot offer, such as:

- A professional, in-house marketing department
- Cutting-edge technological support
- Accounting systems and support.





Our Partners: The Company We Keep

Over the last five years, Madison Title Agency has established more than a dozen successful joint title ventures. Our partners include:

- Large, publicly-traded REITS
- Commercial and retail lenders
- Publicly-traded banks, and
- Large private real estate investors/developers.

Getting Started

If you want to learn more about the opportunities to increase your profits by building on your existing client network, call **Madison's Strategic Alliances Department at 732.333.2673.**



