

## REVIEWING A TITLE COMMITMENT

The title commitment sets forth critical information regarding the status of the title and the conditions required in order for us to issue an owner's or loan policy. It is usually advisable to obtain a title commitment as far in advance of closing as possible. That will give everyone time to address any title defects or related problems.

The title commitment includes a Schedule A, Schedule B-I and Schedule B-II:

**Schedule A** provides the Effective Date, information regarding the type of policy requested, the interest in the land described (leasehold, land contract, fee simple, etc.), the current vesting titleholder and the legal description (often an exhibit).

**Schedule B-I** sets forth the *requirements* that must be performed in order for us to issue a policy of title insurance.

**Schedule B-II** provides the *exceptions* that will appear on the final policy if they are not disposed of prior to the closing.

### SCHEDULE A

Schedule A of the commitment identifies the following:

1. *The Effective Date*

The date through which the property has been examined at the County Records (there is typically a few weeks lag-time between the date of the commitment and the effective date).

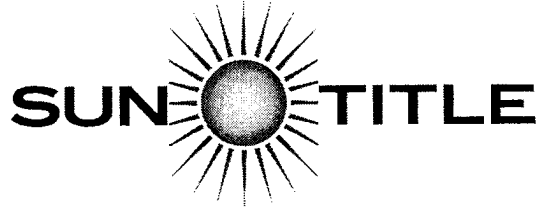
2. *Types of Policies to be Issued*

Owner's Policy – This identifies whether or not an Owner's Policy is going to be issued and who or what entity is being insured. It also identifies the amount of insurance the policy will cover.

Loan Policy – This identifies whether or not a Loan Policy will be issued and the name of the mortgagee or lender being insured. It also identifies the amount of insurance covered by the policy.

3. *How the Property is Currently Owned*

“The estate or interest in the land described or referred to in this Commitment is  
\_\_\_\_\_”



This identifies how title to the real estate is held (typically “Fee Simple”). In instances where the Owner’s Policy is insuring a Land Contract Vendee interest, this would state, “Land Contract Vendee” instead of Fee Simple.

4. *Who Currently Owns the Property*

“Title to the \_\_\_\_\_ estate or interest in the land is at the Effective Date vested in:”

The name and/or entity shown here is the owner of the property as of the time the title search was completed.

5. *Legal Description*

“The land referred to in the Commitment is described as follows:”

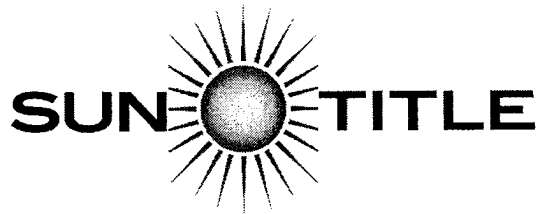
The legal description to be insured by the policy is shown here. It is generally derived from the last deed(s) of record or in cases of a split, a survey. Because of the length of many legal descriptions, the legal description is often attached as an exhibit or as another schedule.

**SCHEDULE B – SECTION I – REQUIREMENTS**

This part of the title commitment lists the items that must be completed and the documents which must be submitted to us in order to insure the property listed on Schedule A. This portion of the title commitment also shows the tax information for the property and the amounts used to prorate the taxes.

Typical requirements that appear on Schedule B – Section I include:

- Pay the agreed amounts for the property or the mortgage (i.e. the buyer needs to pay the seller, or the borrower needs to pay the lender’s fees).
- Pay us the premiums and other closing costs.
- Deliver/sign documents creating the interest to be insured (i.e. sign the deed and mortgage).
- Sidewalk inspections (i.e. City of Grand Rapids).
- Provide copies of documents that show authority to act on behalf of an entity (i.e. provide copies of corporate resolution, limited liability company operating agreement, certificate of trust).
- Provide copy of divorce decree (to confirm no special liens imposed by the divorce court).
- Discharge(s) of existing mortgages (i.e. payoffs and releases of existing mortgages).
- Releases of other liens (e.g. tax liens, judgments, mechanics liens).
- Pay any unpaid real estate taxes



## SCHEDULE B – SECTION II – EXCEPTIONS

This part of the title commitment lists the exceptions to coverage from the title insurance policy. In other words, if these items are not cleared prior to closing, the title insurance policy will not cover the insured against adverse consequences related to these exceptions. There are standard exceptions that apply to every title insurance policy and nonstandard exceptions that are specific to the property.

### **Standard Exceptions:**

Standard exceptions relate to matters that are not recorded at the county and that title policies routinely exclude from coverage. A commitment for an owner's policy generally includes five standard exceptions:

- Rights of parties in possession (e.g. tenants, people adversely possessing);
- Easements or claims of easements;
- Discrepancies, conflicts in the boundary line, shortage in area, and other survey problems not shown of record (including boundary and encroachment matters that cannot be discovered without an adequate survey and inspection of the property);
- Construction liens not yet recorded; and
- Items appearing of record after the effective date of the commitment but before the recording of the documents through which the proposed insured acquires an interest of record.

In some purchase agreements, the seller agrees to provide a title policy without standard exceptions. We will usually remove the standard exceptions if we receive:

- An owner's affidavit (completed by the seller) regarding the nonsurvey exceptions (we provide the form); and
- A staked survey regarding the survey-related exceptions (surveys may be waived depending on the description and circumstances).

### **Nonstandard Exceptions:**

In addition to the standard exceptions, title commitments almost always list one or more nonstandard exceptions, which are specific to the property being conveyed. For example, if the property is located in a subdivision, there will probably be an exception referring to utility easements listed in the recorded plat, other utility easements, and a declaration of covenants, conditions, and restrictions that imposes building and use restrictions on all lots within the subdivision. A condominium unit will be subject to the master deed and the condominium documents. Property might be subject to easements or building and use restrictions that limit the owner's ability to use or develop the property. The policy would not cover any loss incurred in violation of these restrictions. When you receive the commitment from us, you may also receive the documents that relate to these nonstandard exceptions.



OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

Schedule A

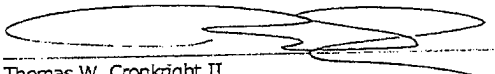
Commitment Number: P74662

Revision: 7

1. Effective Date: February 4, 2013 at 08:00 AM
2. Policy (or policies) to be issued: Policy Amount:
  - (a) Old Republic ALTA Extended Coverage Policy (06/17/06)  
Proposed Insured: \$ 93,000.00  
Michael and Laura, husband and wife
  - (b) Old Republic Extended Coverage Loan  
Proposed Insured: \$ 94,897.00  
Polaris Home Funding Corp., its successors and/or assigns as their respective interests may appear.
3. The estate or interest in the land described or referred to in this Commitment is:  
Fee Simple
4. Title to the Fee Simple estate or interest in the land is at the Effective Date vested in:  
the current Trustee(s) of the Mary K. Trust
5. The land referred to in the Commitment is described as follows:  
SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

SUN TITLE AGENCY, LLC

By:

  
Thomas W. Cronkright II



OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

SCHEDULE B - SECTION I  
COMMITMENT

REQUIREMENTS

The following requirements must be met:

- a. Pay the agreed amounts for the interest in the land and/or the mortgage to be insured.
- b. Pay us the premiums, fees and charges for the policy.
- c. Documents satisfactory to us creating the interest in the land and/or the mortgage to be insured must be signed, delivered and recorded.
- d. You must tell us in writing the name of anyone not referred to in this Commitment who will get an interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions.
- e. Submit Owner's Affidavit. Additional requirements may be made or exceptions taken for matters disclosed therein.
- f. A legal description of the property to be insured was not furnished at the time of application. Please immediately verify that the description as shown herein covers all of the intended property. Any additions or deletions should immediately be communicated to the issuing office.
- g. Record a Certificate of Trust Existence and Authority with Reference to the Mary K. Trust.
- h. Record a Warranty Deed from the Current Trustee(s) of the Mary K. Trust to Brian a married man. - As to Parcel 2.
- i. Record a Warranty Deed from Brian joined by spouse to Mary K. Trust. - As to Parcel 3
- j. Record a Warranty Deed from the current Trustee(s) of the Mary K. Trust to Michael and Melle, husband and wife. - As to New Description
- k. Record the Mortgage to be insured, executed by Michael and Laura husband and wife to Polaris Home Funding Corp.
- l. NOTE: An ALTA Form 8.1 and ALTA Form 9 Endorsements, as well as an ALTA Form 4 Endorsement, if applicable, will be issued, by the Company, with the Mortgagee's Policy of Title Insurance, provided no construction is involved. Therefore, the Mortgage Policy will not contain the standard exception for matters of survey.
- m. Record a Release of the Mortgage in the original amount of \$107,025.00, executed by Brian I, a married man to MERS, as nominee for VanDyk Mortgage Corporation dated November 24, 2009 recorded December 9, 2009 in Liber 1463, on page 0396, having been assigned to Wells Fargo Bank, NA, as recorded in Liber 1537, on page 0944.
- n. NOTE: No open mortgages for the subject property have been found. Please provide company with information regarding any open mortgages before closing.
- o. NOTE: A search of the Montcalm County Records has revealed no judgement liens against Michael Melle and/or Laura Melle.
- p. The following taxes and other charges may be a current lien on the property and must be paid prior to policy issuance (unless marked PAID or NONE):

**SCHEDULE B - SECTION I**  
(Continued)

2012 Winter taxes DUE in the amount of \$752.78 if paid by February 14, 2013  
2012 Summer taxes PAID in the amount of \$495.12  
Special Assessments included in taxes above: None  
Unpaid Special Assessments: None  
Homeowners Association: Information Unavailable  
Public Water/Sewer: No

- q. The following information is provided and shown for informational purposes only and the accuracy of such information is neither guaranteed nor insured by Sun Title or its underwriter:

State Equalized Value: \$47,100.00 (2012)  
Taxable Value: \$47,100.00 (2012)  
Principal Residence Exemption: 100%  
School District: Central Montcalm  
Tax Identification Number: 59-009-032-013-70  
Tax Contact Information: (989) 831-9043

- r. The following taxes and other charges may be a current lien on the property and must be paid prior to policy issuance (unless marked PAID or NONE):

2012 Summer taxes PAID in the amount of \$597.09  
2011 Winter taxes PAID in the amount of \$937.78  
Special Assessments included in taxes above: None  
Unpaid Special Assessments: None  
Homeowners Association: Information unavailable  
Public Water/Sewer: No

- s. The following information is provided and shown for informational purposes only and the accuracy of such information is neither guaranteed nor insured by Sun Title or its underwriter:

State Equalized Value: \$56,800.00 (2012)  
Taxable Value: \$56,800.00 (2012)  
Principal Residence Exemption: 100%  
School District: Central Montcalm  
Tax Identification Number: 59-009-032-013-80  
Tax Contact Information: use website

- t. NOTE - Final Water/ Sewer: If the insured property has a public water or sewer supply, neither Sun Title nor the underwriter named in this title commitment will have any liability or responsibility for the payment of unbilled water or sewer charges (even if such bills relate to services provided prior to the closing date). We attempt to verify these bills prior to closing, but some municipalities are unable or unwilling to provide accurate information. It is the responsibility of the sellers and buyers to determine how any unpaid water/ sewer bills will be paid. The sellers and buyers should independently determine whether (i) current charges are being paid on a timely basis, (ii) deferred installation or connection charges are unpaid, and (iii) future installation charges would be incurred to connect to the system.



OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

SCHEDULE B - SECTION II  
COMMITMENT

EXCEPTIONS

Any policy we issue will have the following exceptions unless they are resolved to our satisfaction.

- a. Facts which would be disclosed by a comprehensive survey of the premises herein described.
- b. Rights or claims of parties in possession.
- c. Mechanics', Contractors' or Materialmens' liens and lien claims, if any, where no notice thereof appears of record.
- d. Any change in title occurring subsequent to the effective date of this Commitment and prior to the date of issuance of the title policy.
- e. Any rights, title, interest or claim thereof to that portion of the land taken, used or granted for streets, roads or highways.
- f. Taxes and assessments that become a lien against the property after date of closing. The Company assumes no liability for tax increases occasioned by retroactive revaluation, changes in the land usage or loss of any principal residence exemption status for the insured premises.
- g. Loss or damage due to future installation charges, deferred installation or connection charges or current water and/or sewer charges due and payable at time of closing.
- h. Any provisions contained in any instruments of record which provisions pertain to the transfer of divisions under Section 109(3) of the Subdivision Control Act of 1967, as amended.

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

SCHEDULE C  
COMMITMENT

LEGAL DESCRIPTION

The land referred to in this Commitment is described as follows:

Land situated in the Township of Evergreen, Montcalm County, Michigan:

Parcel 1:

Part of the Southeast quarter of Section 32, Town 10 North, Range 6 West, being described as: Commencing at the East quarter corner of said Section 32; thence South 89 degrees 03 minutes 24 seconds West 627.93 feet along the East and West quarter line of said Section to the point of beginning of the parcel herein described; thence South 00 degrees 26 minutes 51 seconds West 332.66 feet; thence South 89 degrees 03 minutes 24 seconds West 48.50 feet; thence South 00 degrees 24 minutes 11 seconds West 417.36 feet; thence South 89 degrees 03 minutes 24 seconds West 326.09 feet; thence North 00 degrees 24 minutes 11 seconds East 556.48 feet along the West line of the Northeast quarter of the Southeast quarter of said Section; thence North 89 degrees 03 minutes 24 seconds East 600.00 feet; thence North 00 degrees 24 minutes 11 seconds East 290.40 feet; thence North 89 degrees 03 minutes 24 seconds East 99.92 feet along the East and West quarter line of said Section to the point of beginning.

Parcel 2:

Part of the Southeast quarter of Section 32, Town 10 North, Range 6 West, described as commencing at the East quarter corner of Section 32; thence South 89 degrees 03 minutes 24 seconds West 627.93 feet along the East-West quarter line of said Section 32; thence South 00 degrees 26 minutes 51 seconds West 366.00 feet to the place of beginning of this description; thence South 00 degrees 26 minutes 51 seconds West 63.53 feet; thence South 89 degrees 03 minutes 24 seconds West 325.00 feet; thence North 78 degrees 03 minutes 01 second East 332.66 feet to the place of beginning.

59-009-032-013-70

Parcel 3:

Part of the Southeast quarter of Section 32, Town 10 North, Range 6 West, described as commencing at the East quarter corner of Section 32; thence South 89 degrees 03 minutes 24 seconds West 627.93 feet along the East-West quarter line of said Section 32; thence South 00 degrees 26 minutes 51 seconds West 429.53 feet; thence South 89 degrees 03 minutes 24 seconds West 325.00 feet to the place of beginning of this description; thence South 06 degrees 58 minutes 25 seconds West 421.54 feet; thence North 00 degrees 24 minutes 11 seconds East 417.36 feet; thence North 89 degrees 03 minutes 24 seconds East 48.50 feet to the place of beginning.

59-009-032-013-80

New description:

Part of the Southeast quarter of Section 32, Town 10 North, Range 6 West, described as beginning at a point on the East-West quarter line South 89 degrees 03 minutes 24 seconds West 627.93 feet from the East quarter corner of Section 32; thence South 00 degrees 26 minutes 51 seconds West 366.00 feet; thence South 78 degrees 03 minutes 01 second West 332.66 feet; thence South 06 degrees 58 minutes 25 seconds West 421.54 feet; thence South 89 degrees 03 minutes 24 seconds West 326.09 feet; thence North 00 degrees 24 minutes 11 seconds East 556.48 feet; thence North 89 degrees 03 minutes 24 seconds East 600.00 feet; thence North 00 degrees 24 minutes 11 seconds East 290.40 feet; thence North 89 degrees 03 minutes 24 seconds East 99.92 feet along the East-West quarter line of Section 32 to the place of beginning.





# A. Settlement Statement (HUD-1)

## B. Type of Loan

1. <input type="checkbox"/> FHA	2. <input checked="" type="checkbox"/> RHS	3. <input type="checkbox"/> Conv. Unins.	6. File Number: TESTSTACY	7. Loan Number: 123456	8. Mortgage Insurance Case Number:
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> Conv. Ins.				

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name and Address of Borrower: Stacy Labadie 1235 Ionia St. Ionia, MI 48846	E. Name and Address of Seller: Art Salter 1122 Happy Way Ionia, MI 48846	F. Name and Address of Lender: Independent Bank 230 W. Main St. Ionia, MI 48846
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G. Property Location: 4321 Realtor Lane Ionia, MI 48846 Ionia County, Michigan	H. Settlement Agent: Sun Title Agency, LLC 1410 Plainfield Avenue NE Grand Rapids, MI 49505 Ph. (616)458-9100 Place of Settlement: 1410 Plainfield Avenue NE Grand Rapids, MI 49505	I. Settlement Date: February 19, 2013
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J. Summary of Borrower's transaction		K. Summary of Seller's transaction	
100. Gross Amount Due from Borrower:		400. Gross Amount Due to Seller:	
101. Contract sales price	254,000.00	401. Contract sales price	254,000.00
102. Personal property		402. Personal property	
103. Settlement Charges to Borrower (Line 1400)	8,623.05	403.	
104.		404.	
105.		405.	
Adjustments for items paid by Seller in advance		Adjustments for items paid by Seller in advance	
106. City/Town Taxes to		406. City/Town Taxes to	
107. County Taxes to		407. County Taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due from Borrower	262,623.05	420. Gross Amount Due to Seller	254,000.00
200. Amounts Paid by or in Behalf of Borrower		500. Reductions in Amount Due Seller:	
201. Deposit or earnest money	500.00	501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	220,000.00	502. Settlement charges to Seller (Line 1400)	15,805.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204. Application Deposit	350.00	504. Payoff First Mortgage to PNC Bank	215,251.13
205. MSHDA Down Paymnet	3,000.00	505. Payoff Second Mortgage	
206.		506. Dep. retained (\$500.00)	500.00
207.		507.	
208. Seller Paid Closing Costs	4,000.00	508. Seller Paid Closing Costs	4,000.00
209. Seller Paid Owners Policy	590.21	509. Seller Paid Owners Policy	590.21
Adjustments for items unpaid by Seller		Adjustments for items unpaid by Seller	
210. City/Town Taxes 01/01/13 to 02/20/13	227.02	510. City/Town Taxes 01/01/13 to 02/20/13	227.02
211. County Taxes 01/01/13 to 02/20/13	27.75	511. County Taxes 01/01/13 to 02/20/13	27.75
212. Assessments to		512. Assessments to	
213. Seller Paid Transfer Tax	2,184.40	513. Seller Paid Transfer Tax	2,184.40
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid by/for Borrower	230,879.38	520. Total Reduction Amount Due Seller	238,585.51
300. Cash at Settlement from/to Borrower		600. Cash at settlement to/from Seller	
301. Gross amount due from Borrower (line 120)	262,623.05	601. Gross amount due to Seller (line 420)	254,000.00
302. Less amount paid by/for Borrower (line 220)	( 230,879.38)	602. Less reductions due Seller (line 520)	( 238,585.51)
303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	31,743.67	603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller	15,414.49

\* Paid outside of closing by borrower(B), seller(S), lender(L), or third-party(T)

<b>L. Settlement Charges</b>					
700. Total Real Estate Broker Fees		\$ 15,240.00			
<i>Division of commission (line 700) as follows:</i>					
701. \$ 7,620.00	to	123 Happy Realty		Paid From Borrower's Funds at Settlement	
702. \$ 7,620.00	to	456 Ionia Realty			Paid From Seller's Funds at Settlement
703. Commission paid at settlement					14,740.00
704. Deposit Ref'd By Selling Agent		to 456 Ionia Realty	\$500.00 (POC)		
705. Administrative Fee		to 123 Happy Realty			195.00
<b>800. Items Payable in Connection with Loan</b>					
801. Our origination charge			\$ 820.00 (from GFE #1)		
802. Your credit or charge (points) for the specific interest rate chosen			\$ -125.40 (from GFE #2)		
803. Your adjusted origination charges			(from GFE #A)		694.60
804. Appraisal fee	to	Hicks Appraisal Service	(from GFE #3)		325.00
805. Credit Report	to	CBC Innovis	(from GFE #3)		25.00
806. Tax service	to	First American Tax Service	(from GFE #3)		72.00
807. Flood certification	to	First American Flood	(from GFE #3)		8.00
808. Rural Guarantee Fee	to	Rural Development	(from GFE #3)		1,684.51
809.			(from GFE #3)		
810.			(from GFE #3)		
811.			(from GFE #3)		
<b>900. Items Required by Lender to Be Paid in Advance</b>					
901. Daily interest charges from 02/19/13 to 03/01/13	10 @	\$36.164380/day	(from GFE #10)		361.64
902. Mortgage insurance premium for	months to		(from GFE #3)		
903. Homeowner's insurance for	1.0 years to	Auto Owners Insurance	(from GFE #11)		650.00
904.			(from GFE #11)		
905.			(from GFE #11)		
<b>1000. Reserves Deposited with Lender</b>					
1001. Initial deposit for your escrow account			(from GFE #9)		835.33
1002. Homeowner's insurance	2.000	months @ \$ 54.17 per month	\$ 108.34		
1003. Mortgage insurance		months @ \$ per month	\$		
1004. Property taxes			\$		
	City/Town Taxes	months @ \$ per month			
	County Taxes	months @ \$ per month			
1005.			\$		
1006. Property Taxes-County	2.000	months @ \$ 16.88 per month	\$ 33.76		
1007. Property Taxes-City	11.000	months @ \$ 138.10 per month	\$ 1,519.10		
1008.			\$		
1009. Aggregate Adjustment			\$ -825.87		
<b>1100. Title Charges</b>					
1101. Title services and lender's title insurance			(from GFE #4)		902.36
1102. Settlement or closing fee	to	Sun Title Agency, LLC	\$ 225.00		225.00
1103. Owner's title insurance to First American Title Insurance Company			(from GFE #5)		590.21
1104. Lender's title insurance to First American Title Insurance Company			\$ 587.36		
1105. Lender's title policy limit	\$	220,000.00			
1106. Owner's title policy limit	\$	59,000.00			
1107. Agent's portion of the total title insurance premium	to	Sun Title Agency, LLC	\$ 977.38		
1108. Underwriter's portion of the total title insurance premium	to	First American Title Insurance Company	\$ 200.19		
1109. Chain of Title Endorsement	to	Sun Title Agency, LLC	\$ 40.00		
1110. Judgment Search	to	Sun Title Agency, LLC	\$ 50.00		
1111.			\$		
1112.			\$		
1113.			\$		
<b>1200. Government Recording and Transfer Charges</b>					
1201. Government recording charges	to	Recorder's Office	(from GFE #7)		95.00
1202. Deed \$ 20.00	Mortgage \$ 74.00	Releases \$	Other \$		
1203. Transfer taxes	to	Recorder's Office	(from GFE #8)		2,184.40
1204. City/County tax/stamps	\$	279.40	\$		
1205. State tax/stamps	\$	1,905.00	\$		
1206. Tax Certification	\$	1.00	\$ \$ 1.00		
1207.					
<b>1300. Additional Settlement Charges</b>					
1301. Required services that you can shop for			(from GFE #6)		195.00
1302. Administrative Fee	to	456 Ionia Realty	\$ 195.00		
1303. Estimated Final and Sewer	to	City of Ionia	\$		150.00
1304. Home Warranty	to	AHS	\$		495.00
1305.			\$		
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)					8,623.05
					15,805.00

\* Paid outside of closing by borrower(S), seller(S), lender(L), or third-party(T)

Sun Title Agency, LLC, Settlement Agent

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
<b>Charges That Cannot Increase</b>			
	HUD-1 Line Number		
Our origination charge	# 801	820.00	820.00
Your credit or charge (points) for the specific rate chosen	# 802	-125.40	-125.40
Your adjusted origination charges	# 803	694.60	694.60
Transfer taxes	#1203	2,500.00	2,184.40

Charges That in Total Cannot Increase More than 10%		Good Faith Estimate	HUD-1
Government recording charges	#1201	100.00	95.00
Appraisal fee	# 804	400.00	325.00
Credit report	# 805	35.00	25.00
Tax service	# 806	72.00	72.00
Flood certification	# 807	8.00	8.00
Rural Guarantee Fee	# 808	1,684.51	1,684.51
Title services and lender's title insurance	#1101	950.00	902.36
Owner's title insurance to First American Title Insurance Compan	#1103	600.00	590.21
<b>Total</b>		3,849.51	3,702.08
Increase between GFE and HUD-1 Charges		\$ -147.43 or	-3.83%

Charges That Can Change		Good Faith Estimate	HUD-1
Initial deposit for your escrow account	#1001	925.30	835.33
Daily interest charges	# 901 \$ 36.164380/day	250.00	361.64
Homeowner's insurance	# 903	800.00	650.00
Administrative Fee	#1302	195.00	195.00

#### Loan Terms

Your initial loan amount is	\$ 220,000.00
Your loan term is	30.00 years
Your initial interest rate is	6.0000 %
Your initial monthly amount owed for principal, interest and any mortgage insurance is	\$ 100.00 includes <input type="checkbox"/> Principal <input type="checkbox"/> Interest <input type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of ____%. The first change will be on _____ and can change again every ____ months after _____. Every change date, your interest rate can increase or decrease by ____%. Over the life of the loan, your interest rate is guaranteed to never be lower than ____% or higher than ____%.
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$ _____.
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be on _____ and the monthly amount owed can rise to \$ _____. The maximum it can ever rise to is \$ _____.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$ _____.
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ _____ due in ____ years on _____.
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$209.15 that results in a total initial monthly amount owed of \$309.15. This includes principal, interest, any mortgage insurance and any items checked below: <input type="checkbox"/> Property taxes <input checked="" type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.



## TOP 20 TITLE ISSUES

In no particular order, here are brief summaries of the top 20 title issues that can arise in a real estate transaction:

1. Trusts
2. Power of Attorney
3. Death
4. Divorce
5. Foreclosure
6. Short-Sales
7. Bankruptcy
8. Taxes
9. Tax Descriptions
10. Types of Ownership
11. Mobile/Manufactured Homes
12. Lender Required Endorsements
13. Condominiums
14. Metes & Bounds vs. Platted Properties
15. Dower Rights/Who Signs?
16. Private Access
17. Riparian Rights
18. Easements/Right of Ways
19. Liens/Judgments
20. New Construction

### **1. Trusts**

Title held by a Trust requires the signature of someone who has the authority to sign on behalf of the trust. A ***Certificate of Trust*** can be recorded at the Register of Deeds office in lieu of recording the entire trust agreement to confirm the authority of the person signing on behalf of the trust. The Certificate of Trust must contain the following information:

- The title of the trust;
- The date of the trust;
- The name of the settler/grantor/trustees and successor trustees of the trust;
- The legal description of the property;
- The powers of the trustee (including the governing law);
- Descriptions of any amendments to the trust;
- A statement that the trust is in full force and effect;
- The names and addresses of all trustees who are trustees at the time the Certificate of Trust is executed.

Note: A power of attorney cannot be used by a Trustee of the Trust unless the trust agreement specifically permits it.

### **2. Power of Attorney**

A Power of Attorney can be granted to an individual to act on behalf of another individual if they can not be present at the closing. Most Powers of Attorney are specific in nature, granting authority for a particular purpose (to sign real estate documents for a specific property; to sign loan documents for a particular mortgage). A General Power of Attorney is often used if someone is



incapacitated. A General Power of Attorney typically grants broad authority to another person which would include real estate transactions. If a General Power of Attorney is used for an incapacitated person, it must state that it remains in full force and effect even upon the incapacity of the individual granting it. To sign as a Power of Attorney, the person signs *their own name*, followed by “*as power of attorney for John Doe.*”

### 3. Death

Occasionally one of the people that is shown as a current owner of the property is deceased (e.g. one spouse passed away). Depending on how title was held, most issues are resolved by recording an *original Death Certificate* at the Register of Deeds. If, however, the deceased party owned the property individually (e.g. no other co-owners) or as a tenant in common, it may be necessary to *probate the estate* (an action filed with a court). Probate can be time-consuming and should be completed as soon as possible after the person’s death. When probate is required, a certified copy of the *Letters of Authority* must be recorded at the Register of Deeds office. The Letters of Authority is a document issued by the probate court and states who has the authority to sign on behalf of the deceased. It also states how long the person acting as the representative of the estate has the authority to do so (there is typically an expiration date). The letters must also contain “no restrictions” on the representative’s ability to act on behalf of the deceased. If there are restrictions, a signature by the judge may be required.

### 4. Divorce

If the property is owned by a divorced couple or if one spouse receives a deed to the property pursuant to a divorce, a copy of the *Judgment of Divorce* must be reviewed for any liens. Although a deed is often delivered to one spouse, there are often additional monies owed to the other spouse pursuant to the Judgment of Divorce which could become a lien against the real estate if not paid. Only a Judgment of Divorce signed by the judge is acceptable. Other related court documents are not relevant (i.e. the complaint for divorce, the answer to the divorce complaint, etc.).

### 5. Foreclosure

Foreclosure is the action a lender takes to obtain ownership to property that is in default on mortgage payments. A *Sheriff’s Deed* is recorded, which replaces the mortgage of record. There is a *redemption period* during which the original owner of the property can redeem the Sheriff’s Deed (e.g. pay-off the foreclosed mortgage). Depending on the use of the property (i.e., residential, commercial or agricultural) and the amount of equity the owner had, the redemption period is either six months or one year. If the redemption period expires, the lender (or whomever bought the property at the Sheriff’s sale) becomes the owner of the property and all subsequent liens of record are automatically removed from the property. If the property is redeemed, (i.e. paid in full) a *Certificate of Redemption* must be recorded to show that the owner is still the owner. If redeemed (even on the last day), all subsequent liens remain in full force and effect.



## 6. Short-Sale Transactions

A short-sale transaction involves the owners of a property successfully negotiating with their existing mortgage lender to accept a **reduced pay-off** amount on the outstanding mortgage loan. In other words (and by way of example), the owner convinces the lender to accept a payment of \$100,000 even though the balance on the loan is \$110,000. Other lien holders are often involved in the process and also take less than what they are owed (i.e. a home equity loan, a judgment lien creditor). Short-sales are a time consuming process that can add over 90 days to a closing timeline. Ultimately, one of the closing conditions that is imposed on the parties is that the short-sale seller cannot receive any proceeds from the transaction.

## 7. Bankruptcy

An individual can file for Bankruptcy as a **Reorganization (Chapter 13)** or a **Liquidation (Chapter 7)**. In a Chapter 13 Bankruptcy, the debtor is allowed to extinguish their debts without selling their house. As a condition to this bankruptcy, the debtor cannot take on any additional debt. Accordingly, if the transaction involves a refinance, documentation from the bankruptcy court is required that authorizes the refinance or confirms the court's abandonment of its interest in the real estate. In a Chapter 7 Bankruptcy, the real estate must be sold to pay-off the debt. A Trustee is appointed by the court and can sign on behalf of the debtor. Documentation is required from the court that sets forth the name of the Trustee, the sale price, and which (if any) debts will be paid at closing. Unless specifically addressed by the court, all outstanding liens against the property remain in full force and effect. If a bankruptcy case is dismissed or is thought to be no longer active, documentation is required from the court confirming the case is "Closed". If a case is "Dismissed," a copy of the order of dismissal is required. A case or debtor that are considered "Discharged" does not close the bankruptcy case and more information would be required.

## 8. Taxes

Real estate property taxes must be paid in full before a Warranty Deed can be recorded at the Register of Deeds office. In the case of a mortgage re-financing, the lender will require that the real estate property taxes be paid as part of the re-financing. In a sale transaction, the purchase agreement will set forth how the taxes are to be **pro-rated** between the seller and the buyer. In most cases, taxes are pro-rated on a calendar year basis, with the seller paying taxes through the date of close, and the buyer paying from the date of close to the end of the year. Property which is considered a person's **principal residence (a/k/a "homestead")** is eligible for a significant tax reduction. Specific forms are filed with the State of Michigan to notify the Treasury Department that the property is a principal residence.

## 9. Tax Descriptions

The tax description of the property used by the Register of Deeds must match the legal description in the deed of the property being conveyed, unless the property is being split. In order to insure property which is being split, a letter is required from the city or township in which the property is located that states that the split will be allowed. In circumstances where the tax description covers additional land or less land than what is being insured, the discrepancy must be corrected before



closing. Most counties will not allow a Warranty Deed to be recorded unless the tax description and legal description are the same.

## 10. Types of Ownership

*Corporation.* A corporation is owned by shareholders, who elect directors, who then appoint officers. A **resolution of the shareholders or the board of directors** is required that authorizes specific individuals or officers to act on behalf of the corporation in the transaction. Even in the case of a corporation that has only one shareholder, a resolution confirming such ownership is required (even though it seems self-serving). The corporation's articles of incorporation and bylaws are not sufficient to prove authority.

*Limited Liability Company.* A limited liability company is owned by members and can be managed either directly by those members or by managers that are appointed by the members. A copy of the LLC's **operating agreement** must be reviewed and typically lists the members, how it is managed, and who has authority to act on behalf of the company. If the operating agreement is not clear or there is no operating agreement, a **resolution of the members** is typically required that authorizes specific individuals to act on behalf of the company in the transaction. The company's articles of organization are not sufficient to prove authority.

*Tenants by the Entireties.* Only married persons can hold title as "tenants by the entireties." If one spouse dies, the property **automatically passes to the surviving spouse**. While both are living, one spouse cannot sell their individual interest to another party – the property must be transferred by both spouses together.

*Joint Tenants.* Joint Tenancy is a form of ownership by two or more persons, who may or may not be married, in equal interest, subject to the **right of survivorship** in the surviving owners. Title must have been acquired at the same time, by the same conveyance (i.e. deed or will), and the document must expressly state the intention to create a joint tenancy. When a joint tenant dies, title to the property is automatically conveyed by operation of the law to the surviving joint tenant(s). Therefore, joint tenancy property is not subject to transfer by a will. Individual joint tenants can transfer their interest to another party, who would then hold title as a "tenant in common" with the remaining title holders; except, however, in the case of **"joint tenants with full rights of survivorship"**, the individuals cannot sell their interest to another party – everyone must sell the property together. If a married man owns property as a joint tenant, his wife's signature is not required to transfer the property.

*Tenants in Common.* Tenants in Common is a form of ownership by two or more persons, in which each has an **"undivided interest"** in the property and all have an equal right to use the property, even if the percentage of ownership interests are not equal or the living spaces are different sizes. Unlike "joint tenants," there is no "right of survivorship" if one of the tenants in common dies, and each interest may be separately sold, mortgaged or willed to another. Thus, unlike a joint tenant, which passes ownership automatically to the survivor, upon the death of a tenant in common there must be a probate of the estate (court supervised administration) of the deceased to transfer the interest (ownership) in the tenancy in common. If a married man owns property as a tenant in common, his wife's signature is required to transfer the property.



## 11. Mobile/Manufactured Homes

When giving a loan and mortgage for property that includes a mobile or manufactured home, most lenders will require a special endorsement to the title insurance policy that confirms that mobile or manufactured home is included in the legal description of the property. To confirm this, an ***Affidavit of Affixture*** must be prepared and recorded at the Register of Deeds. The Affidavit of Affixture states that the mobile or manufactured home is permanently affixed to the real estate, and therefore can be assessed as real property. The original certificate of title, along with a signed affidavit by the owner, is sent to the State of Michigan for their approval. The original certificate of title to the mobile or manufactured home is “retired” and the mobile or manufactured home is deemed to be affixed to the property.

## 12. Lender Required Endorsements

Many lenders require the following special endorsements to the title insurance policy:

*ALTA 7 – Manufactured Housing Endorsement.* This endorsement insures the lender that the manufactured home is being assessed as real property. An Affidavit of Affixture must be recorded with the Register of Deeds before the endorsement can be issued.

*ALTA 4 – Condominium.* This endorsement insures the lender that all dues and assessments have been paid and that the property is described as a unit within a condominium project. A statement from the condominium association is required that states that the sale is approved and that all dues and assessments are paid.

*ALTA 8 – Environmental.* This endorsement insures the lender that there are no environmental liens filed against the real estate. These are given on residential loans and is verified through a search at the Register of Deeds office that no such liens exist.

*ALTA 9 – Comprehensive.* This endorsement insures the lender that any improvements on the property are not affected by any oil and gas leases, easements not of record and matters which would be revealed by a survey. A survey is typically required and an owner’s affidavit must be signed by the owner. The standard exceptions are also removed from the loan policy.

## 13. Condominiums

Most condominiums are established by recording a ***Master Deed*** that describes each unit within the condominium project. The units are regulated by a set of rules and regulations provided within the Master Deed known as the ***By-Laws***. A condominium association is established and collects condominium dues and assessments. Because unpaid condominium dues and assessments take priority over a recorded mortgage, a current statement from the condominium association is required to determine whether there are any amounts owed. Some condominium associations also reserve the right to approve the sale of the property.





#### **14. “Metes and Bounds” vs. Platted**

The legal description of a “Metes and Bounds” property is described with degrees, minutes and seconds or with sections, ¼ Sections, rods, chains and links (which are all units of measurement used when describing real estate). Most rural properties are described with Metes and Bounds descriptions. If the property being sold is being split, a survey will be required for a Metes and Bounds property.

The legal description of “Platted” property is described as a lot number within a subdivision. Subdivisions must be approved by the State of Michigan and often times have building and use restrictions. The streets can be either public or private and easements affecting the property are shown on the recorded plat.

#### **15. Dower Rights / Who Signs?**

There are important differences in the requirements of obtaining the signatures of a husband and wife depending on whether the property involves the homestead (i.e. principal residence) or investment property.

*Homestead Property.* If the property being mortgaged is the homestead, then both spouses, regardless of how title is held, must sign the mortgage. A mortgage on the homestead is not valid without the signature of both spouses. The only exception to the requirement that both spouses sign is a “purchase money mortgage” – a mortgage where the proceeds are used to purchase the homestead property. However, any subsequent mortgage, refinancing, second mortgages, etc. all come under the rule requiring the spouse's signature. Similarly, in the case of a sale of the homestead that is titled only to the husband, the wife must sign the deed. In contrast, however, if the homestead is titled only to the wife, only the wife must sign the deed (there is no dower rights for men).

*Second Homes/Investment Property.* If the property being mortgage is not the homestead and is a second home or investment property, the wife must still sign the mortgage (unless it is a purchase money mortgage) and, in the event of a sale, must sign the deed (regardless of whether she is in title as an owner). In contrast, however, the husband is not required to sign any mortgage or deed if the property is owned solely by the wife.

#### **16. Private Access**

If access to a property involves traveling over someone else’s property or if someone else must drive across the insured property to get to their property, there is a private access issue. To insure that there is proper access to the property, a search is required of all of the properties in which the easement/driveway is located to confirm that there proper permission was granted at some point in time (i.e. a mailbox located on a public road does not mean that access is by means of a public road). Private access easements are not maintained by governmental agencies and the title insurance policy will take exception to that. An insurable access easement used to gain access to the property should be included in the legal description.



## **17. Riparian Rights (Water Rights)**

Riparian rights affect property located on water (i.e. lakes, creeks, rivers, etc.). The State of Michigan owns all creeks and rivers and, unless the entire property surrounding the lake is owned by a one party, lake are also owned by the State of Michigan. If the property has access to the water, the owner has the right to use and navigate the water ways. The title insurance policy takes exception to the use of the water by individual and government entities.

## **18. Easements/Right of Ways**

Most properties have some type of easements crossing their property, especially for utility companies (e.g. Consumers Power Company, Michigan Bell Telephone). Such easements must remain accessible to the company which obtained the easement. The easement cannot be blocked from use and that part of the property cannot be built upon without obtaining a release from the holder of the easement. The same rules apply to easements for streets, roads and highways. The title policy takes exception to easements that are recorded.

## **19. Tax Liens/Judgments**

A federal tax lien filed against an individual affects all property owned by that individual. A federal tax lien must be discharged or released by the Internal Revenue Service (IRS). The IRS can file a Release or Certificate of Non-Attachment that releases the real estate from the lien. Federal tax liens remain in force for 10 years after their recording date, unless re-filed by the IRS.

A state tax lien remains in force for seven years and six months from the date it is recorded and also attaches to all property owned by the person the lien is filed against. Liens by the Michigan unemployment office (the MESC) have no statute of limitation and must have a discharge filed.

Judgment liens (issued by courts) remain in force for five years after the date of recording unless further court action has commenced.

## **20. New Construction/Mechanics Liens**

Mechanics liens are filed against property in connection with the labor and materials furnished by a contractor or builder. Mechanic's liens filed against real estate in which construction has commenced take priority over the recorded mortgage. Accordingly, sworn statements and lien waivers must be submitted to show that no contractors or suppliers of labor or materials are unpaid. When a new construction loan is being insured, the amount of the mortgage is insured in increasing increments as sworn statements and waivers are submitted by the builder and/or homeowner.