



WELCOME!

WE WILL BE WITH YOU SHORTLY.



- Questions?
  - Use the Q&A at bottom of your screen and type in. Generally: Questions will be answered at the end of the program.
- CLE Certificate? Posted to the home page of our website
- Watch Later? Video will be archived (with others) on our website.
- June CLE – 3 Consecutive Weeks – 1 hour each
  - June 9<sup>th</sup> Claims – Pay or Deny?
  - June 16<sup>th</sup> – Foreclosures and Current Legal Updates
  - June 23<sup>rd</sup> – 1031 Exchanges and Cyber Fraud
- Remember: When you get a notice... register ... you will receive a Zoom invite



# THE TITLE INSURANCE PRODUCT - PEELING BACK THE LAYERS



## CONTRACT EXPLANATION

A title insurance policy is neither a certificate nor a guarantee of the status of title; rather, it is a contract of indemnity under which the insurer is obligated to pay its insured on a claim only if the insured suffers actual loss or damage by reason of a title defect, the existence of which is insured against in the policy. In addition to the monetary obligations imposed upon the insurer under the policy, it is required to defend its insured in any litigation in which a third party asserts a claim adverse to the title or interest as insured. Unless the title defect in question is one for which the policy provides protection, there is no obligation on the part of the insurer to indemnify or defend.



## CLAIMS AND COVERAGE

Claims are filed online @ [www.catic.com](http://www.catic.com)

Questions regarding potential claims will only be answered by a claims counsel.

Vermont Claims Counsel – John Scanlon, Esq.



### Simple Examples of Common Claims

- Unpaid mortgages – HELOCs
- Unpaid property taxes or current use taxes
- Undisclosed right of way
- Access issue
- Defense of ownership – heirs

Affirmative Coverage can often be provided in some cases if a minor problem is discovered, allowing a transaction to close!

# HOW IS TITLE INSURANCE DIFFERENT?

## CAR + FIRE + HEALTH + LIFE

- Issued based on risk assumption (casualty insurance: actuarial tables)
- Claims are based on events which occur **AFTER** the Date of Policy – e.g. **FUTURE** events
- Premiums paid over and over for duration of policy



## TITLE INSURANCE

- Issued after risk elimination based on title search + cure of defects
- Claims are based on events which occurred **BEFORE** the Date of Policy – e.g. **PAST** events. NB: Expanded policies afford some post-policy coverage
- One time premium. Claims coverage includes attorneys fees and costs to resolve title problems insured under the policy.



# TYPES OF TITLE INSURANCE POLICIES

## OWNER POLICY –

Expanded

Standard

Short Form? Nope

Policy Commitment? Always

## MORTGAGEE POLICY -

Expanded

Standard

Short Form? Yes/Optional

Policy Commitment?  
Yes/Optional

# WHAT TYPE OF POLICY SHOULD I ISSUE?



EXPANDED	STANDARD
<p>Should ALWAYS be used for:</p> <ul style="list-style-type: none"><li>• Single Family Residence</li><li>• Every I-4 Residence - Owner Occupied</li></ul> <p>WHY?</p> <ul style="list-style-type: none"><li>• Some Permit Coverage</li><li>• Insures violation for SFR</li><li>• Insures <i>Vehicular Access</i></li></ul>	<p>Should ALWAYS be used for:</p> <ul style="list-style-type: none"><li>• Vacant land</li><li>• Commercial</li><li>• Construction Loans</li></ul> <p>WHY?</p> <ul style="list-style-type: none"><li>• No Permit Coverage</li><li>• Insures access rights</li></ul>



GET SHORT FORM?



# WHY A SHORT FORM?



In the  
beginning ...

- \* On the market around 2000
- \* Created to get Mortgages to secondary market after closing
- \* Final policy at closing

Why is it “short”?

- \* It incorporates terms by reference
- \* Schedule B, Exceptions are “general” not specific
- \* However, coverage is the same as a Long Form

Lender  
Benefits?

- \* It IS the final policy. No delay.
- \* Insures the “Gap Period” (explained)
- \* No Schedule B, Requirements





# INSURING THE GAP PERIOD

- What is the “GAP” period and why does anyone care?
- The period of time between date of title search and the recording of the Mortgage.
- Lender and Insurer care because it determines who bears the risk of a lien jumping ahead.
- Short Form insures the Gap because Date of Policy is closing date
- Gap Coverage Endorsement







# ANATOMY OF THE POLICY

- COVERED RISKS
- EXCLUSIONS FROM COVERAGE
- CONDITIONS
- SCHEDULE A
- SCHEDULE B – PART I EXCEPTIONS
- SCHEDULE B – PART II SUBORDINATE MATTERS
- PROPERTY DESCRIPTION

**Schedule A**

Date  
Insured  
Policy Amount

**Schedule B**

**Schedule C**  
Property Description

**Policy Commitment**

Schedule B, Part I  
Requirements  
Schedule B, Part II Exceptions

**Final Policy**

Schedule B, Part I Exceptions  
Schedule B, Part II Subordinate  
Matters (Loan Only)

**Short Form**

Addendum (Exceptions)

# EOP: REVIEW

## EXPANDED PROTECTION OWNER POLICY

*ALTA Homeowner's Policy of Title Insurance  
For a one-to-four family residence*

### OWNER'S INFORMATION SUMMARY

Your Title Insurance Policy is a legal contract between You and Us.

It applies only to a one-to-four family residence and only if each insured named in Schedule A is a Natural Person. If the Land described in Schedule A of the Policy is not an improved residential lot on which there is located a one-to-four family residence, or if each insured named in Schedule A is not a Natural Person, contact Us immediately.

The Policy insures You against actual loss resulting from certain Covered Risks. These Covered Risks are listed on page 2 of the Policy. The Policy is limited by:

- Provisions of Schedule A
- Exceptions in Schedule B
- Our Duty To Defend Against Legal Actions on page 3
- Exclusions on page 3
- Conditions on pages 3 and 4

You should keep the Policy even if You transfer Your Title to the Land. It may protect against claims made against You by someone else after You transfer Your Title.

**IF YOU WANT TO MAKE A CLAIM, SEE SECTION 3 UNDER THE CONDITIONS ON PAGE 3.**

The premium for this Policy is paid once. No additional premium is owed for the Policy.

This summary is not Your insurance Policy. It is only a brief outline of some of the important Policy features. The Policy explains in detail Your rights and obligations and Our rights and obligations. Since the Policy—and not this summary—is the legal document, **YOU SHOULD READ THE POLICY VERY CAREFULLY.**

The Policy begins on this page with the Table of Contents.

If You have any questions about Your Policy, contact: CATIC, 101 Corporate Place, Rocky Hill, CT 06067

## EXPANDED PROTECTION OWNER POLICY



### TABLE OF CONTENTS

	Page		Page
OWNER'S COVERAGE STATEMENT.....	1	8. This Policy is the Entire Contract.....	4
COVERED RISKS.....	2	9. Increased Policy Amount.....	4
OUR DUTY TO DEFEND AGAINST LEGAL ACTIONS.....	3	10. Severability.....	4
EXCLUSIONS.....	3	11. Arbitration.....	4
CONDITIONS.....		12. Choice of Law.....	4
1. Definitions.....	3	SCHEDULE A.....	Attached
2. Continuation of Coverage.....	3	Policy Number, Date and Amount	
3. How to Make a Claim.....	3	Deductible Amounts and Maximum Dollar Limits of Liability	
4. Our Choices When We Learn of a Claim.....	3	Street Address of the Land	
5. Handling a Claim or Legal Action.....	4	1. Name of Insured	
6. Limitation of Our Liability.....	4	2. Interest in Land Covered	
7. Transfer of Your Rights to Us.....	4	3. Description of the Land	
		SCHEDULE B – EXCEPTIONS.....	Attached

**As soon as You Know of anything that might be covered by this Policy, You must notify Us promptly in writing at the address shown in Section 3 of the Conditions.**

### OWNER'S COVERAGE STATEMENT

This Policy insures You against actual loss, including any costs, attorneys' fees and expenses provided under this Policy. The loss must result from one or more of the Covered Risks set forth below. This Policy covers only Land that is an improved residential lot on which there is located a one-to-four family residence and only when each insured named in Schedule A is a Natural Person.

Your insurance is effective on the Policy Date. This Policy covers Your actual loss from any risk described under Covered Risks if the event creating the risk exists on the Policy Date or, to the extent expressly stated in Covered Risks, after the Policy Date.

Your insurance is limited by **all** of the following:

- The Policy Amount
- For Covered Risk 16, 18, 19 and 21, Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A
- The Exceptions in Schedule B
- Our Duty To Defend Against Legal Actions on page 3
- The Exclusions on page 3
- The Conditions on pages 3 and 4





# PRODUCT COVERAGES

This is intended as a general comparison only and should not be used to construe or expand your policy's coverage; consult your final title insurance policy for Covered Risks, Definitions, Exclusions, Exceptions and Conditions.

	STANDARD OWNER POLICY	EXPANDED OWNER POLICY
<b>GENERAL COVERAGE</b>		
Insures against someone else owning an interest in your land	✓	✓
Insures against unmarketable title	✓	✓
Insures against any defect in or lien or encumbrance on the title that occurred BEFORE you took title such as:	✓	✓
1) Forgery, fraud, incapacity or impersonation	✓	✓
2) Failure of an entity to have authorized a conveyance	✓	✓
3) Defective document affecting title (not properly created, executed, witnessed, sealed, acknowledged)	✓	✓
4) Failure of deed to be properly filed and indexed in land records	✓	✓
5) Failure of deed due to defective or fraudulent power of attorney	✓	✓
6) Defective judicial or administrative proceeding	✓	✓
Insures against 1-6 occurring AFTER you take title to the property		✓





## “TITLE FRAUD” TITLE LOCK & OTHER COMPANIES

"I owned my home. Paid it off in 2009. I poured my heart and soul into it and to have it taken away from me, it devastated me. When I first learned about my title being stolen from me, I spent lots of money going through court cases trying to stop the procedure. I mean, imagine having to spend tens of thousands of dollars to try to keep something you already own."

"From the day I signed on to Home Title Lock it was a couple of days later when I received a report about a lien against my property that I didn't know about. We got it fixed right away. There is no price you can put on that, the value of Home Title Lock is immeasurable."

"I thought I owned my home until the police showed up and told me I didn't. I could not actually believe that we were getting evicted from our home that we didn't even sell. Homeowners are just not aware of how vulnerable they are. These thieves, they take everything from you, they know how to use the system to get you out of your property. It is just too easy."



**C A T I C<sup>®</sup>**  
**EXPANDED PROTECTION OWNER POLICY**  
*ALTA Homeowner's Policy of Title Insurance*  
*For a one-to-four family residence*

**COVERED RISKS**

- title because of leases,  
 g Your Title because of  
 he Land.  
 are:  
 thorized a transfer or  
 I document by electronic  
 ised is invalid because it  
 nowledged, d  
 ised was signed using a  
 ver of attorney.  
 ed was not properly filed,  
 is.  
 eeding.  
 ter the Policy  
 ing a:  
 imposed on Your Title by  
 payable, but unpaid;
16. Because of an existing violation of a subdivision law or regulation affecting the Land:  
 a. You are unable to obtain a building permit;  
 b. You are required to correct or remove the violation; or  
 c. someone else has a legal right to, and does, refuse to perform a contract to purchase the Land, lease it or make a Mortgage loan on it.  
 The amount of Your insurance for this Covered Risk is subject to Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
17. You lose Your Title to any part of the Land because of the right to take the Land by condemning it, if:  
 a. there is a notice of the exercise of the right recorded in the Public Records and the notice describes any part of the Land; or  
 b. the taking happened before the Policy Date and is binding on You if You bought the Land without Knowing of the taking.
18. You are forced to remove or remedy Your existing structures, or any part of them - other than boundary walls or fences - because any portion was built without obtaining a building permit from the proper government office. The amount of Your insurance for this Covered Risk is subject to Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
19. You are forced to remove or remedy Your existing structures, or any part of them, because they violate an existing zoning law or zoning regulation. If You are required to remedy any portion of Your existing structures, the amount of Your insurance for this Covered Risk is subject to Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
20. You cannot use the Land because use as a single-family residence violates an existing zoning law or zoning regulation.
21. You are forced to remove Your existing structures because they encroach onto Your neighbor's land. If the encroaching structures are boundary walls or fences, the amount of Your insurance for this

# PERMIT COVERAGE





101 Corporate Place, Rocky Hill, CT 06067 • (860) 257-0606

EMP

## EXPANDED COVERAGE RESIDENTIAL LOAN POLICY CURRENT ASSESSMENTS

FOR ONE-TO-FOUR FAMILY RESIDENTIAL PROPERTY

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 17 of the Conditions.

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, CATIC, a corporation (the "Company") insures as of Date of Policy and, to the extent stated in Covered Risks 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27, and 28, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

## Covered Risks

## Exclusions from Coverage

## Conditions

- 1. Definition of Terms
- 2. Continuation of Insurance
- 3. Notice of Claim to be Given by Insured Claimant
- 4. Proof of Loss
- 5. Defense and Prosecution of Actions
- 6. Duty of Insured Claimant to Cooperate
- 7. Options to Pay or Otherwise Settle Claims; Termination of Liability
- 8. Determination and Extent of Liability
- 9. Limitation of Liability
- 10. Reduction of Insurance; Reduction or Termination of Liability
- 11. Payment of Loss
- 12. Rights of Recovery Upon Payment or Settlement
- 13. Arbitration
- 14. Liability Limited to this Policy; Policy Entire Contract
- 15. Severability
- 16. Choice of Law; Forum
- 17. Notices, Where Sent



11. The lack of priority of the lien of the Insured Mortgage upon the Title:
  - (a) as security for each and every advance of proceeds of the loan secured by the Insured Mortgage over any statutory lien for services, labor, or material arising from construction of an improvement or work related to the Land when the improvement or work is either
    - (i) contracted for or commenced on or before Date of Policy; or
    - (ii) contracted for, commenced, or continued after Date of Policy if the construction is financed, in whole or in part, by proceeds of the loan secured by the Insured Mortgage that the Insured has advanced or is obligated on Date of Policy to advance;
  - (b) over the lien of any assessments for street improvements under construction or completed at Date of Policy;
  - (c) over any defect in or lien or encumbrance on the Title attaching or created before, on or after Date of Policy; as to each and every advance of proceeds of the loan secured by the Insured Mortgage, which at Date of Policy the Insured has made or is legally obligated to make; and
  - (d) over any environmental protection lien that comes into existence before, on or after Date of Policy pursuant to any federal statute in effect at Date of Policy as to each and every advance of proceeds of the loan secured by the Insured Mortgage, which at Date of Policy the Insured has made or is legally obligated to make.
12. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens.
13. The failure of the Land:
  - (a) to have the street address shown in Schedule A, and the failure of the map, if any, attached to this policy to show the correct location and dimensions of the Land according to the Public Record.
  - (b) to be improved with a one-to-four family residential structure or, if stated in the description of the Land, a residential condominium unit.
  - (c) to be zoned to permit a one-to-four family residential structure or, if stated in the description of the Land, a residential condominium unit.
  - (d) to be a lawfully created one-to-four family residential parcel according to state statutes and local ordinances governing subdivision of land.
14. The forced removal, modification, or replacement of any existing one-to-four family residential structure or residential condominium unit located on the Land resulting from the violation of any of the following requirements of any applicable zoning ordinance: area or dimensions of the Land as a building site; floor space area of the structure; height of the structure; or distance of the structure from the boundary lines of the Land.
15. The assessment or taxation of the Land by governmental authority as part of a larger parcel.
16. The failure of the existing one-to-four family residential structure or residential condominium unit or a portion or a future modification or replacement to have been constructed with a valid building permit from the appropriate local government issuing office or agency.
17. The inability to use the existing one-to-four family residential structure or residential condominium unit or a portion of it or a future modification or replacement to it for one-to-four family residential purposes because that use violates a restriction shown in Schedule B.
18. Damage to improvements, lawns, shrubbery or trees constructed or planted on the Land before, on or after Date of Policy resulting from the future exercise of any right to use the surface of the Land for the extraction or development of minerals, water or any other substance.
19. The encroachment onto the Land of an improvement constructed after Date of Policy.
20. Encroachment of improvements constructed on the Land after Date of Policy onto adjoining property or over any easement or building setback line on the Land.
21. Forgery after Date of Policy of:
  - (a) any instrument purporting to subordinate, assign, release, or reconvey the Insured Mortgage; and
  - (b) any instrument purporting to convey or encumber the Title.
22. The invalidity, unenforceability, or lack of priority of the lien of the Insured Mortgage as to Advances made or changes in the rate of interest charged subsequent to any modification of the terms of the Insured Mortgage made after Date of Policy which are secured by the terms of the Insured Mortgage as modified.
23. Damage to improvements, lawns, shrubbery, or trees constructed or planted on the Land before, on or after Date of Policy occasioned by the exercise of the right to use or maintain any easement referred to in Schedule B.
24. Interference with the use for one-to-four family residential purposes of the improvements constructed on the Land before, on or after Date of Policy occasioned by the exercise of the right to use or maintain any easement referred to in Schedule B.
25. Supplemental real estate taxes, including those caused by construction or a change of ownership or use, that occurred before Date of Policy, not previously assessed against the Land for any period before Date of Policy.
26. The invalidity or unenforceability of the lien of the Insured Mortgage upon the Title based upon a violation of the usury laws of the state where the Land is located if no other Mortgage is shown as an exception in Schedule B.



## WHAT'S THE DIFFERENCE? EXPANDED VS. STANDARD OWNER

Covered Risks: 10 in Standard; 32 in Expanded

Exclusions from Coverage and Conditions vary considerably

Exceptions: No. 1 and 2 included in both

1. Rights of persons in possession other than the Insured which are not shown by the Public Records.
2. (i) Boundary line disputes, overlaps, encroachments, title to filled lands (if any) and all other facts which an accurate survey and inspection of the land would disclose and which are not shown by the Public Records;(ii) Any easements or claims of easements not shown by the Public Records.



## WHAT'S THE DIFFERENCE? EXPANDED VS. STANDARD LENDER

Covered Risks: 16 additional Covered Risks (11(c)(d), 13-26)

Exclusions from Coverage: 3 additional Exclusions under Expanded (related to property type)

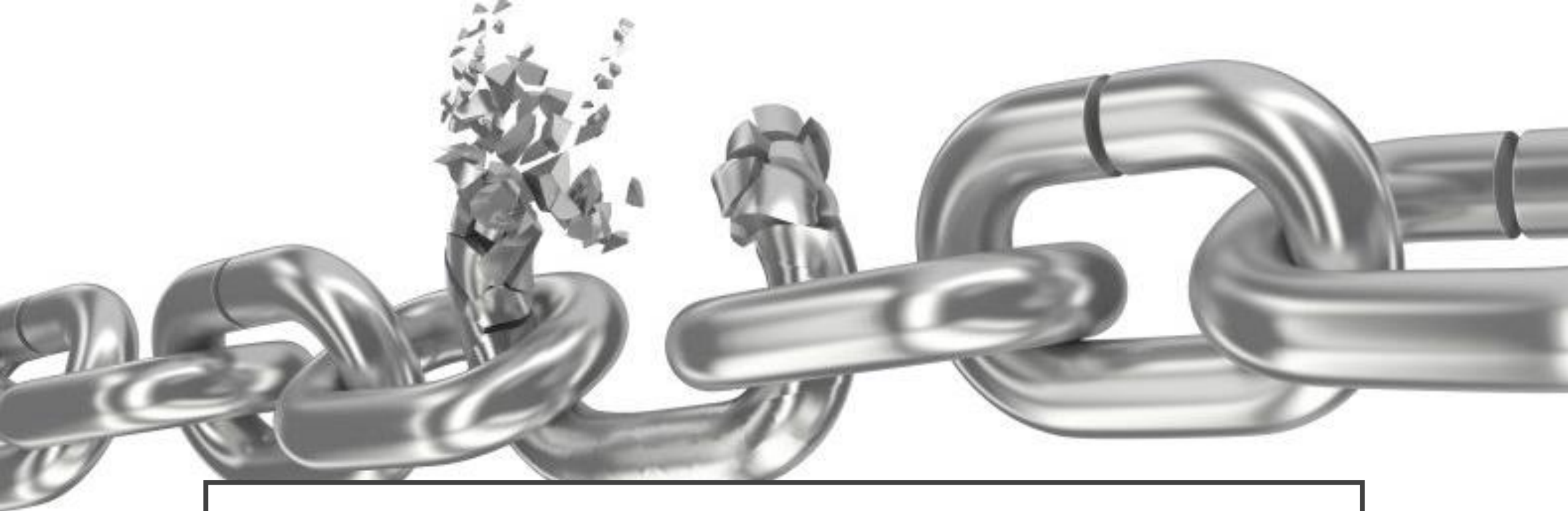
Conditions: Almost identical (variations in reference to Covered Risks and Exclusions)

Exceptions: No. 1 and 2 – Not Included in Expanded

1. Rights of persons in possession other than the Insured which are not shown by the Public Records.

2. (i) Boundary line disputes, overlaps, encroachments, title to filled lands (if any) and all other facts which an accurate survey and inspection of the land would disclose and which are not shown by the Public Records; (ii) Any easements or claims of easements not shown by the Public Records.





# **CONTINUATION OF COVERAGE**



# COVERAGE

## EXPANDED OWNER

- **CONDITIONS:**
- **2. CONTINUATION OF COVERAGE ... FOREVER**
- **b. This Policy also insures :**
- **(1) anyone who inherits Your Title because of Your death;**
- **(2) Your spouse who receives Your Title because of dissolution of Your marriage;**
- **(3) the trustee or successor trustee of Your Trust or any Estate Planning Entity created for you to whom or to which You transfer Your Title after the Policy Date; or**
- **(4) the beneficiaries of Your Trust upon Your death; or**
- **(5) anyone who receives Your Title by a transfer effective on Your death as authorized by law.**

## STANDARD OWNER

- **CONDITIONS:**
- **2. CONTINUATION OF COVERAGE**  
**... only so long as the Insured**
- **retains an estate or interest in the Land; or**
- **or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured; or**
- **shall have liability by reason of warranties in any transfer or conveyance of the Title.**

ENTER: THE REAL WORLD



Title Insurance:  
What Say You?!

## Fire Safety Compliance

“The sellers don’t want to get a Fire Safety Inspection and the Code technically doesn’t require it. Is a Fire Safety Inspection and compliance required to insure?”

### ANSWER: POLICIES CAN BE ISSUED

Exclusions from Coverage: Policy does not insure against loss for governmental regulation, land use, subdivision, governmental police power.

Some coverage afforded IF: (a) the Policy says so; or (b) a notice of violation is recorded.

Think of it this way: Does the issue affect TITLE (generally insured) or does it affect USE of the property (generally not Insured).

So: Who does care about Fire & Safety Compliance?

Answer = Lender & Buyer care!



ENTER: THE REAL WORLD



## Acreage Discrepancies

“The tax map and bill show a 15 acre parcel with residence but the deeds of record state the property is only 12.5 acres. Do I need to correct this discrepancy to issue title insurance to the new buyer and lender?”

### ANSWER: POLICIES CAN BE ISSUED

#### OWNER

- Owner Policy: does not insure acreage of Property.
- General Exception: “...all other facts which an accurate survey and inspection of the land would disclose...”
- Optional Exception/Schedule B:
- “NOTE: Without limiting the generality of Exception #2, this policy does not insure the acreage amount of the Property.”

#### LENDER

- Expanded MP: Does AFFIRMATIVELY insure matters disclosed by a survey.
- Considerations of actual loss/diminution in value.

Take Away and Reminder: The Party we have in mind is the Insured. We don't want to set an expectation for the Insured that is inaccurate regarding their Insurance Policy and they need to weigh the issue with their attorney to determine if they want to assume the risks.

A Lender is going to have to do the same and will unlikely want to undertake the issue in the event of Foreclosure.

ENTER: THE REAL WORLD



Title Insurance:  
What Say You?!

## Licensed Lender

“My buyer is getting a loan from an individual person.  
Can we issue him/her a loan policy?”

## ANSWER: MP CAN BE ISSUED

Additional Exception/Schedule B:

“NOTE: This policy does not insure against loss or damage for failure to comply with Vermont’s Licensed Lenders Act.”

What about seller financing? Answer = No.

Who represents the lender? Separate counsel

ENTER: THE REAL WORLD



## Seasonal Conversion

“I represent the buyer and the property is currently used as a year-round residence. There was a note in the zoning records that the property was the camp of a former owner. The sellers can’t provide evidence of use for 180+ days in any calendar year between 1986-2006. Does this property qualify as a year round residence?”

### **ANSWER: LIKELY QUALIFIES FOR EXPANDED POLICIES**

- Violation or enforcement action by the State?
- Failed system = post-policy event (could happen to anyone at anytime)
- Affidavits becoming more and more impossible
- Same Exclusions regarding governmental regulation



**THANK YOU!**