



WLTA Meeting 2018

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First American Title & Escrow Company

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Title 101

The Fundamentals of Title Insurance

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First American Title[™]

How Did Title Insurance Begin?

- Watson vs. Muirhead – Pennsylvania Supreme Court – 1868
- Muirhead, a conveyancer, had searched a title for Watson, the purchaser of a parcel of land
- Conveyancer found a lien on the title, which he then turned over to an attorney for a legal opinion
- The attorney advised that the judgment was not a valid lien
- Purchaser completed the transaction
- It was later found that a prior lien was indeed a cloud on title
- Watson sued Muirhead to recover his losses, but the courts ruled that Muirhead (and others in similar situations) was not liable for errors based on professional opinions. Watson had no recourse
- As a result, the Pennsylvania legislature passed an act "to provide for the incorporation and regulation of title insurance companies."



ALTA – National Trade Assoc

- The American Association of Title Men (AATM) was formed in 1907
- Amended to the America Title Association in 1924
- Today's current name, American Land Title Association (ALTA), in 1962
- The first loan policy was approved in 1929, and the owner's in 1959.



WLTA – Washington Land Title Assoc

- 1905 – Vancouver, WA County Court House – First Meeting of Washington Abstractors’ Association
 - 7 Abstractors attended and organized the association
 - “To discuss business methods and profit by comparing experiences”
 - Membership fee of \$1.00 per month
- 1907 - Amended to The Washington Association of Title Men after member reported having attended national formation meeting
- 1910 – Rate wars in Snohomish County ensued
- 1924 – Washington Title Association
- 1947 – Washington Land Title Association



ALTA Convention – 1909 – Seattle, WA



Source: www.alta.org



What is Title Insurance?

- Title insurance is a policy which indemnifies against loss that an owner or lienholder may experience with real property and insures against errors in the title search. In short, a title insurance policy **protects the insured against any loss suffered as a result of the title to land not being as insured in the policy.**
- If the insured, either the owner or lender, suffers a loss as a result of a covered title defect, the insurer will reimburse the insured for that **loss and any covered legal expenses**, up to the face amount of the policy **subject to conditions, exceptions, and exclusions contained in the policy.**



Owner's Policy Types

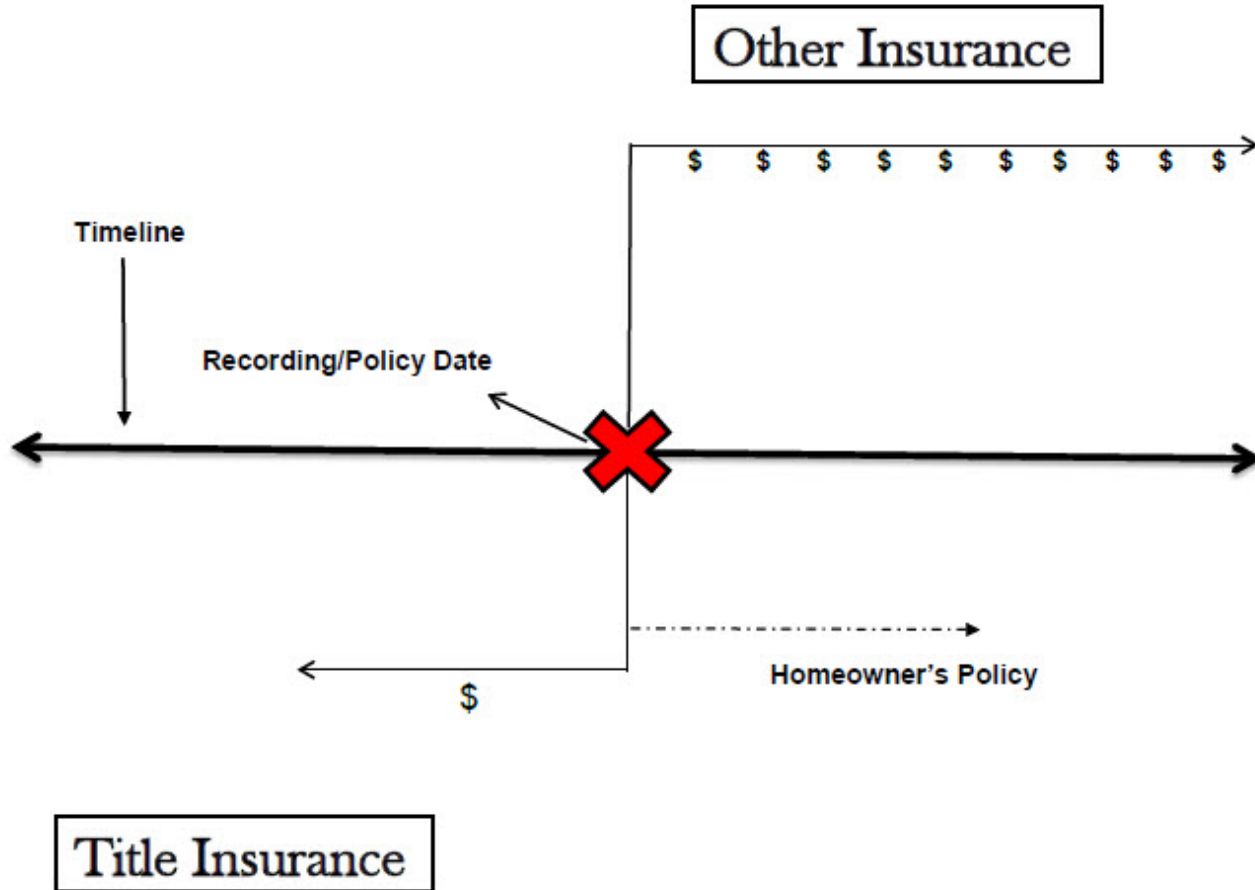
- **The Standard Owner's Policy** – 10 insuring provisions primarily involving loss arising from matters appearing in the public records that were not set forth as exceptions to coverage; used for vacant land
- **Extended Owner's Policy** – Requires a survey, matters found on the survey are set forth as exceptions, typically used for commercial property
- **Homeowner's Policy** - 32 covered risks including pre and post policy coverage; applicable on 1-4 family residences with natural persons taking title

Title Insurance vs. Other Insurance

Title insurance differs in several respects from other types of insurance. Where most insurance is a contract where the insurer indemnifies (guarantees) an insured party against a possible specific type of loss (such as an accident or death) at a future date, title insurance generally insures against losses caused by title problems that have their source in past events.



Title Insurance vs. Other Insurance



Creating a Title Commitment

- **Land Records** (Auditor's office) – Easements, CCRs, Agreements, Notices, Plat Dedications, Land Use Notices, etc.
- **Deeds** (Auditor's office) – aka the “chain of title” – ownership history
- **Liens** (Auditor's office) – deeds of trusts, DSHS liens, MLNs
- **Tax Records** (Assessor/Treasurer's Office) – assessments, legal descriptions, exemptions, taxes owed
- **Pending Matters** (Clerk's office) – judgments, divorces, liens, pending actions, probate
- **US BK Court**



VS. GREECE



GREECE

- Land transactions are hand written in ledgers by last name only
- Often no lots number, legal descriptions, boundaries are used
- No consistent zoning guidelines
- Deed legal description – “three olive trees near well” or “where you can hear a donkey on the path”
- Land use for 20 yrs = ownership
- Protected forest developed in recent years due to wildfires that cleared land



2016 Commitment

NOTICE

IMPORTANT-READ CAREFULLY: THIS COMMITMENT IS AN OFFER TO ISSUE ONE OR MORE TITLE INSURANCE POLICIES. ALL CLAIMS OR REMEDIES SOUGHT AGAINST THE COMPANY INVOLVING THE CONTENT OF THIS COMMITMENT OR THE POLICY MUST BE BASED SOLELY IN CONTRACT.

THIS COMMITMENT IS NOT AN ABSTRACT OF TITLE, REPORT OF THE CONDITION OF TITLE, LEGAL OPINION, OPINION OF TITLE, OR OTHER REPRESENTATION OF THE STATUS OF TITLE. THE PROCEDURES USED BY THE COMPANY TO DETERMINE INSURABILITY OF THE TITLE, INCLUDING ANY SEARCH AND EXAMINATION, ARE PROPRIETARY TO THE COMPANY, WERE PERFORMED SOLELY FOR THE BENEFIT OF THE COMPANY, AND CREATE NO EXTRACONTRACTUAL LIABILITY TO ANY PERSON, INCLUDING A PROPOSED INSURED.

THE COMPANY'S OBLIGATION UNDER THIS COMMITMENT IS TO ISSUE A POLICY TO A PROPOSED INSURED IDENTIFIED IN SCHEDULE A IN ACCORDANCE WITH THE TERMS AND PROVISIONS OF THIS COMMITMENT. THE COMPANY HAS NO LIABILITY OR OBLIGATION INVOLVING THE CONTENT OF THIS COMMITMENT TO ANY OTHER PERSON.

- Expressly limits title company's liability to contract claims rather than tort claims such as negligence or misrepresentation
- Declares it is not an abstract or legal opinion
- Limits the liability to solely the proposed insured listed on the commitment



WA State Code already established this....

RCW 48.29.010

Scope of chapter—Definitions.

(f) "Preliminary report," "commitment," or "binder" means reports furnished in connection with an application for title insurance and are offers to issue a title policy subject to the stated exceptions in the reports, the conditions and stipulations of the report and the issued policy, and other matters as may be incorporated by reference. The reports are not abstracts of title, nor are any of the rights, duties, or responsibilities applicable to the preparation and issuance of an abstract of title applicable to the issuance of any report. The report is not a representation as to the condition of the title to real property, BUT IS A STATEMENT OF TERMS AND CONDITIONS UPON WHICH THE ISSUER IS WILLING TO ISSUE ITS TITLE POLICY, IF THE OFFER IS ACCEPTED.

Other Basic Title Insurance Facts

- Title companies will not normally pay a claim unless our insured (named in the policy) suffers a financial loss due to a covered risk (Condition 8/6)
- Title companies will only pay claims that affect the land as it is legally described in the policy and improvements (Condition 1g/1d)
- Title companies will only pay legal costs for attorneys that the **title** company incurs
- Title companies will not pay claims for risks that are created, assumed or allowed by our insured or for risks that are known to the insured as of the policy date, but not to the title company (Exclusion 3/4 a&b)
- Title policies are not *transferable*. Both the Standard and Homeowner's policies can, however, be *inherited* in some cases. (Condition 1D(a) & 2B(1))
- A title company may exercise subrogation rights. (Condition 7)
- The Homeowner's Policy has a 10% automatic inflation endorsement for the first five years (Condition 9)



Title Policy Highlights

1) Covered Risks - items specifically listed in the policy that are covered.

COVERED RISKS

The Covered Risks are:

1. Someone else owns an interest in Your Title.
2. Someone else has rights affecting Your Title because of leases, contracts, or options.
3. Someone else claims to have rights affecting Your Title because of forgery or impersonation.
4. Someone else has an Easement on the Land.
5. Someone else has a right to limit Your use of the Land.
6. Your Title is defective. Some of these defects are:
 - a. Someone else's failure to have authorized a transfer or conveyance of your Title.
 - b. Someone else's failure to create a valid document by electronic means.
 - c. A document upon which Your Title is based is invalid because it was not properly signed, sealed, acknowledged, delivered or recorded.
 - d. A document upon which Your Title is based was signed using a falsified, expired, or otherwise invalid power of attorney.
 - e. A document upon which Your Title is based was not properly filed, recorded, or indexed in the Public Records.
 - f. A defective judicial or administrative proceeding.
7. Any of Covered Risks 1 through 6 occurring after the Policy Date.
8. Someone else has a lien on Your Title, including a:
 - a. lien of real estate taxes or assessments imposed on Your Title by a governmental authority that are due or payable, but unpaid;
 - b. Mortgage;
 - c. judgment, state or federal tax lien;
 - d. charge by a homeowner's or condominium association; or
 - e. lien, occurring before or after the Policy Date, for labor and material furnished before the Policy Date.
9. Someone else has an encumbrance on Your Title.
10. Someone else claims to have rights affecting Your Title because of fraud, duress, incompetency or incapacity.
11. You do not have actual vehicular and pedestrian access to and from the Land, based upon a legal right.
12. You are forced to correct or remove an existing violation of any covenant, condition or restriction affecting the Land, even if the covenant, condition or restriction is excepted in Schedule B. However, You are not covered for any violation that relates to:
 - a. any obligation to perform maintenance or repair on the Land; or
 - b. environmental protection of any kind, including hazardous or toxic conditions or substancesunless there is a notice recorded in the Public Records, describing any part of the Land, claiming a violation exists. Our liability for this Covered Risk is limited to the extent of the violation stated in that notice.



COVERED RISKS (Continued)

13. Your Title is lost or taken because of a violation of any covenant, condition or restriction, which occurred before You acquired Your Title, even if the covenant, condition or restriction is excepted in Schedule B.
14. The violation or enforcement of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;
 - d. improvements on the Land;
 - e. land division; or
 - f. environmental protection,if there is a notice recorded in the Public Records, describing any part of the Land, claiming a violation exists or declaring the intention to enforce the law or regulation. Our liability for this Covered Risk is limited to the extent of the violation or enforcement stated in that notice.
15. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 14 if there is a notice recorded in the Public Records, describing any part of the Land, of the enforcement action or intention to bring an enforcement action. Our liability for this Covered Risk is limited to the extent of the enforcement action stated in that notice.
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 Covered Risk is subject to Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
22. 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 because Your neighbor's existing structures encroach onto the Land.
23. You are forced to remove Your existing structures which encroach onto an Easement or over a building set-back line, even if the Easement or building set-back line is excepted in Schedule B.
24. Your existing structures are damaged because of the exercise of a right to maintain or use any Easement affecting the Land, even if the Easement is excepted in Schedule B.
25. Your existing improvements (or a replacement or modification made to them after the Policy Date), including lawns, shrubbery or trees, are damaged because of the future exercise of a right to use the surface of the Land for the extraction or development of minerals, water or any other substance, even if those rights are excepted or reserved from the description of the Land or excepted in Schedule B.
26. Someone else tries to enforce a discriminatory covenant, condition or restriction that they claim affects Your Title which is based upon race, color, religion, sex, handicap, familial status, or national origin.
27. A taxing authority assesses supplemental real estate taxes not previously assessed against the Land for any period before the Policy Date because of construction or a change of ownership or use that occurred before the Policy Date.
28. Your neighbor builds any structures after the Policy Date - other than boundary walls or fences - which encroach onto the Land.
29. Your Title is unmarketable, which allows someone else to refuse to perform a contract to purchase the Land, lease it or make a Mortgage loan on it.
30. Someone else owns an interest in Your Title because a court order invalidates a prior transfer of the title under federal bankruptcy, state insolvency, or similar creditors' rights laws.
31. The residence with the address shown in Schedule A is not located on the Land at the Policy Date.
32. The map, if any, attached to this Policy does not show the correct location of the Land according to the Public Records.



COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, **FIRST AMERICAN TITLE INSURANCE COMPANY**, a Nebraska corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
 - (a) A defect in the Title caused by
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding.
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (a) the occupancy, use, or enjoyment of the Land;
 - (b) the character, dimensions, or location of any improvement erected on the Land;
 - (c) the subdivision of land; or
 - (d) environmental protectionif a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. Title being vested other than as stated in Schedule A or being defective
 - (a) as a result of the avoidance in whole or in part, or from a court order providing an alternative remedy, of a transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction vesting Title as shown in Schedule A because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
 - (b) because the instrument of transfer vesting Title as shown in Schedule A constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
 - (i) to be timely, or
 - (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
10. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 9 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this Policy, but only to the extent provided in the Conditions.



Covered Risk Examples:

1. Someone else owns an interest in Your Title.

- Married couple get divorced out state, property awarded to Jim, Jim deeds on new girlfriend, Jim dies. Girlfriend sells the property and Title Co X insures

3. Someone else claims to have rights affecting Your Title because of forgery or impersonation.

- Mr. Steve

4. Someone else has an Easement on the Land.

- Real Estate Broker's Army Buddy

10. Someone else claims to have rights affecting Your Title because of fraud, duress, incompetency or incapacity.

- Elder Fraud

11. You do not have actual vehicular and pedestrian access to and from the Land, based on legal right. (See next slide)



Covered Risk - # 11 - Access

Right to Access



Travelable Access



Policy Highlights (cont'd)

2) Exclusions – Non, land-specific limits on coverage

EXCLUSIONS

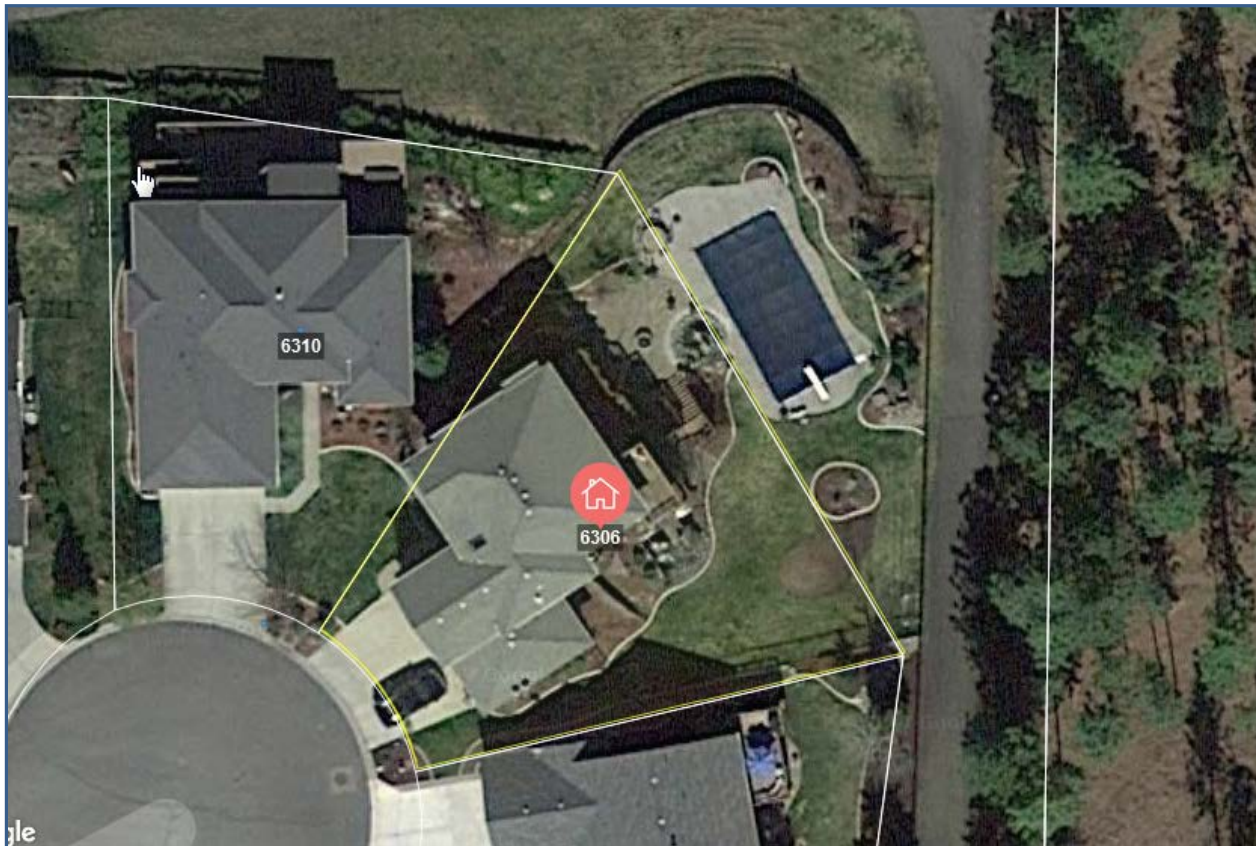
In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;
 - d. improvements on the Land;
 - e. land division; and
 - f. environmental protection.This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title of You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.



4a – Not insured for items:

That are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records



3) Conditions – terms that affect coverage and claims

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

- (a) "Amount of Insurance": The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b), or decreased by Sections 10 and 11 of these Conditions.
- (b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.
- (c) "Entity": A corporation, partnership, trust, limited liability company, or other similar legal entity.
- (d) "Insured": The Insured named in Schedule A.
 - (i) The term "Insured" also includes
 - (A) successors to the Title of the Insured by operation of law as distinguished from purchase, including heirs, devisees, survivors, personal representatives, or next of kin;
 - (B) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;
 - (C) successors to an Insured by its conversion to another kind of Entity;
 - (D) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title
 - (1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,
 - (2) if the grantee wholly owns the named Insured,
 - (3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity, or
 - (4) if the grantee is a trustee or beneficiary of a trust created by a written instrument established by the Insured named in Schedule A for estate planning purposes.
 - (ii) With regard to (A), (B), (C), and (D) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured.
- (e) "Insured Claimant": An Insured claiming loss or damage.

notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.

- (j) "Title": The estate or interest described in Schedule A.
- (k) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured hereunder of any claim of title or interest that is adverse to the Title, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.



CONDITIONS (Continued)

(3) If Your claim is covered only under Covered Risk 16, 18, 19 or 21, any amount paid to the owner of the Mortgage shall also be subtracted from Our Maximum Dollar Limit of Liability for the particular Covered Risk.

f. If You do anything to affect any right of recovery You may have against someone else, We can subtract from Our liability the amount by which You reduced the value of that right.

7. TRANSFER OF YOUR RIGHTS TO US

- a. When We settle Your claim, We have all the rights and remedies You have against any person or property related to the claim. You must not do anything to affect these rights and remedies. When We ask, You must execute documents to evidence the transfer to Us of these rights and remedies. You must let Us use Your name in enforcing these rights and remedies.
- b. We will not be liable to You if We do not pursue these rights and remedies or if We do not recover any amount that might be recoverable.
- c. We will pay any money We collect from enforcing these rights and remedies in the following order:
- (1) to Us for the costs, attorneys' fees and expenses We paid to enforce these rights and remedies;
 - (2) to You for Your loss that You have not already collected;
 - (3) to Us for any money We paid out under this Policy on account of Your claim; and
 - (4) to You whatever is left.
- d. If You have rights and remedies under contracts (such as indemnities, guaranties, bonds or other policies of insurance) to recover all or part of Your loss, then We have all of those rights and remedies, even if those contracts provide that those obligated have all of Your rights and remedies under this Policy.

8. THIS POLICY IS THE ENTIRE CONTRACT

This Policy, with any endorsements, is the entire contract between You and Us. To determine the meaning of any part of this Policy, You must read the entire Policy and any endorsements. Any changes to this Policy must be agreed to in writing by Us. Any claim You make against Us must be made under this Policy and is subject to its terms.

9. INCREASED POLICY AMOUNT

The Policy Amount then in force will increase by ten percent (10%) of the Policy Amount shown in Schedule A each year for the first five years following the Policy Date shown in Schedule A, up to one hundred fifty percent (150%) of the Policy Amount shown in Schedule A. The increase each year will happen on the anniversary of the Policy Date shown in Schedule A.

10. SEVERABILITY

If any part of this Policy is held to be legally unenforceable, both You and We can still enforce the rest of this Policy.

11. ARBITRATION

- a. If permitted in the state where the Land is located, You or We may demand arbitration.
- b. The law used in the arbitration is the law of the state where the Land is located.
- c. The arbitration shall be under the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). You can get a copy of the Rules from Us.
- d. Except as provided in the Rules, You cannot join or consolidate Your claim or controversy with claims or controversies of other persons.
- e. The arbitration shall be binding on both You and Us. The arbitration shall decide any matter in dispute between You and Us.
- f. The arbitration award may be entered as a judgment in the proper court.

12. CHOICE OF LAW

The law of the state where the Land is located shall apply to this policy.



4) Exceptions – items that may need to be cleared or will remain on the forthcoming policy. Two types: general and special (specific to the property)

SCHEDULE B, PART II	
Exceptions	
THIS COMMITMENT DOES NOT REPUBLISH ANY COVENANT, CONDITION, RESTRICTION, OR LIMITATION CONTAINED IN ANY DOCUMENT REFERRED TO IN THIS COMMITMENT TO THE EXTENT THAT THE SPECIFIC COVENANT, CONDITION, RESTRICTION, OR LIMITATION VIOLATES STATE OR FEDERAL LAW BASED ON RACE, COLOR, RELIGION, SEX, SEXUAL ORIENTATION, GENDER IDENTITY, HANDICAP, FAMILIAL STATUS, OR NATIONAL ORIGIN.	
The Policy will not insure against loss or damage resulting from the terms and provisions of any lease or easement identified in Schedule A, and will include the following Exceptions unless cleared to the satisfaction of the Company:	
1.	Any defect, lien, encumbrance, adverse claim, or other matter that appears for the first time in the Public Records or is created, attaches, or is disclosed between the Commitment Date and the date on which all of the Schedule B, Part I-Requirements are met.
2.	Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records.
3.	Any facts, rights, interests, or claims which are not shown by the Public Records but which could be ascertained by an inspection of the Land or by making inquiry of persons in possession thereof.
4.	Easements, claims of easement or encumbrances which are not shown by the Public Records.
5.	Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the Public Records.
6.	(A) Unpatented mining claims; (B) Reservations or exceptions in patents or in Acts authorizing the issuance thereof; (C) Water rights, claims or title to water; whether or not the matters excepted under (A), (B) or (C) are shown by the Public Records; (D) Indian Tribal Codes or Regulations, Indian Treaty or Aboriginal Rights, including easements or equitable servitudes.
7.	Any lien, or right to a lien, for services, labor or materials or medical assistance heretofore or hereafter furnished, imposed by law and not shown by the Public Records.
8.	Any service, installation, connection, maintenance, construction, tap or reimbursement charges/costs for sewer, water, garbage or electricity.

Taxation exceptions

9. Lien of the Real Estate Excise Sales Tax and Surcharge upon any sale of said premises, if unpaid. As of the date herein, the excise tax rate for the **City of Spokane** is at **1.78 %**.
Levy/Area Code: 1.78

10. General Taxes for the year 2018. The first half becomes delinquent after April 30th. The second half becomes delinquent after October 31st.

Tax Account No.: 12345.1301

1st Half

Amount Billed: \$ 1,200.50

Amount Paid: \$ 0.00

Amount Due: \$ 1,200.50

Assessed Land Value: \$ 40,000.00

Assessed Improvement Value: \$ 150,000.00

2nd Half

Amount Billed: \$ 1,200.50

Amount Paid: \$ 0.00

Amount Due: \$ 1,200.50

Assessed Land Value: \$ 40,000.00

Assessed Improvement Value: \$ 150,000.00

11. The taxes for the current year reflect an exemption as allowed under RCW 84.36 for senior citizens. Any curtailment of the exemption may result in an additional amount being due for the current year and for any re-assessment of land and improvement values.

12. Said lands have been reclassified as farm and agricultural for tax purposes, notice of which is given by instrument.

Recorded: May 9, 2008

Recording Information: 4536245

Affects: Land

They will be subject to further taxation and interest thereupon, as provided by Chapter 84.34 RCW, upon withdrawal from such classification or change in use. If the new owners wish to continue the classification or designation of said lands, the County assessor must be consulted at least 10 days prior to sale. It will also be necessary that said new owners sign the Notice of Continuance Section in the State Excise Tax Affidavit. If the new owners do not desire to continue such classification or designation, all compensating or additional tax shall be due and payable at the time of sale. For determination of any compensation or additional tax due, the County Assessor must be consulted at least 10 days prior to sale.

13. Liability for assessment(s) in the city of Spokane , if any.



Lien Exceptions

15. Deed of Trust and the terms and conditions thereof.

Grantor/Trustor: John E Doe
Grantee/Beneficiary: Bank of America
Trustee: PRLAP, Inc.
Amount: \$300,000.00
Dated: June 27, 2005
Recorded: June 29, 2005
Recording Information: 6345563

A document recorded June 2, 2016 as Public Records of Official Records provides that Quality Loan Service Corp of Washington was substituted as trustee under the deed of trust.

A Notice of Trustee's Sale recorded June 2, 2018 as recording no. 6713251 .

Modification and/or amendment by instrument:

Recording Information: 6724050

16. Deed of Trust and the terms and conditions thereof.

Grantor/Trustor: John E Doe
Grantee/Beneficiary: Bank of America
Trustee: PRLAP, Inc.
Amount: \$20,000.00
Dated: January 1, 2002
Recorded: January 3, 2002
Recording Information: 4685025

Note: This Deed of Trust contains Line of Credit privileges. If the current balance owing on said obligation is to be paid in full in the forthcoming transaction, confirmation should be made that the beneficiary will issue a proper request for full reconveyance.

The lien of said Deed of Trust was subordinated to the lien of the instrument recorded June 29, 2005 under recording no. 6345563 by agreement recorded June 29, 2005 under recording no. 6345564 .

17. Mechanics Lien.

Claimant: Fantastic Floors by Fred
Against: John E Doe
Amount: \$5,250.00
For: Labor and/or Materials and/or Equipment
Date Work Commenced: March 15, 2018
Date Work Ceased: March 17, 2018
Recorded: May 2, 2018
Recording No.: 6563219



Pending Matter Exceptions

19. Probate case for John E Doe, deceased.

Admitted to Probate: June 1, 2018
Probate Case No.: 18-4-03552-3, Spokane County
Personal Representative: Jane H Doe
Attorney for Estate: Tina Yothers

Said personal representative is authorized to administer the estate without intervention of court and to mortgage, convey or contract to convey decedent's interest in said premises.

20. Question of identity of the spouse of Jane H Doe on September 16, 2015, date of acquiring title. In addition, title is subject to matters which the record may disclose against the name of said spouse.

21. Pending action in Spokane County Circuit Court/Superior Court, being an action for Dissolution of Marriage:

Case No.: 14-3-056214-5
Petitioner: Jane H Doe
Respondent: Jerry M Doe
Attorney for Petitioner: George Clooney
Attorney for Respondent: Alex Keaton



And then there's dating...



Which house?



Exceptions to Remain on the Policy

30. Easement, including terms and provisions contained therein:
In Favor Of: Washington Water Power
Purpose: Electric transmission and/or distribution system
Recorded: April 12, 1989
Recording No.: 89041203556

31. Any and all offers of dedication, conditions, restrictions, easements, boundary discrepancies or encroachments, notes and/or provisions shown or disclosed by Short Plat or Plat First American Heights 2nd Addition recorded in Volume 21 of Plats, Page(s) 3-5.

32. Covenants, conditions, restrictions and/or easements; but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, family status, or national origin to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes:
Recording Information: 4513562

Amendment thereto recorded under 5326519.

Amendment thereto recorded under 6123521.

33. Any question that may arise due to the shifting and/or changing in the course of Spokane.

Does the Title Industry Matter?



Yes!

Title searches and insurance make the United States property transfer system one of the most efficient systems in the world.

Title insurance companies help:

- **Protect** - most people's largest investment – over half of all real estate transactions have a problem somewhere in the chain of title
- **Help fight terrorism and crime** - we work closely with law enforcement in fraud and crime prevention as well as execute national security mandates
- **Recover** - The title search process enables the collection of \$4.8 billion in back income taxes and recovery of \$325 million in unpaid child support annually on behalf of government agencies.
- **Boost the economy** - *“Title insurance helps eliminate risk in property ownership, which allows mortgage lenders to offer loans at reduced interest rates—saving the homeowner money each time they make mortgage payments,”* - American Land Title Association.



Thank you!

