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WHAT IS BLOCKCHAIN AND HOW WILL IT IMPACT REAL ESTATE?

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The simplest definition of Blockchain that I have seen is “Blockchain: a type of encrypted electronic transaction ledger in which new information can be added, but previous information (which are stored in blocks) cannot be edited or deleted.” Yet Blockchain is more than an electronic encrypted abstract that is contained on multiple disbursed computers that should make it nearly impossible to simultaneously hack and change. It is an abstract that can be viewed either by the public or only those who have a passcode access. New information can be entered onto the chain only by parties with passcode access. If the Blockchain is in essence made the title certificate to an asset, you can transfer the Blockchain “token” representing that asset to another party through your passcode access. Blockchain is the underlying program through which cryptocurrency is transferred. There is already a story, however, of parties losing millions because the company they stored their passcode with cannot unencrypt the deceased president’s computer that contained the passcodes. If you combine Blockchain with what are called smart contracts, you can set up escrow agreements and simultaneously transfer the token that is title to the asset for cryptocurrency or cash and have a ledger for both parties of the transfer. Google “Blockchain for Dummies” and you will get a nice explanation by IBM and other authors of Blockchain.

Blockchain is viewed by many as revolutionary. Lenders are looking at Blockchain and smart contracts to combine mortgage application with loan approvals with closing documentation with electronic notes and recordable mortgages with payment records over the life of the loan and finally with recordable electronic releases. Doctors and insurance companies are looking at birth to death medical records. Blockchain may replace debit cards. States are looking at Blockchain for car titles and benefit payments among



other things. The Illinois General Assembly has published a [study report](#) looking into improving efficiency and saving money through Blockchain.

The Cook County Recorder of Deeds is also looking into the uses of Blockchain as a means of both accumulating information from different public sites and being an abstract of title based upon a permanent tax number. You can access that report by starting at www.cookrecorder.com/blockchain. The [ILTA white paper](#), however, argues that an abstract of title does not tell you of covenants and conditions or liens or the actual status of title prior to the start of the abstract, is not based on the grantor/grantee index which is the official record in Illinois that imparts constructive notice, and is subject to the garbage in, garbage out problem. The article consider the problems of actual knowledge of unrecorded rights, constructive notice imported by possession, incompetency, undue influence, lack of authority, lack of proper service in mortgage foreclosures, mechanics liens recorded after a closing, fraud and liens or records posted by names. Also remember that buyers, lenders and mortgage assignees and purchasers want an insured title with specific endorsements on nationally accepted forms from a regulated company with statutory reserves and public financials. An abstract of title does not give you that.