

TITLE INSURANCE 101

I. Preliminary Opinion

- a. Must be signed by a NC Licensed Attorney
- b. Industry History in NC (The Great Compromise)
- c. Comparison with Other States
- d. Must be Based on Search of the Public Records
- e. “Other Easements, Liens, Deeds of Trust, Objections or Defects”
- f. Search Period
 - i. Purchases
 - a. Marketable Title Act (30 years)
 - b. Developer Search
 - i. Acceptable “Shortcuts”
 - ii. Industry Standard based on an Assessment of Risk
 - ii. Refinances
 - a. Current Owner Search
 - b. Shortened Period of Time
 - c. Lender Policy Only
 - iii. Tacking
 - a. Industry Practice based on Subrogation Rights
 - b. Update from Prior Policy
 - c. Risk is Limited to (Limited) Search Period
 - d. Defects in Title Prior to Search Period Fall on Prior Title Insurer
 - e. Less Risk Results in Discount in Premium

II. Commitment

- a. Introduction
 - i. Based on the Preliminary Opinion
 - ii. Commitment to Insure

b. Schedule A

i. Basic Information Detailing the Transaction

ii. Components

1. Proposed Owner
2. Proposed Lender
3. Purchase Price
4. Loan Amount
5. Current Vesting Information

c. Schedule B

i. Requirements

1. Items that Must be Completed In Order for the Title Insurance Policy is to Be Issued

2. Standard Requirements

- i. Deed from Seller to Buyer
- ii. Executed Deed of Trust
- iii. Lien Affidavit
- iv. Equity Line Cancellations

3. Specific Requirements

- i. Based on the Opinion
- ii. Payment of Taxes
- iii. Payment of Judgment or Lien
- iv. Cancellation of Deeds of Trust
- v. Completion of Estate
- vi. Completion of Foreclosure

ii. Exceptions

1. Items that Will not be Covered by the Policy

2. Standard Exceptions

- i. Gap Exception
- ii. Property Taxes
- iii. Items Appearing on a Map
- iv. Easements, Covenants and Restrictions of Record
- v. Marital Rights
- vi. Mechanics Liens
- vii. Survey
- viii. Other Known Defects

- i. Why Take Exception?
- ii. Similar to a “Pre-Existing Condition”

3. Specific Exceptions

- i. Based on the Opinion
- ii. Often Come from Prior Policy

d. Schedule C

- i. Legal Description
- ii. Property to be Insured
- iii. Leasehold Policies

III. Endorsements

a. Standard Endorsements

- i. Alta 8.1
- ii. Alta 9.0

b. Specific Endorsements

- i. PUD
- ii. Condo
- iii. Mobile Home
- iv. Variable Rate

c. Commercial Transactions

IV. Policy

a. Components

- i. Effective Date
- ii. Name of Insured
- iii. Vesting
- iv. Endorsements
- v. Exceptions from Policy
- vi. Satisfaction of Requirements

b. Owner's Policy

c. Lender's Policy

d. Jacket

- i. Standard Jacket(s) for Owner and Lender
- ii. Basically is the Title Insurance Policy
- iii. Subject to Exclusions from Commitment
- iv. Covered Risks
- v. Exclusions from Coverage
- vi. Determination and Extent of Liability
- vii. Limitation of Liability
- viii. Reduction of Insurance

V. Insured Closing Protection Letter

a. Minimal Fee

b. Covers Attorney Misconduct

- i. Insures Compliance with Lender's Instructions
- ii. Insures Fraud or Dishonesty

c. Coverage for Lenders Only

d. Highest Volume of Claims Losses in Industry

- i. Tom Brown
- ii. Settlement Source

e. Now Part of Filed Rates