



**First American
Title Insurance Company**



EXPLANATION

OF POLICIES AND PRODUCTS

TITLE INSURANCE

DEFINITION

A contract whereby the insurer for a valuable consideration agrees to indemnify the insured in a specified amount against loss through defect of title to real estate wherein the latter has an interest either as purchaser or otherwise.

PURPOSE

The title insurance services of First American Title are designed to afford real property owners, lenders and others with interests in real estate, the maximum degree of protection from adverse title claims or risks. The financial assurance offered by a *Title Insurance Policy from First American Title* is, of course, the primary aspect of title protection. The policy affords protection both in satisfying valid claims against the title as insured and in defraying the expenses incurred in defending such claims.

COMMITMENT FOR TITLE INSURANCE

The protections offered by a Policy of Title Insurance from First American Title can only be achieved as a result of a thorough search and examination of the public records affecting title, and, in some instances, an examination of other items such as surveys and the physical inspection of the property. This search is conducted prior to the closing of a transaction and the issuance of a policy. First American Title stands behind its title search by issuing a Commitment for Title Insurance which not only reflects the condition of the title and sets forth requirements which will eliminate the risk of future attacks on the title by reason of defects discovered in it, but further, commits to the proposed insured that First American will issue a policy based on this search—for a six-month period—provided no changes in the title occur prior to closing and the above mentioned requirements have been satisfied.

01. A.L.T.A. STANDARD COVERAGE OWNER'S POLICY

With this policy, First American Title insures the purchaser, based upon a search of the public records only, that:

- a. The insured is the record owner of the estate or interest purchased.
- b. There are no recorded defects, liens or encumbrances on the title which the insured was unaware of or which are not shown as an exception from coverage.
- c. There is a right of access to and from the property.
- d. There is marketable title to the property.

However, a standard coverage owner's policy does not insure against items not of record, such as:

- (1) Taxes or assessments not shown on the records of the taxing authority or by the public records.
- (2) Defects which are not shown by the public records but which would be discovered by an inspection of the land or by making inquiry of persons in possession thereof.
- (3) Easements, liens or encumbrances which are not shown by the public records.
- (4) Problems that a correct survey would disclose and which are not shown by the public records.
- (5) Unpatented mining claims, patent reservations and water rights.
- (6) Labor or Mechanics Liens which are not shown by the public records.

02. A.L.T.A. EXTENDED COVERAGE OWNER'S POLICY

With this policy, First American Title affords the purchaser the same assurances as "a" through "d" under the Standard Coverage Owner's Policy above; however, this coverage also protects against both matters which are shown by the public records and certain matters which are not disclosed by the public records. (An A.L.T.A. survey may be required when this policy is issued.)

03. A.L.T.A. PLAIN LANGUAGE RESIDENTIAL OWNER'S POLICY

With this policy, First American Title insures the purchaser of residential real property, to the same extent as the Standard Coverage Owner's Policy. In addition, this policy affords protection against defects which are insured against in the extended coverage policy if that defect interferes with the use of the property for residential purposes. (Removal of boundary walls or fences is not included in the coverage.) Special effort has been made to write this policy in a language which can be easily understood.

04. FIRST AMERICAN EAGLE OWNER'S POLICY (A.L.T.A. HOMEOWNER'S POLICY OF TITLE INSURANCE)

With this policy, First American Title affords the purchaser of residential real property the same coverages as the A.L.T.A. Plain Language Residential Owner's Policy, but adds numerous additional coverages, including protection against certain Post-Policy risks such as forgery and encroachment. Further, in order to provide the home owner with protection for the increased value of their home, the amount of insurance is increased 10% each of the first five years of the policy.

OTHER PRODUCTS

08. EXPRESS POLICY (A.L.T.A. RESIDENTIAL LIMITED COVERAGE JUNIOR LOAN POLICY)

This limited form of title insurance is used primarily by lenders granting equity loans or lines to their clients. The core information provided in this policy mirrors that which is provided in our letter report but also provides the following important coverages:

- Insurance that reflects the last recorded document purporting to vest title
- Insurance against any lien or mortgage of record not excepted in Schedule B
- Insurance against errors in information provided in policy for taxes and assessment data from the office of the treasurer and/or assessor of the county where the land is situated.
- Insurance against monetary loss up to the face amount of the policy (maximum of \$200,000.00) plus legal costs including attorneys fees and expenses.
- FA12 (date down) and FA44 (revolving line) endorsements are included with premium if requested within six months of recording.

05. A.L.T.A. STANDARD COVERAGE LOAN POLICY

With this policy First American Title insures the lender, based upon a search of the public records only, that:

- a. The borrower is the owner of record of the estate or interest in the property which is used as collateral for the loan.
- b. There are no recorded defects, liens or encumbrances on the title which the lender was unaware of or which are not shown as an exception from coverage.
- c. There is a right of access to and from the property.
- d. There is marketable title to the property.
- e. The insured mortgage is valid and enforceable (usury or truth in lending laws excluded).

However, a Standard Coverage Loan Policy does not insure against items not of record, such as:*

- (1) Taxes or assessments not shown on the records of the taxing authority or by the public records.
- (2) Defects which are not shown by the public records but which would be discovered by an inspection of the land or by making inquiry of persons in possession thereof.
- (3) Easements, liens or encumbrances which are not shown by the public records.
- (4) Problems that a correct survey would disclose and which are not shown by the public records.
- (5) Unpatented mining claims, patent reservations and water rights.
- (6) Labor or Mechanics liens which are not shown by the public records.

*Note: These are the same as "(1)" through "(6)" of the Standard Owners Policy.

06. A.L.T.A. EXTENDED COVERAGE LOAN POLICY

With this policy, First American Title affords the lender the same assurances as "a" through "e" under the Standard Coverage Loan Policy above; however, this coverage also protects against both matters which are shown by the public records and certain matters which are not shown by the public records. In addition and without charge, this policy will be issued with L.T.A.A. endorsements 3R and 5 specifically insuring against numerous items such as restriction violations, encroachments, and the location of the structures on the property. Various other endorsements are also available to meet the particular needs of the lender and will be explained upon request.

07. FIRST AMERICAN EAGLE LOAN POLICY
(A.L.T.A. EXPANDED COVERAGE RESIDENTIAL LOAN POLICY)

With this policy, First American Title affords the lender on residential real property the same coverages as the A.L.T.A. Extended Coverage Loan Policy, but adds numerous additional coverages, including protection against certain Post-Policy risks such as forgery and encroachment. Also, certain endorsement coverages are automatically provided, including the A.L.T.A. Form 8.1 and 9. Additionally, in order to protect the lender when the original principal of the loan is used as the stated insurance (which may be inadequate to fully compensate the lender for an actual loss) the policy limit is increased to 125% of that stated amount.

OTHER PRODUCTS**09.** LETTER REPORT (NO INSURANCE)

This report is issued to institutional lenders who do not require a complete examination of records or any type of insurance. Based upon an examination of the First American property index, the report reflects the indicated owner, legal description, encumbrances, taxes and assessments. If desired, a General Index (GI) search on the borrower may be conducted which would reflect any tax liens and/or judgements of record.

10. PRODUCTS OFFERED TO
YOUR ATTORNEY, TRUSTEE OR
ACCOUNT SERVICING AGENT:

- Trustee Sale Guarantee
- Litigation Guarantee
- Forfeiture Guarantee
- Other various examinations and reports
- Deed in Lieu of Foreclosure/Forfeiture Guarantee