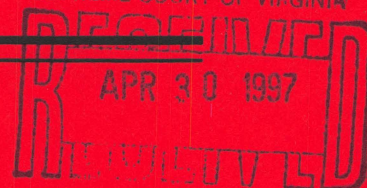


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CLERK  
SUPREME COURT OF VIRGINIA

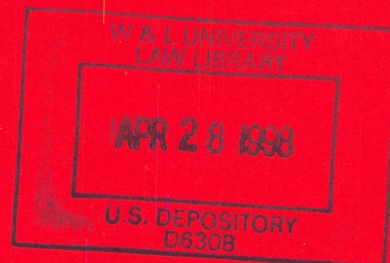


RICHMOND, VIRGINIA

IN THE  
**Supreme Court of Virginia**

AT RICHMOND

RECORD NO. 970385



**LAWYERS TITLE INSURANCE CORPORATION,**

*Appellant,*

v.

**NORWEST CORPORATION, et al.,**

*Appellee.*

**JOINT APPENDIX  
Volume II**

**Howard W. Dobbins  
Ralph L. "Bill" Axselle, Jr.  
C. William Waechter, Jr.  
Charles E. Wall  
WILLIAMS, MULLEN,  
CHRISTIAN & DOBBINS  
Post Office Box 1320  
Richmond, VA 23218  
(804) 643-1991**

*Counsel for Appellant*

**David F. Peters  
Louanna Godwin  
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951 East Byrd Street  
Richmond, VA 23219  
(804) 788-8291**

*Counsel for Appellee*



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**RECEIPT FOR CERTIFIED MAIL**

NO INSURANCE COVERAGE PROVIDED  
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INS950079 950620267  
NORWEST CORPORATION ET AL.  
EDWARD R PARKER, R/A  
5311 STAPLES MILL RD  
RICHMOND, VA 23226

PS Form 3800, June 1985	Postage	\$
	Certified Fee	
	Special Delivery Fee	
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	Postmark or Date	

Case No. INS950079  
Sponsor Staff  
Exhibit No. A

Witness None  
Bailliff Deborah P. Beasley

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<p><b>SENDER:</b></p> <ul style="list-style-type: none"> <li>• Complete items 1 and/or 2 for additional services.</li> <li>• Complete items 3, and 4a &amp; b.</li> <li>• Print your name and address on the reverse of this form so that we can return this card to you.</li> <li>• Attach this form to the front of the mailpiece, or on the back if space does not permit.</li> <li>• Write "Return Receipt Requested" on the mailpiece below the article number.</li> <li>• The Return Receipt will show to whom the article was delivered and the date delivered.</li> </ul>		<p>I also wish to receive the following services (for an extra fee):</p> <p>1. <input type="checkbox"/> Addressee's Address</p> <p>2. <input type="checkbox"/> Restricted Delivery</p> <p>Consult postmaster for fee.</p>	
		<p>3. Article Addressed to:</p> <p>INS950079 950620267</p> <p>NORWEST CORPORATION ET AL</p> <p>EDWARD R PARKER, R/A</p> <p>5511 STAPLES MILL RD</p> <p>RICHMOND, VA 23228--</p>	
<p>Is your RETURN Addressed to the correct person?</p> <p>5. Signature (Addressee)</p> <p>6. Signature (Agent)</p>	<p>4a. Article Number</p> <p>9251803157</p>		<p>4b. Service Type</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Insured</p> <p><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD</p> <p><input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise</p>
	<p>7. Date of Delivery</p> <p>6/23/95</p>		<p>8. Addressee's Address (Only if requested and fee is paid)</p>
	<p>PS Form 3811, December 1991 U.S. GPO: 1992-323-402</p>		<p><b>DOMESTIC RETURN RECEIPT</b></p>

Thank you for using Return Receipt Service.

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P 251 823 156

## RECEIPT FOR CERTIFIED MAIL

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INS950079 950620287  
 NORWEST CORPORATION ET AL.  
 AM AND TITLE CO/MICHAEL S. Fahey  
 314 S 19TH STREET  
 OMAHA NE 68102

U.S.

Postage	\$
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Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

PS Form 3800, June 1985



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		1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: INS750079 950620287 NORWEST CORPORATION ET AL AM AND TITLE CO/MICHAEL G 314 S 19TH STREET OMAHA NE 68102		4a. Article Number 0251823156	
5. Signature (Addressee) <i>Michael G. Leher</i>		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise	
		7. Date of Delivery JUN 26 1995	
6. Signature (Agent) <i>[Signature]</i>		8. Addressee's Address (Only if requested and fee is paid)	
PS Form 3811, December 1991 *U.S. GPO: 1992-323-402 <b>DOMESTIC RETURN RECEIPT</b>			

Do your RETURN ADDRESS and date appear on the reverse side?

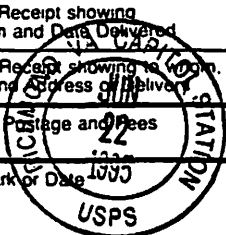
Thank you for using Return Receipt Service.

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**P 251 823 155**  
**RECEIPT FOR CERTIFIED MAIL**  
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INS950077 950620267  
 NORWEST CORPORATION ET AL.  
 STEPHEN J MORRISON, ESQ  
 405 S W 5TH STREET  
 DES MOINES IA 50309-4626

PS Form 3800, June 1985	Postage	\$
	Certified Fee	
	Special Delivery Fee	
	Restricted Delivery Fee	
	Return Receipt showing to whom and Date Delivered	
	Return Receipt showing to whom, Date, and Address of Delivery	
	TOTAL Postage and Fees	\$
Postmark or Date		

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Is your RETURN ADDRESS indicated on the reverse side?

<b>SENDER:</b> <ul style="list-style-type: none"> <li>• Complete items 1 and/or 2 for additional services.</li> <li>• Complete items 3, and 4a &amp; b.</li> <li>• Print your name and address on the reverse of this form so that we can return this card to you.</li> <li>• Attach this form to the front of the mailpiece, or on the back if space does not permit.</li> <li>• Write "Return Receipt Requested" on the mailpiece below the article number.</li> <li>• The Return Receipt will show to whom the article was delivered and the date delivered.</li> </ul>		I also wish to receive the following services (for an extra fee): <ol style="list-style-type: none"> <li><input type="checkbox"/> Addressee's Address</li> <li><input type="checkbox"/> Restricted Delivery</li> </ol> Consult postmaster for fee.						
3. Article Addressed to: IN8950079 950620267 NORWEST CORPORATION ET AL. STEPHEN D MORRISON, ESQ 405 S W 5TH STREET DES MOINES IA 50309-4626	4a. Article Number P0518231SS							
	4b. Service Type <table border="0"> <tr> <td><input type="checkbox"/> Registered</td> <td><input type="checkbox"/> Insured</td> </tr> <tr> <td><input checked="" type="checkbox"/> Certified</td> <td><input type="checkbox"/> COD</td> </tr> <tr> <td><input type="checkbox"/> Express Mail</td> <td><input checked="" type="checkbox"/> Return Receipt for Merchandise</td> </tr> </table>		<input type="checkbox"/> Registered	<input type="checkbox"/> Insured	<input checked="" type="checkbox"/> Certified	<input type="checkbox"/> COD	<input type="checkbox"/> Express Mail	<input checked="" type="checkbox"/> Return Receipt for Merchandise
<input type="checkbox"/> Registered	<input type="checkbox"/> Insured							
<input checked="" type="checkbox"/> Certified	<input type="checkbox"/> COD							
<input type="checkbox"/> Express Mail	<input checked="" type="checkbox"/> Return Receipt for Merchandise							
5. Signature (Addressee)	7. Date of Delivery JUN 27 1995							
6. Signature (Agent) <i>[Signature]</i>	8. Addressee's Address (Only if requested and fee is paid)							

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PS Form 3811, December 1991

U.S. GPO: 1992-323-402

DOMESTIC RETURN RECEIPT



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(See Reverse)

INS950079 950620267  
NORWEST CORPORATION ET AL.  
JOHN P THORNTON  
5TH & MARQUETTE  
MINNEAPOLIS MN 55479-1052

PS Form 3800, June 1985	Postage	\$
	Certified Fee	
	Special Delivery Fee	
	Restricted Delivery Fee	
	Return Receipt showing to whom and Date Delivered	
	Return Receipt showing to whom Date, and Address of Delivery	
	TOTAL Postage and Fees	
	Postmark or Date	

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Is your RETURN ADDRESS completed on the reverse side?

### SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

### 3. Article Addressed to:

INS950079 950620267  
NORWEST CORPORATION ET AL.  
JOHN P THORNTON  
6TH & MARQUETTE  
MINNEAPOLIS MN 55479-1052

### 4a. Article Number

7551823154

### 4b. Service Type

- |   |  |
|---|--|
| <input type="checkbox"/> Registered           | <input type="checkbox"/> Insured                                   |
| <input checked="" type="checkbox"/> Certified | <input type="checkbox"/> COD                                       |
| <input type="checkbox"/> Express Mail         | <input checked="" type="checkbox"/> Return Receipt for Merchandise |

### 7. Date of Delivery

JUN 26 1995

### 5. Signature (Addressee)

SINK'S, INC.

### 6. Signature (Agent)

### 8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991

U.S. GPO: 1992-323-402

DOMESTIC RETURN RECEIPT

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# COMMONWEALTH OF VIRGINIA

OFFICE OF THE GENERAL COUNSEL

P.O. Box 1197

Richmond, Virginia 23209-1197



Telephone Number (804) 371-9671

Facsimile Number (804) 371-9240

## STATE CORPORATION COMMISSION

October 19, 1995

BY HAND

William J. Bridge, Clerk  
State Corporation Commission  
Document Control Center  
1300 East Main Street  
Richmond, Virginia 23219

Re: Commonwealth of Virginia, ex rel. State Corporation  
Commission v. Norwest Corporation et al., Case No. INS950079

Dear Mr. Bridge:

Enclosed for filing in the above-referenced proceeding on behalf of all parties is a Joint Stipulation of Fact.

Thank you for your assistance.

Sincerely,

*MD Thomas*

Michael D. Thomas  
Associate General Counsel

MDT:gb  
Enclosure

cc: David F. Peters, Esquire  
C. William Waechter, Jr., Esquire

Case No. INS950079  
Sponsor Staff  
Exhibit No. JSF-1  
Witness None  
Balliff Deborah P. Beasley



COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

v.

CASE NO. INS950079

Norwest Corporation,  
Norwest Mortgage, Inc., and  
American Land Title  
Company, Inc.,  
Defendants

JOINT STIPULATIONS OF FACT

The State Corporation Commission, Bureau of Insurance, Defendants, Norwest Corporation, Norwest Mortgage, Inc. and American Land Title Company, Inc., Complainant, Lawyers Title Insurance Company, and Intervenor, Virginia Land Title Association, hereby stipulate, for the purposes of this proceeding, that the following is undisputed:

1. Norwest Corporation is a bank holding company organized under the laws of the State of Delaware and has its principal office in Minneapolis, Minnesota. Norwest Corporation is not qualified to transact business, has no office and conducts no business in Virginia. As a bank holding company, Norwest Corporation is subject to regulation by the Federal Reserve Board.

2. Norwest Mortgage, Inc. ("NMI") is a corporation organized under the laws of the State of California and has its principal office in Des Moines, Iowa. NMI is a wholly-owned subsidiary of Norwest Nova, Inc. which, in turn, is a wholly-owned subsidiary of Norwest Corporation. NMI is engaged in the

first mortgage lending business in Virginia and throughout the United States. NMI conducts its business in Virginia from offices located in Falls Church, Woodbridge, Reston, Charlottesville, Chesapeake, Danville, Lynchburg, Newport News, Richmond and Virginia Beach, Virginia.

3. American Land Title Company, Inc. ("ALTC") is a corporation organized under the laws of the State of Nebraska and has its principal office in Omaha, Nebraska. ALTC is a wholly-owned subsidiary of NMI. ALTC is engaged in several states, including Virginia, in the business of performing searches of titles to real property. ALTC also is engaged in business in several states, including Virginia, as a title insurance agency. ALTC is permitted to engage in title insurance agency activities pursuant to a "grandfather" exemption from the prohibition against bank holding companies and their affiliates engaging in insurance activities contained in the federal Bank Holding Company Act of 1956, as amended (12 USC § 1841 et seq.). In Virginia and elsewhere, ALTC conducts its business under the trade name "ATI Title Company." ALTC is, and since February 3, 1994 has been, licensed as a title insurance agency in Virginia and, as such, has been and is currently appointed in Virginia as agent for one or more insurers licensed to transact title insurance in Virginia. ALTC conducts its business in Virginia from offices located in Falls Church, Richmond and Woodbridge, Virginia. In Virginia, ALTC performs real estate title searches and solicits, negotiates, procures and effects policies of title insurance in connection with loans originated by NMI and others.

4. Neither Norwest Corporation, NMI or ALTC is or has ever been licensed to transact the business of insurance in the Commonwealth of Virginia as a title insurer.

5. Lawyers Title Insurance Corporation ("LTIC") is a corporation organized under the laws of Virginia and has its principal office in Richmond, Virginia. LTIC is qualified and licensed to transact title insurance in Virginia, forty-eight other states and the District of Columbia and is regulated under the laws of each such jurisdiction. LTIC is in the business of selling owner's and lender's title insurance in the jurisdictions in which it is licensed to do so.

6. Virginia Land Title Association, Inc. ("VLTA") is a voluntary, nonprofit trade association organized under the laws of Virginia and has its principal office in Midlothian, Virginia. VLTA's active membership consists of insurers qualified and licensed in Virginia to transact title insurance and persons qualified and licensed in Virginia to act as agents for such insurers. The purposes for which VLTA was organized are stated by its Articles of Incorporation as follows:

The purposes for which the Corporation is organized are the advancement of the science of evidencing title to real property[,] the promotion of the mutual advantage and general welfare of its members by the interchange of ideas, and by protective, remedial or other measures to further the common interests of its members and the general public, in harmony with their respective rights, interests and duties, and in general to do any and all things that may be incidental to, implied from or appropriate to the promotion and encouragement of these objects and purposes.

7. The following documents are admissible into evidence in this proceeding and are attached hereto as numbered exhibits:

(1) The entire contents of the manual entitled, "ATI TITLE OPTION PLUS (TOP)/Norwest Mortgage Branch Sales & Support Manual," marked with Bates Stamp numbers N400061 through N400115.

(2) Pages I-14 and I-15 (Section 34) of the Master Agreement dated March 16, 1995, between Norwest Mortgage, Inc. and the Federal Home Loan Mortgage Corporation, marked with Bates Stamp numbers NC00021 through NC00022.

(3) The Norwest Corporation Guarantee Agreement dated March 16, 1995, between the Federal Home Loan Mortgage Corporation and Norwest Corporation, marked with Bates Stamp numbers NC00018 through NC00020.

(4) Pages VAR-19 through VAR-22 (Section 50) of the Master Agreement dated June 16, 1995 between Norwest Mortgage, Inc. and the Federal National Mortgage Association, marked with Bates Stamp numbers NC00014 through NC00017.

(5) The Guarantee Agreement dated June 16, 1995, between Norwest Corporation and the Federal National Mortgage Association, marked with Bates Stamp numbers NC00001 through NC00010.

(6) The form of Deed of Trust marked with Bates Stamp numbers N400219 through N400224, as an example of a typical Deed of Trust used to secure a loan by Norwest Mortgage, Inc. to Virginia borrowers who have elected to use TOP.

(7) The form of ATI Title Company Title Condition Report marked with Bates Stamp numbers N400149 through N400151, as an example of the Title Condition Report issued in connection with a loan by Norwest Mortgage, Inc. to Virginia borrowers who have elected to use TOP.

(8) The form of ATI Title Company Notice of Availability of Owner's Title

Insurance marked with Bates Stamp Number N200697.

(9) Letter dated August 22, 1994, from Janet A. Alpert, President of Lawyers Title Insurance Corporation, to Steven T. Foster, Commissioner of Insurance.

(10) Letter dated March 20, 1995, from Mary M. Bannister of Virginia Bureau of Insurance to Stephen D. Morrison.

(11) Letter dated June 22, 1995, from Stephen D. Morrison to Mary M. Bannister.

(12) Chapter 39 (consisting of pages 39-1 through 39-10 each bearing a date of 7/31/94) of Volume 1 of the Federal Home Loan Mortgage Corporation Single-Family Seller/ Servicer Guide.

(13) The form of the ALTC Final Title Condition Certificate marked with Bates Stamp number N301509, as an example of the Title Condition Certificate issued in connection with a loan by Norwest Mortgage, Inc. to Virginia borrowers who have chosen to use TOP.

(14) The form of agreement between NMI and NMI's prospective borrower marked with Bates Stamp number N401454 and entitled "Consumer Title Status Election First Lien Options-PURCHASE" as an example of a form of election sometimes used by a borrower in Virginia who has chosen TOP in connection with a mortgage loan by NMI.

(15) Norwest Mortgage, Title Option Plus, Cost and Time Saving Title Protection Marketing Presentation, bearing Bates numbers N400036 through N400060.

(16) Norwest Mortgage, Inc./ATI Title Co., Inc. Title Option Plus Rates for Virginia - Winchester, bearing Bates numbers N400021 through N400027.

(17) Norwest Mortgage, Inc. ATI Title Co., Inc. Title Option Plus Rates for Virginia - Southern area, bearing Bates numbers N400028 through N400035.

(18) Norwest Mortgage, Inc./ATI Title Co., Inc. Owner/Seller Affidavits bearing Bates numbers N101464, N200881 and N300510.

(19) Summary of Evidence of TOP and TOP Plus Transactions in the Commonwealth of Virginia prepared by the Bureau of Insurance. The Bates numbered documents referred to therein are submitted into the record as evidence of the instances of the use of TOP and TOP Plus in the Commonwealth of Virginia by NMI and ALTC.

(20) Internal Memorandum dated August 12, 1993, from Mike Fahey, President of ALTC, and Mike Keller, Executive Vice President of NMI, to Les Biller and others, officers and employees of NMI and ALTC, attached to and transmitting a document captioned "ATI STRATEGIC PLAN UPDATE ALTERNATIVE PRODUCT PROPOSAL" (consisting of 40 pages) dated August 12, 1993.

(21) Tri-fold brochure concerning TOP bearing Bates numbers N400016-17.

(22) Tri-fold brochure captioned "Want to save money at closing? Why Not Get On TOP?" bearing Bates numbers N400018-19.

8. The parties do not intend the foregoing list of documents to preclude any party from attempting to offer other documents or evidence in this proceeding, subject to the rights of other parties to challenge the admissibility of such documents.

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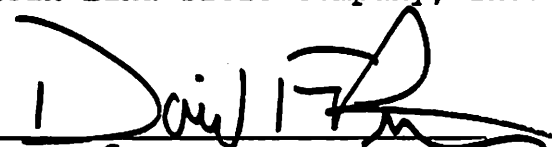
Respectfully submitted,

State Corporation Commission  
Bureau of Insurance

By:   
Counsel

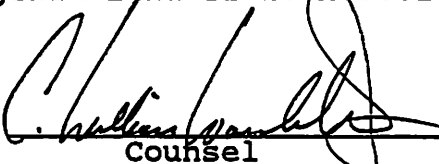
Peter B. Smith, Senior Counsel  
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Office of General Counsel  
P.O. Box 1197  
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Telephone: 804-371-9671  
Dated: October 17, 1995

Norwest Corporation  
Norwest Mortgage, Inc.  
American Land Title Company, Inc.

By:   
Counsel

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Lawyers Title Insurance Company  
Virginia Land Title Association

By:   
Counsel

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C. William Waechter, Jr., Esquire  
Charles E. Wall, Esquire  
Williams, Mullen, Christian & Dobbins  
P.O. Box 1320  
Richmond, Virginia 23210-1320  
Telephone: 804-783-6498  
Dated: October 18, 1995

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**Exhibit 1**

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## **ABOUT THIS MANUAL**

This manual was developed by ATI and Norwest Mortgage for exclusive use by Norwest Mortgage branches. ATI, a subsidiary of Norwest Mortgage, Inc., is the largest bank holding company-owned title insurance company in the United States.

It has been designed to serve as a training and reference tool for the support of Title Option Plus (TOP). As you review the manual, you will find everything you need to successfully provide this value-added service to your customers.

You can obtain additional copies of this manual by contacting:

\_\_\_\_\_  
\_\_\_\_\_

If you have further questions regarding Title Option Plus (TOP), please contact me personally.

**Title Option Plus (TOP)  
Marketing Representative  
Business Card HERE**

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## **TABLE OF CONTENTS**

*Executive Summary*

*TOP Overview*

*Features and Benefits*

*Fee Advantage*

*T.O.P Steps*

*Settlement/Closing Services*

*Presentation Materials*

*Questions and Answers*

*TOP Contest*

**ATI TITLE OPTION PLUS (TOP)**

**Norwest Mortgage Branch Sales & Support Manual**

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## **EXECUTIVE SUMMARY**

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Our goal is to be recognized as the premier mortgage services company in the markets we serve, and one way we can do that is by offering services no one else has. TOP supports our goal, further sets us apart from the competition, and helps us build lasting relationships with our Realtor customers.

We also believe that TOP is the perfect title protection solution for our refinance loans. The lower cost for lender's title protection makes this a "win-win" product -- meets our needs and saves the borrower cash! We believe that eventually 100% of all refinance transactions should be done with Title Option Plus.

Title Option Plus (TOP) gives us the opportunity to help Realtors be more successful by offering their customers lower costs at the closing table. TOP is an exclusive value-added title service offered by ATI, and it helps set our sales representatives apart from the competition.

Although it is not insurance, TOP works in a similar fashion to provide the mortgage title protection required by investors. ATI's TOP program is able to tap into the enormous capital strength of Norwest Corporation to back up the title guarantee. And the savings to borrowers is a minimum of 10% -- and on some loans, the savings can be as much as 50%.

An additional benefit of TOP is that no survey is required. This will increase the savings to the borrower. If the borrower is concerned about encroachments or similar conditions, he/she may order a survey at the time TOP is ordered.

We believe that TOP will be recognized as another example of how Norwest Mortgage provides innovative, value-added services and products to our customers.

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## TOP OVERVIEW

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Lender's title assurance is a requirement for almost all mortgage loans processed and closed by first mortgage lenders. It involves the issuance of an insurance policy promising that if the state of the title is other than as represented on the face of the policy, and if the insured (lender) suffers losses as a result of the difference, the insurer will reimburse the insured (lender) for that loss and any related legal expenses, up to the face amount of the policy.

Title Option Plus (TOP) is not lender's title insurance; rather it is title coverage that costs borrowers at least 10% less than standard lender's title insurance, provides the same (or better) protection against loss, and is produced 24 - 36 hours quicker than standard lender's title insurance. The basis for the use of TOP, and its rapid acceptance by major investors, is the financial strength of Norwest Corporation which, with its subsidiaries, has assets and net worth greater than those of the entire title insurance industry.

ATI, the largest bank holding company-owned title insurance company in the United States, is combining its expertise and national network of district offices with Norwest's financial strength to offer TOP. Its use will further strengthen the phenomenal growth and business volume of Norwest and ATI. The risks to Norwest of TOP versus standard title insurance are substantially equal.

<b>ALLOWABLE PROPERTY TYPES</b>	1-4 units
<b>INELIGIBLE PROPERTY TYPES</b>	New Construction: A loan which finances the construction of improvements on real estate, whether disbursed at one time or in a series of advances of "draws" OR a loan which involves "permanent financing" following completion of construction or improvements on real estate. For the purposes of this definition, "new construction" shall not include financing of a project involving improvements to existing residential real property when the value of such improvements does not exceed twenty (20) per cent of the loan amount.  Condominiums
<b>ALLOWABLE LOAN PRODUCTS</b>	A & B (FHA/VA), 1, F, L, N, O, T, 2, 3, 5; M, X, Y (Blended Loans)
<b>ALLOWABLE TRANSACTIONS</b>	Purchase and Refinance
<b>BROKER TRANSACTIONS</b>	Not allowed
<b>NORWEST 90</b>	Allowed. Refer to CLS/4155/VA Handbook and Norwest Product Catalog for Norwest 90 details for a specific product.

**ATI TITLE OPTION PLUS (TOP)**

**Norwest Mortgage Branch Sales & Support Manual**

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**FEATURES AND BENEFITS**

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**THE BORROWER**

<b>FEATURE</b>	<b>BENEFIT</b>
At least, 10% cheaper than title insurance	BORROWER SAVES CASH
Meets lender (Norwest) requirement for title insurance	SATISFIES LOAN REQUIREMENT
Lender (Norwest) places order & carries-out process	EASY, BORROWER DOES NOTHING MORE THAN REQUEST TOP
Accepted by major investors in secondary market	BORROWER ENJOYS SEVERAL LOAN OPTIONS

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**FEATURES AND BENEFITS**

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**THE REALTOR®**

<b>FEATURE</b>	<b>BENEFIT</b>
Partner with a mortgage professional who can meet their customers' title needs	THEIR CUSTOMERS' FINANCING AND TITLE NEEDS ARE FULFILLED BY THEIR MORTGAGE PARTNER (I.E., "FULL SERVICE" LENDER)
Realtor's customers save cash	RETURN BUSINESS OPPORTUNITY IS INCREASED
Realtor receives TOP title condition report faster than with traditional title insurance	TITLE ISSUES ADDRESSED SOONER QUICKER CLOSINGS FASTER RECEIPT OF COMMISSIONS; CUSTOMER SATISFACTION

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**FEATURES AND BENEFITS**

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**THE NORWEST BRANCH**

<b>FEATURE</b>	<b>BENEFIT</b>
Value-Added Service	ABILITY TO MEET OUR BORROWERS' SPECIFIC NEEDS AT A COST SAVINGS TO BORROWERS
Streamlines the Post Closing process by simplifying the title review process	SIGNIFICANT REDUCTION IN TITLE DEFICIENCIES
Soft dollar credit of 20% of TOP fee to branch	EXCELLENT REVENUE GENERATOR
Accepted by major investors in secondary market	ABILITY TO OFFER A LARGE VARIETY OF FINANCING OPTIONS TO MEET BORROWERS' NEEDS
Quicker service turn around	FASTER LOAN CLOSINGS
Another "Norwest First"	EXCLUSIVE SERVICE SETS YOU APART FROM THE COMPETITION

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## FEE ADVANTAGE

The borrower **MUST** sign the "Norwest Mortgage, Inc. Consumer Title Status Election" form (NMFL#4177 or 4178) and the controlled business agreement disclosure (NMFL#3191) when the TOP service is offered and selected. These forms contain legal disclosure information, and therefore, must be executed by the customer. (This section contains sample "Norwest Mortgage, Inc. Consumer Title Status Election" form [NMFL#4177 or 4178; Exhibits A and B) Additionally the Controlled Business Disclosure (NMFL #3191; Exhibit C) must be given to the borrower.

The "Norwest Mortgage, Inc. Consumer Title Status Election" form (NMFL#4177 or 4178) is easy to complete!! Refer to the two samples provided in this section; one for refinance (NMFL#4178; Exhibit A) and one for purchase (NMFL#4177; Exhibit B). You will notice that these samples reflect title rates for your market. Complete the cost comparison section first! Simply follow these steps:

### **STEP #1**

Fill in (Column A) with the amount you would normally estimate for the cost of the Lender's title insurance premium. Refer to the TOP FEE ADVANTAGE SCHEDULE for your area to find this information (Always base Lender's title insurance on the loan amount.)

### **STEP #2**

An estimate of additional costs for endorsements (i.e., ARM loan, EPA, etc.) is already provided in the TOP FEE ADVANTAGE SCHEDULE. Fill in the additional cost below the Lender's title insurance estimate (column A) List abstracting fees or similar charges which may be customary in your local market and are a separate charge from the title insurance fee..

### **STEP #3**

Total column A.

### **STEP #4**

***FOR PURCHASE ONLY***

Fill in ( Column B) with the cost estimate for owner's and lender's title insurance. Refer to the TOP FEE ADVANTAGE SCHEDULE while completing this section. (Always base owner's title insurance on the sales price). Be sure to total the endorsements, and survey or plat drawing, etc.

## ATI TITLE OPTION PLUS (TOP)

### Norwest Mortgage Branch Sales & Support Manual

#### STEP #5

Show the fee advantage of TOP by filling in Column C with the fee for TOP. (Refer to the TOP FEE ADVANTAGE SCHEDULE. To calculate the fee for TOP, simply multiply the cost of Total estimate in Column (A) by 90%. Do not include the separate charge for the survey in your calculation. Be sure to include the costs of endorsements and/or abstracts\*.

#### STEP #6

Now you can show your borrower the TOP fee advantage!! Simply fill in the TOP SAVINGS columns with difference between the total estimate of Lender's title insurance (Column A), Owner's and lender's title insurance if purchase (Column B), and TOP (Column C).

#### STEP #7

Check the corresponding box indicating the borrowers' choice. **THE BORROWER MUST SIGN THE FORM WHETHER THEY SELECT TOP OR NOT!** Give borrower the yellow copy of the Election Form.

#### STEP #8

The Controlled Business Arrangement Disclosure Form (NMFL #3191) must be completed and signed by the borrower if ATI provides

- (a) title insurance
- (b) Title Option Plus
- (c) settlement services to ensure Norwest's compliance with Regulation X.

Refer to Exhibit C for the instructions on how to complete the Controlled Business Arrangement Disclosure Form.

#### SEE THE TOP FEE ADVANTAGE FOR YOURSELF:

Provided are two samples that have been calculated to reflect your market's title costs:

- Exhibit A - refinance
- Exhibit B - purchase

- \* These samples reflect the cost of endorsements or surveys (as applicable for your market). When completing the NMI Consumer Title Status Election form, estimate any additional costs for endorsements or abstracting (as applicable for your market) prior to calculating 90% for the TOP product.
- \* If your borrower elects to purchase a plat/survey, a separate additional fee will be charged because TOP does not require a plat/survey.

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## **TOP STEPS**

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Follow these easy steps to provide the TOP service:.

### **Step #1: Offer TOP service to the borrower:**

Simply complete the "NMI Consumer Title Status Election" form which shows your borrower the TOP Fee Advantage. Refer to the "FEE ADVANTAGE" section of this manual for step by step instructions for completing the form, and samples of completed forms.

Sample scripts have been provided for your use when talking to borrowers, listing, and selling agents. Refer to presentation materials and the Q & A for samples of suggested scripts and anticipated questions. . If you have found a script that works, share it with your co-workers and your TOP Marketing Rep!

### **Step #2: If the borrower selects TOP:**

Have the borrower sign the completed election form, and check the box indicating their desire to use TOP. Provide the borrower with a copy of the signed election form and Controlled Business Arrangement Disclosure Form (NMFL #3191). Refer to sample (Exhibit C).

The borrower **MUST** sign the Consumer Title Option Status Election form whether he/she selected TOP or not. Required legal disclosure information is on this form.

### **Step #3: Complete the TOP Fax Order sheet:**

Fill out all sections of the TOP Fax Order sheet. If the subject property has a lengthy legal description or is rural, include the description in the fax transmission. To ensure accuracy and timely service, be certain to complete all sections of the TOP Fax Order sheet. (Exhibit D)

On the TOP order form always specify the TOP settlement agent approved for use. This ensures that the agent receives the Title Condition Report and other important communications from the TOP Service Center.

Ten master TOP Fax Order forms have been provided for your use. Simply use these masters to photocopy additional fax order forms. Branches will not receive additional supplies of the fax order forms. If you require an updated master TOP Fax Order form due to change of branch address, phone, or fax number, notify your TOP Marketing Representative.

## ATI TITLE OPTION PLUS (TOP)

### Norwest Mortgage Branch Sales & Support Manual

#### Step #4: Fax TOP Order sheet to TOP Service Center:

The name, address, fax and phone number of your TOP service center is conveniently pre-printed on the TOP Fax Order sheet. Just fax the fully completed TOP Fax Order sheet to your TOP service center. If possible, provide a copy of the existing title insurance policy on the property. This will expedite the TOP title report process and allow your TOP Service Center to provide quicker turn time.

A sample of a completed TOP Fax Order sheet has been provided (Exhibit D)

#### Step #5: Branch receives TOP title condition report:

Upon completion of the TOP title condition report, your TOP service center will fax a copy of the report, and other forms or instructions as applicable, to the attention of the branch contact and the settlement agent. If you would like an additional copy of the title condition report faxed to another party (i.e., Realtor, attorney, seller, buyer, etc.) space has been provided at the bottom of the fax order form to make this request. A sample of a TOP title condition report has been provided for your review. (Exhibit E).

If you do not specify a TOP approved settlement agent on the fax order sheet, the TOP service center will assign one from the list of approved agents and notify you of the selection.

If you have questions regarding the report, contact your ATI TOP Service Center for assistance.

#### Step #6: Close loan in accordance with standard Norwest Mortgage policies.

It is very important that the steps to establish a marketable, first lien position listed in the Title Condition Report be followed to protect Norwest's interests in the property.

Enclose a copy of the "Title Option Plus Closing Agent's Instruction Letter" in the package you send to the settlement/closing agent. A sample of the "Title Option Plus Closing Agent's Instruction Letter" has been provided. (Exhibit F)

#### Step #7: After loan closing:

The settlement agent instruction letter will provide direction on what the agent must do at closing and following settlement. The settlement agent will forward required documentation to the ATI Service Center. The Center will, upon receipt of the required documentation, issue the Final Title Certificate to NMI's Post Closing and Final Documentation Department in Minneapolis.



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## **SETTLEMENT/CLOSING SERVICES**

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With the cooperation of your Regional and Branch managers, Norwest Mortgage, Inc. and ATI have contracted with a settlement/closing agent in your market who will specialize in closing your TOP loans. The settlement/closing agent in your market is:

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For County or Counties: \_\_\_\_\_

Please use the settlement/closing services of the above agent when closing your TOP loans.

Other settlement/closing agents in your market will not be familiar with this exclusive Norwest TOP service. Contact your TOP Marketing Rep to help arrange other settlement providers.

Loans originated in counties not listed above are not eligible for TOP until a settlement/closing agent has contracted to provide service on TOP loans in those counties.

**Your TOP Marketing Rep will help arrange for closing/settlement service in those counties not listed above. Contact your TOP Marketing Rep for assistance.**

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## **PRESENTATION MATERIALS**

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### **SCRIPT SUGGESTIONS FOR OFFERING TITLE OPTION PLUS (TOP) AS A VALUE-ADDED SERVICE**

The following pages contain helpful script suggestions for use when talking to borrowers, sellers and Realtors.

## ATI TITLE OPTION PLUS (TOP)

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Show your borrowers how you can save them cash out of pocket by completing the Consumer Title Status Election form (NMFL#4177 or 4178). Its easy to see the TOP cash savings!

Lender's title protection is a requirement of the loan. TOP satisfies the requirement and saves your borrower cash out of pocket. TOP is another "Norwest First", and is an exclusive service that sets you apart from the competition. Offering TOP as a value-added service is a terrific deal for your borrower -- and you!

*And remember, your name goes into the TOP hat for the TOP contest, each time you close a loan with TOP!*

Here are script suggestions for telling your borrowers about Norwest's TOP:

#### AUDIENCE: BUYERS

**Buyers who have a purchase contract and  
who pay for the lender's policy.**

"You are required to purchase lender's title insurance, as a condition of this loan, which may cost you approximately \$ \_\_\_\_\_. Norwest has Title Option Plus (TOP) which satisfies our requirement for title protection, but only costs you \$ \_\_\_\_\_. With TOP, you save cash out of pocket, and you can use the cash savings for something you want".

**AUDIENCE: SHOPPERS**

**A terrific motivation for turning shoppers into buyers and direct their loan to you when they have a purchase contract!**

Show pre-qualifiers how you can save them cash out of pocket when they find their dream home by completing the TOP Cost Comparison Estimate sheet during the pre-qualification process. Its easy to see the TOP cash savings! Here is a script suggestion for telling pre-qualifiers about Norwest's TOP:

"Once you find the home you want, you will be required to purchase lender's title insurance as a condition of the loan. All lenders have this requirement, but only Norwest can offer you Title Option Plus (TOP) which costs you less than title insurance, and offers the same protection. Instead of paying \$\_\_\_\_\_ for title insurance, you pay only \$\_\_\_\_\_ for TOP.

**AND YOUR CASH SAVINGS ARE EVEN GREATER if you select TOP over optional owner's title insurance.**

Be sure to tell your Realtor that you want the TOP savings from Norwest. Don't miss your opportunity to save cash!"

**A special hint to Realtors to help them be more successful!**

Lender's title protection will be a requirement of the loan. TOP satisfies the requirement and will save your borrower cash out of pocket. (Encourage your pre-qualified shopper to direct their loan to you when they have a purchase contract!).

Stress to your borrowers that they should have TOP written into the purchase contract to ensure that they receive the TOP time savings. Remember, the seller will not object to helping your borrower save time, when the seller can also save money.

**AUDIENCE: BUYERS**

**Pre-Qualifying buyers who will NOT be paying for the lender's policy (i.e., local custom, and the contract has the sellers paying this cost).**

"Once you find the home you want, you will want the loan process to go quickly. Only Norwest has Title Option Plus (TOP) which can speed the title process, and may get you into your new home quicker. The Seller will cover the cost of the title insurance, and they can save 10% when you select TOP

Be sure to tell the listing agent or seller that you want TOP Speed service from Norwest. We are the only lender who can offer this time saving title option. Don't miss your opportunity to save time!"

**AUDIENCE: LISTING AGENT**

**Sellers who already have a purchase contract  
but who will be paying for the Lender's policy  
(in markets where there is a local practice, and the  
contract has Sellers paying this cost)**

"One of our mutual goals is to provide high quality service to all parties of the transaction. TOP is an exclusive service that can also save your customer money! I can even help you save valuable time by arranging for the closing/settlement process."

*NOTE: The objective is to show the agents the benefits of TOP before they place their order for title work. Demonstrate how this value-added service can save them time and enable them to offer this terrific cash saving service to their customers now, and also when they buy their next home.*

*A WIN-WIN situation for your agents' customer!*



**AUDIENCE: LISTING OR SELLING AGENT**

**Listing or selling agents in markets where their customer pays for Lender's policy:**

"One of our mutual goals is to provide good service to your customer(s). Title Option Plus (TOP) is an exclusive Norwest title service that saves your customer money. And I can even help you save valuable time by arranging the settlement process."

*NOTE: Show your agent how TOP can save their customer money. Stress to agents that showing their concern about saving their customers money will strengthen their relationships with customers and build trust. This is a great way to generate return business and referrals!*

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## THE PLUSES OF TOP

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- TOP is priced better than title insurance which saves your borrower cash out of pocket.
- All the borrower has to do is select TOP, Norwest does the rest which is convenient for the borrower.
- TOP satisfies our requirement for lender's title protection while saving the borrower money.
- Simple branch steps for processing TOP orders makes this value-added service easy to support.

**The pluses of TOP get even bigger when  
partnered with Norwest 90!!!**

Norwest 90 eliminates the need for borrowers to use CASH to pay for TOP.

TOP partnered with Norwest 90 is an excellent deal for borrowers who can think of a better use of their valuable cash. Instead of paying for something that the lender wants (title protection), the cash freed-up by Norwest 90 can be put to good use by your borrower on something they want.

**TOP partnered with Norwest 90 is a big plus for your borrower!!**

**AUDIENCE: BORROWERS**

**A suggested script for TOP partnered with Norwest 90.**

"Most lenders require that you purchase title insurance as a condition of the loan. But only Norwest has Title Option Plus (TOP) which satisfies our requirement for title protection, and does not cost you any cash out of pocket!!

All you do is select TOP, and I do the rest."

*NOTE: TOP partnered with Norwest 90 satisfies Norwest's requirement for title protection and doesn't cost the borrower a penny out of pocket!! Remember, when you use Norwest 90 to cover the Title Option Plus fee, your branch still will receive P & L soft dollar credit, and your name still goes into the TOP Hat for the January TOP contest drawing!!*

<b>ATI TITLE OPTION PLUS (TOP)</b>
<b>Norwest Mortgage Branch Sales &amp; Support Manual</b>

**IMPORTANT NOTICE:** *Questions from the media, regulatory officials or similar parties should be directed to Sue Bunce (515-221-5356) or Bill Lloyd (515-221-4059) in the Norwest Mortgage Communication Support Services Department in Des Moines. It is very important that all branch personnel be informed of the need to direct these calls to the home office.*

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## **AUDIENCE: REALTORS AND BORROWERS**

**Here are some easy script suggestions for responding to borrower or Realtor questions about TOP:**

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<b>QUESTION</b>	<b>ANSWER</b>
1. Am I required to purchase owner's title insurance?	No, owner's title insurance is optional.
2. Can I have TOP and owner's title insurance?	No. Once you select TOP, owner's title insurance is not available. (NOTE: <i>If it is the custom in the market for the owner's and lenders policies to be ordered from different title companies, you may use TOP for the lender's title requirement. Contact your TOP marketing rep if you have any questions.</i> )
3. What is the difference between lender's and owner's title insurance?	Lender's title insurance is a loan requirement which protects the lender's interest in the property, and owner's title insurance is optional, normally more expensive, and protects your equity in the event of a title defect".
4. What protection does owner's title insurance provide?	Owner's title insurance will protect the owner, subject to the policy exceptions, for loss or damages sustained by the insured (i.e., the owner) due to <ol style="list-style-type: none"><li>title to the property being vested other than as stated in the policy</li><li>any defect in or lien or encumbrance on the title</li><li>unmarketability of the title</li><li>lack of a right of access to and from the land.</li></ol> The policy also protects against forgeries of documents and errors in recording of documents by government officials. The liability of the title insurer is generally limited to the amount of the insurance (normally the purchase price of the property).

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- | <b>QUESTION</b>  | <b>ANSWER</b>  |
|--|--|
| 5. What type of "exceptions" are typically not covered by owner's title insurance? | <p>Each owner's title policy will contain exceptions to the policy. Common exceptions -- those items not covered by the policy -- include facts which would be disclosed by a survey, mechanic's liens or similar claims not of record, easements or other restrictions which are unique to the property, judgments, and changes in title occurring subsequent to the effective date of the policy.</p> <p>A survey, at the borrower's expense, would identify encroachments, overlaps, boundary disputes or similar matters. Typically if a survey is ordered and provided to the title insurance company, the exception for these items will be removed from the exceptions to the policy.</p> |
| 6. Basically, isn't this another name for title insurance?                         | No. We are not insuring the title. We are only telling the lender who is in title, according to the real estate records, and what liens are of record. There is no insurance involved since we are managing our own title risks.   |
| 7. What is the benefit to consumers?   | Consumers will save at least ten percent over the cost of lender title insurance. Had this program been used by 100% of Norwest Mortgage's borrowers in 1993, they would have saved \$39 million. We also anticipate a simplified, faster loan approval process.   |
| 8. Why can Norwest offer this product for less?                                    | By assuming the risk internally, we are eliminating the most expensive part of the title protection process: the title insurance underwriter. We avoid subsidizing title underwriters' losses caused by riskier agencies, commercial and new construction, overhead, claims administration and regulatory reporting requirements.  |
| 9. Where do you plan to offer this protection?                                     | We have identified markets in each state plus the District of Columbia which will be served by one of six regional ATI Service Centers.  |
| 10. Have the government mortgage-related agencies accepted this product?           | Yes. Freddie Mac, FHA and VA have all approved this product in lieu of title insurance. We expect Fannie Mae's approval soon.  |

## ATI TITLE OPTION PLUS (TOP)

### Norwest Mortgage Branch Sales & Support Manual

#### QUESTION

#### ANSWER

11. Why did the agencies agree to accept this product?

Norwest is recognized as a high quality lender. Because of Norwest Corp's size and strength, we can create an acceptable backup to our investor-required standard lender representation and warranty as to title at a lower cost to borrowers, while at the same time protect stockholders with adequate reserves equal to Norwest standards. The secondary market also recognizes this product as providing a benefit to consumers in the form of significant cost savings, and a simplified, speedier loan approval process. This product does not increase the risk to the secondary market investors.
12. Will all types of mortgage loans be eligible for this coverage?

No. Title Option Plus will not cover new construction, jumbo loans, broker business, or condominiums.
13. What is the relationship between ATI and Norwest Mortgage?

ATI is a wholly-owned subsidiary of Norwest Mortgage, Inc.
14. What will prevent other mortgage lenders from developing a similar product?

While we cannot prevent competition, we believe that most of our competitors do not have a strong enough balance sheet to gain secondary market approval, nor the title network necessary to compete effectively.
15. Is this a new concept?

No. Prior to the secondary market becoming the dominant source of first mortgage financing, this product is how many lenders managed their risk of title defects. Today, some first mortgage lenders and most second mortgage lenders manage their title defects risk with a similar type of product, which involves a similar review process.
16. How significant have losses been to the title insurance industry and to ATI?

Given the high premiums, losses have still remained very low. ATI has experienced losses of less than 1% of premium dollars versus the industry average of approximately 6%, which mainly covers agency fraud and new construction related losses.
17. Is there a higher risk to Norwest by issuing this protection versus title insurance?

Yes, however, ATI has a good track record compared to the industry in managing the risk of agent error, negligence, and errors incurred in closing the loan. We can manage these risks more effectively than an independent agency structure through Quality Assurance Program and established accounting controls that most independent agencies lack.

<b>ATI TITLE OPTION PLUS (TOP)</b>
<b>Norwest Mortgage Branch Sales &amp; Support Manual</b>

QUESTION	ANSWER
18. Do you anticipate negative reaction from the title insurance industry?	We believe that some insurance underwriters and their agents may threaten to stop using Norwest Banks and may refuse to close loans for our retail branches. Norwest Bank executives and Regional Presidents enthusiastically support the TOP product and view it as a product which provides great benefit to our shareholders and direct benefit to consumers through reduced costs.
19. What does Norwest gain from managing its own title defect risk?	We believe this will streamline the process of issuing title evidence and ultimately speed up the loan approval/closing process. It will also speed up delivery of the loans to the secondary market. We also believe that use of this product will result in fewer deficiencies to be dealt with in the Post Closing Department.
20. Who will review the title and records?	ATI will use its own employees or abstractors who have been approved to do business with ATI.
21. How much risk is there in other situations where a title insurance underwriter would have borne the risk, such as claims resulting from liens that are not detectable on the record?	Norwest will establish an allowance for losses to cover these and other "agent error" losses. We estimate that these losses will be less than .25%.
22. Will borrowers also be able to receive owner's title insurance from ATI?	Yes, in the areas where ATI has approved title insurance operations, but not in conjunction with the TOP program. ATI offers title insurance in 13 states and Washington, D.C. The 13 states are: Nebraska, Iowa, Minnesota, Indiana, Illinois, Maryland, Virginia, Arizona, New York, California, Pennsylvania, Ohio, and Missouri.
23. What protection does TOP afford the borrower?	<p>TOP affords protection to the lender only:</p> <p>* A refinancing borrower who wants an owner's title policy will probably have obtained an owner's title policy at the time the property was purchased. This policy remains in effect and will continue to provide protection for as long as your borrower owns the property.</p> <p>* When a purchase money borrower chooses TOP the protection is provided to the Lender. TOP indirectly protects the borrower to the extent that: a) ATI will not issue TOP unless the title is clean, and b) If a title defect shows up after closing, ATI will usually have to cure on behalf of the Lender which would cure for the Buyer as well.</p>

<b>ATI TITLE OPTION PLUS (TOP)</b>
<b>Norwest Mortgage Branch Sales &amp; Support Manual</b>

QUESTION	ANSWER
24. How should we respond when a Bank customer who is also a title insurance agent threatens to sever its relationship with the Bank because of the relationship to ATI to Norwest?	Although TOP was developed because of its profit potential, it is also recognized as being advantageous to the consumer because of its cost-effectiveness and efficiency. Norwest believes that the consumer should be provided the best products at the lowest possible cost and that development and marketing of such products is the "right thing to do." We believe that we have such a product in TOP. We should also point out that TOP is being used only in connection with certain loans made by Norwest Mortgage.
25. What about surveys?	ATI is not requiring a survey which results in additional savings of time and money for the borrower. Because TOP is to be used in connection with loans on existing residential real property only, the risk of loss resulting from survey matters is perceived as slight. A borrower who is concerned about survey issues should buy a survey at his or her own expense to determine in advance of closing whether any problems are disclosed by the survey. Keep in mind that in most purchase agreements, Sellers warrant to the Buyers for issues that surveys would detect.
26. What's the risk of not buying an Owner's Policy?	*Survey risks -- but Buyer has Seller warranties and can buy (or require seller to buy) a survey to discover those risks. *Title defect risks -- for a defect that ATI does not cure for the lender. Historically, this risk averages less than \$2.50 per transaction handled by ATI.
27. Do we or don't we recommend an owner's policy?	As when we are asked for a recommendation whether to float or lock a loan rate, i.e. predicting which way interest rates are going, we should <u>not</u> make a recommendation. We should present the facts and let the customer decide. We believe most customers will elect TOP.
28. What if a customer elects to have an Owner's Policy?	Gladly refer the customer to our usual third party title insurance vendors at the costs inherent in that product. We will require the customer to buy both Lender's and Owner's title insurance (no TOP for the Lender) if this election is made.
29. How will your branches benefit from offering this product?	They will be able to create consumer goodwill by offering quicker turnaround and a lower cost alternative to title insurance. There will be fewer unresolved issues at the closing table resulting from issues involving survey protection and policy endorsements, because they will not be required.



**AUDIENCE: BANK CUSTOMERS**

**Anticipated question from Title Agency customers of our Banks who currently do title work on Norwest loans.**

**QUESTION:**

Why should I keep my banking business with Norwest when you are promoting a product that takes business away from me?

**ANSWER:**

We will give you the same excellent banking services as always.

- This product is good for consumers in that it saves them money (makes housing more affordable) and simplifies the home buying process. It is the right thing to do.
- Norwest will continue to do its jumbo, commercial, and new construction properties with you.
- The consumer will be offered the title insurance option, and if so elects, we will continue to do that business with you.
- Until (if ever) Norwest builds a local abstracting and closing facility, we will want to buy those services from you to support our TOP product.

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## **PRESENTATION MATERIALS**

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Inside the back cover of this binder is an envelope containing a set of masters for creating overheads and/or handouts. Use these for presentations of the TOP product. These are made for sales reps so that they can create the presentation format that best suits their personal styles. They are in a plastic case to keep them clean and wrinkle free.

The purpose of these materials is to help educate Realtors about the TOP value-added service.

**High-quality reproduction can be made from these prints on any copy machine. That allows you to prepare a high-quality presentation while containing costs.**

These presentations can be transferred to overhead slides right on your office copy machine, or you can take them to any local print shop.

Or, depending on your presentation style, you can turn the materials into booklets. Simply photocopy the material in your office. You can enhance the materials by adding clear covers which are available at any office supply store.

Slides booklets or handouts -- these materials will allow you to make the presentation that suits your delivery style.

If you have any questions regarding these presentation materials, please contact your TOP Marketing Representative.

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**TOP CONTEST RULES**

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1. There are three categories for which prizes will be awarded.
  - a. Sales representatives
  - b. Office staff who work on loan files
  - c. Entire branches
2. Norvest Mortgage sales representatives and office staff who work on qualified loan files are eligible for one of the two TOP grand prizes. Entire Norvest Mortgage branches are eligible for one of the three special branch awards.
3. Each time a loan is closed using the TOP (Title Option Plus) program from ATI, the branch manager prepares an official entry slip for each of the following:
  - a. The sales representative who generated the file
  - b. The name of each person on the office staff who worked on the loan file
  - c. The branch unit number(NOTE: If the branch obtains a copy of the existing title insurance and includes it when they FAX the order to ATI, Branch Managers are to put an "X" in the box on the entry form. This will give the entrant a second chance at winning for each loan done this way.)
4. The contest period runs through December 31, 1994.
5. Official entry slips will be distributed to each branch eligible to participate in the program as of the beginning of the contest.
6. The completed and initialed entry slips must be received within seven days of the close of the contest (by January 7, 1995).
7. For the first two categories, winners will be chosen by random drawing. For the third category, winning branches will be selected based on the percentage of TOP loans closed during the contest period. (Calculations to include only those loans which were eligible for TOP product.)
8. Official entries must be initialed by the branch manager to be valid. Branch managers are responsible for getting the entries to  
ATTN: TOP Contest  
Unit Number 1731, .  
3601 Minnesota Drive, Suite 300  
Minneapolis, MN 55435  
  
Entries are to be sent at the end of each week.
9. Only the stated prizes will be awarded. (See table below and following page)
10. No employees of ATI or their immediate family members (parents, children, siblings, spouses) are eligible to enter or to win the contest. Only Norvest Mortgage employees are eligible to enter the contest. Winners of the trips must be employed by Norvest Mortgage at the time of the trip in order to collect the prize.

<b>ATI TITLE OPTION PLUS (TOP)</b>
<b>Norwest Mortgage Branch Sales &amp; Support Manual</b>

### TOP PRIZES

**Sales Representative**

Choice of one of  
announced TOP trips for  
two

Total Prizes: 1

**Office Staff Person**

Choice of one of  
announced TOP trips for  
two

Total Prizes: 1

**Entire Branch**

\$1,000 for a branch celebration  
(i.e., dinner, party, etc.) Branch  
determines use of funds.

Total Prizes: 3

### OFFICIAL PRIZE DESCRIPTIONS

*(All trips are for two)*

**The "Top" of Kilimanjaro – An African Safari 13 days**

Highlights include:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>* Nairobi</li> <li>* Amboseli National Park at the Foot of Majestic Mount Kilimanjaro</li> <li>* Aberdare National Park - Lush Forests at an altitude of 7,500 feet</li> </ul> | <ul style="list-style-type: none"> <li>* Samburu National Reserve - Dry Bush Country</li> <li>* Mount Kenya Safari Club</li> <li>* Masai Mara - A magnificent National Reserve</li> <li>* Balloon Ride over the splendor of Kenya</li> </ul> |
|---|--|

*Round-trip Coach Airfare to Nairobi, all accommodations, sightseeing, safari transportation via specially equipped safari vehicles and most meals.*

**The "Top" of Nob Hill - San Francisco/Wine Country 9 days**

Highlights include:

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>* 3 nights at the Huntington Hotel</li> <li>* 3 nights at the Meadowood in Napa Valley</li> <li>* 3 nights at the Highlands Inn, Carmel</li> <li>* Luxury Car Rental</li> <li>* San Francisco Limo Transfer &amp; Sightseeing tour</li> </ul> | <ul style="list-style-type: none"> <li>* NAPA Valley</li> <li>* One round of golf per person</li> <li>* Champagne balloon ride</li> <li>* Antique Car Tour of Wine Country</li> <li>* Health spa admission and massage</li> </ul> |
|--|---|

*Round-trip coach airfare to San Francisco, all accommodations, sightseeing and most meals.*

**The "Top" of the Eiffel Tower - Paris plus French Country Waterways 9 days**

Highlights:

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>* 2 nights at the Paris Hilton overlooking the Eiffel Tower</li> <li>* Paris Sightseeing</li> <li>* 6 nights cruise aboard a luxury European barge</li> </ul> | <ul style="list-style-type: none"> <li>* Cruising along the winding Seine from the bountiful vineyards of Burgundy to the splendid chateau of the Ile De France</li> <li>* Ballooning over the French Countryside</li> </ul> |
|--|--|

*Round-trip coach airfare to Paris, all accommodations, sightseeing and most meals.*

**The "Top" of the World - visit the Matterhorn and Beautiful Switzerland 10 days**

Highlights:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>* Rail transportation within Switzerland aboard the Glacier Express</li> <li>* Zurich</li> <li>* Liechtenstein - the last remaining vestige of the Holy Roman Empire</li> <li>* St. Moritz - a mountainous resort area</li> <li>* Historic Geneva</li> </ul> | <ul style="list-style-type: none"> <li>* Lugano - the Swiss city with Italian flavor</li> <li>* Zermatt - a picturesque mountain village with the majestic Matterhorn as a backdrop</li> <li>* Montreaux - a fashionable resort at the Eastern end of Lake Geneva</li> <li>* Lausanne and Lucerne</li> </ul> |
|---|--|

*Round-trip coach airfare to Zurich, all accommodations, sightseeing and most meals.*

<b>ATI TITLE OPTION PLUS (TOP)</b>
<b>Norwest Mortgage Branch Sales &amp; Support Manual</b>

**OFFICIAL ENTRY FORM: TITLE OPTION PLUS CONTEST SAMPLES**

**SALES REP**

Loan File # \_\_\_\_\_ Date Closed \_\_\_\_\_  
LPO # \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_  
Branch Manager Name \_\_\_\_\_  
  
Sales Representative Name \_\_\_\_\_  
Approval: (Branch Manager initial here) \_\_\_\_\_

If copy of existing title insurance was faxed to ATI, put an "X" in this box. ☐

**OFFICIAL ENTRY FORM: TITLE OPTION PLUS CONTEST**

Loan File # \_\_\_\_\_ Date Closed \_\_\_\_\_  
LPO # \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_  
Branch Manager Name \_\_\_\_\_  
  
Office Staff Name \_\_\_\_\_  
Job Title \_\_\_\_\_  
Approval: (Branch Manager initial here) \_\_\_\_\_

**OFFICE STAFF**

If copy of existing title insurance was faxed to ATI, put an "X" in this box. ☐

**OFFICIAL ENTRY FORM: TITLE OPTION PLUS CONTEST**

Loan File # \_\_\_\_\_ Date Closed \_\_\_\_\_  
LPO # \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_  
Branch Manager Name \_\_\_\_\_  
  
Approval: (Branch Manager initial here) \_\_\_\_\_

If copy of existing title insurance was faxed to ATI, put an "X" in this box. ☐

**BRANCH ENTRY**

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## **EXHIBITS**

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The following exhibits are included in this manual for reference.

- A Consumer Title Status Election First Lien Options -- REFINANCE (NMFL#4178)
- B Consumer Title Status Election First Lien Options - PURCHASE (NMFL#4177)
- C Controlled Business Arrangement Disclosure (NMFL#3191)  
Instructions for Completing Controlled Business Arrangement Disclosure
- D Norwest Mortgage Title Option Plus Order Request Fax Sheet
- E ATI Title Condition Report
- F Closing Agent's Instruction Letter
- G Lien Affidavit/Indemnity Agreement (DRAFT)
- H ATI Final Title Certificate

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CONSUMER TITLE STATUS ELECTION FIRST LIEN OPTIONS - REFINANCE

NMFL#4178



Consumer Title Status Election  
First Lien Options - REFINANCE

Estimated Cost Comparison \$ \_\_\_\_\_ ( Proposed Loan Amount)

Cost	Option A Lender's Title Insurance (3)	Option B ATI Title Condition Report (4)	ATI Savings
Title Insurance Premium			
Endorsement Fees (1)		-0-	
Abstract Fee (if separately charged)		-0-	
Survey or Plat drawing (2)		-0-	
Total Estimate			

Footnotes

(1) Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$50 or more. Lenders using the ATI Title Condition Report do not require these endorsements.

(2) No survey or plat drawing is required when an ATI Title Condition Report is issued. Depending upon the geographic area, these costs can vary significantly. Costs in the \$75 to \$100 range are typical.

(3) Lender's title insurance cost is based upon loan amount. Lender's title insurance affords protection, to the Lender only, against title defects.

(4) Owner's title insurance coverage is not available if ATI Title Condition report is elected. If you obtained an Owner's title insurance policy when you purchased the property, that policy will remain in effect.

Disclosure

ATI is a wholly owned subsidiary of Norwest Mortgage, Inc. Selection of ATI as a provider of title insurance or a Title Condition Report is not a condition for the granting of a loan by Norwest Mortgage, Inc.

Election

- ☐ Option A  
☐ Option B

Borrower's Signature

Date

Borrower's Signature

Date

N400104

CONSUMER TITLE STATUS ELECTION FIRST LIEN OPTIONS - PURCHASE

NMFL#4177

N400105



## Consumer Title Status Election First Lien Options - PURCHASE

Estimated Cost Comparison

\$ \_\_\_\_\_  
( Proposed Loan Amount)

\$ \_\_\_\_\_  
( Purchase Price)

Cost	Option A Lender's Title Insurance (3)	Option B Lenders and Owners Title Insurance (4)	Option C ATI Title Condition Report (5)	Option C's Savings Over Option A	Option C's Savings Over Option B
Premium					
Endorsement Fees (1)			-0-		
Abstract Fee (if separately charged)			-0-		
Survey or Plat drawing (2)			-0-		
Total Estimate					

### Footnotes

(1) Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$50 or more. Lenders using the ATI Title Condition Report do not require these endorsements.

(2) No survey or plat drawing is required when an ATI Title Condition Report is issued. Depending upon the geographic area, these costs can vary significantly. Costs in the \$75 to \$100 range are typical.

(3) Lender's title insurance cost is based upon loan amount. Lender's title insurance affords protection, to the Lender only, against title defects. Lender's title insurance will not be provided by ATI unless Borrower elects option B and elects to use ATI in a state where ATI is licensed to sell title insurance. In some states this cost may be less than estimated here if certain conditions are satisfied.

(4) Owner's title insurance cost is customarily based upon Purchase Price. The cost shown in this column assumes that the owner's policy is purchased in conjunction with a lender's policy. Norwest Mortgage does not require the Borrower to obtain an owner's policy. Please ask your Norwest Sales Representative any questions you have about owner's title insurance.

(5) Owner's Title Insurance coverage is not available if the ATI Title Condition Report is elected.

### Disclosure

ATI is a wholly owned subsidiary of Norwest Mortgage, Inc. Selection of ATI as a provider of title insurance or a Title Condition Report is not a condition for the granting of a loan by Norwest Mortgage, Inc.

### Election

- ☐ Option A  
☐ Option B  
☐ Option C (not available if option A or B are elected)

Borrower's Signature

Date

Borrower's Signature

Date

CONTROLLED BUSINESS ARRANGEMENT DISCLOSURE

NMFL#3191



## Controlled Business Arrangement Disclosure

To: Buyer or Seller

Property:

From:

Norwest Mortgage

Date:

*This is to give you notice that Norwest Mortgage ("Norwest") has a business relationship with Title Network Agency. Norwest Mortgage owns 50% of Title Network Agency.*

*Listed below is the estimated charge or range of charges by Title Network Agency for the following services:*

Title Insurance \_\_\_\_\_ : \$ \_\_\_\_\_

Settlement Services \_\_\_\_\_ : \$ \_\_\_\_\_

\_\_\_\_\_ : \$ \_\_\_\_\_

*You are not required to use Title Network Agency as a condition for settlement of your loan on your home. You may be able to get these services at a lower rate by shopping with other settlement service providers.*

*A lender is allowed to require the use of an attorney, credit reporting agency or real estate appraiser chosen to represent the lender's interest.*

Borrower \_\_\_\_\_ Date \_\_\_\_\_

Borrower \_\_\_\_\_ Date \_\_\_\_\_

Borrower \_\_\_\_\_ Date \_\_\_\_\_

Borrower \_\_\_\_\_ Date \_\_\_\_\_

Norwest Mortgage

Lender

Date



## Exhibit "C" Instructions

### Instructions for completing the Controlled Business Arrangement Disclosure (NMFL #3191)

The Controlled Business Arrangement Disclosure (NMFL #3191) is required for all mortgage loans (including new construction, primary residence, second home, refinance, and home equity loans) which use ATI Title as the provider of title insurance or escrow services.

The Controlled Business Arrangement Disclosure (NMFL #3191 H93) is also required on mortgage loans which are eligible for T.O.P., when the borrower selects T.O.P. for Lender's title coverage.

#### Instruction for completing the Controlled Business Arrangement Disclosure:

Refer to Exhibit "C".

- |   |   |
|---|---|
| "To: Buyer or Seller" section:                  | Complete this section with the borrower name(s).  |
| "Property" section:                             | Complete this section with the subject property street, city, and state address.  |
| "From" section:                                 | Complete this section with the originating Norwest Mortgage branch location (i.e., "Norwest Mortgage, Paradise, CA").   |
| "Date" section:                                 | Complete this section with the date that the borrower(s) elected to use ATI or Title Option Plus (T.O.P.) for title.  |
| "Estimated Charge or Range of Charges" section: | Three lines have been provided. Complete this section with the name of the charge, and the charge or fee quoted to the borrower(s), (i.e., ATI Owner's title insurance, ATI Owner's combined, TOP, etc.). |
| "Borrower Signature" section:                   | Borrower(s) sign to acknowledge their understanding that Norwest Mortgage, Inc. has a business relationship with ATI Title Company ("ATI").   |
| "Lender" section:                               | Complete this section with "Norwest Mortgage, Inc."   |
| "By" section:                                   | Signature of Norwest Mortgage, Inc. employee who completed the disclosure.  |

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**Norwest Mortgage  
Title Option Plus ( T.O.P.)  
Order Request Fax Sheet**

ATI Number: \_\_\_\_\_

*Simply Complete this form & fax to your T.O.P. service center*

**NMI Branch Information:**

Branch #: \_\_\_\_\_

Sales Person: \_\_\_\_\_

Location: \_\_\_\_\_

Order Contact: \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

Phone #: (\_\_\_\_) \_\_\_\_\_

Fax # (\_\_\_\_) \_\_\_\_\_

**NMI Loan Information:**

Loan Product Code: \_\_\_\_\_

Loan Amount: \$ \_\_\_\_\_

Loan Number: \_\_\_\_\_

T.O.P. Fee Quoted: \$ \_\_\_\_\_

Refinance: \_\_\_\_\_ Purchase: \_\_\_\_\_

**Property Information:**

Seller(s) Name: \_\_\_\_\_

Borrower(s) Name(s): \_\_\_\_\_

SS Number: \_\_\_\_\_

**Property Address:**

City: \_\_\_\_\_ State: \_\_\_\_\_ County: \_\_\_\_\_

**Legal Description:**

*Note: If property is rural, or description is lengthy, attach a property description, if available, to ensure accuracy and to speed up the title searching process.*

*Attach a copy of the existing Title Insurance Policy, if available*

**PLEASE FAX AN ADDITIONAL COPY OF THE T.O.P. TITLE CONDITION REPORT TO:**  
( closing / settlement agent, Realtor, attorney, etc. )

Name : \_\_\_\_\_

Name: \_\_\_\_\_

Addr: \_\_\_\_\_

Addr: \_\_\_\_\_

Fax #: \_\_\_\_\_

Fax #: \_\_\_\_\_

**FAX TO::** ATI / Title Option Plus Service Center

Attention: T.O.P. Order Department

Address: \_\_\_\_\_

Phone: (\_\_\_\_) \_\_\_\_\_

Fax #: (\_\_\_\_) \_\_\_\_\_



11279 Perry Highway  
Suite 503  
Wexford, PA 15090-9308  
Phone: (800) 380-3399  
FAX: (800) 371-3370

\*

## Title Condition Report

Report Date: \*  
Report Number : \*

Effective Date : \*  
Report Fee: \*

ATI \* hereby represents unto \* (hereinafter referred to as "Lender") that a thorough search has been conducted of the real estate records of \*, \* as the same affect the following-described real estate:

\*

On the basis of such search, the following information is provided:

- A. Record Titleholder (s) :  
\*
- B. Proposed Borrower (s) / Purchaser (s) :  
\*
- C. Mortgage Record :  
\*
- D. Judgment Record:  
\*
- E. Taxes and Assessments of Record :  
\*

If the information contained in this report is to be used in connection with financing secured by a first priority lien, the following procedure is required:

- . Contact ATI at (800) 380-3399 to obtain an updated search of the records, prior to closing, to ensure that no intervening matters appear of record.
- . Obtain a proper and recordable general warranty deed transferring title to the above-described real estate from the record titleholder(s) named in A. , above, to the proposed borrower(s) / purchaser(s) named in B., above.
- . Obtain a proper and recordable loan document signed by the proposed borrower(s) / purchaser(s) named in B. , above.

N400111

**Exhibit E (2 of 2)**

- . Provide for accurate payoff, from loan proceeds, of the items specified in C. and D., above, and arrange for receipt and recording of documentation releasing those items.
- . Provide for payment to date of taxes and assessments specified in E., above.
- . Contact ATI at (800) 380-3399 to arrange for filing the warranty deed and loan documents in the real estate records of \* County, \* in a timely and expeditious fashion. **LENDER WILL BE AT RISK FOR ANY LOSS RESULTING FROM UNREASONABLE DELAY IN FILING.**

In consideration of payment of the Report Fee, the undersigned Company warrants to the Lender the accuracy and completeness of the above information as of the effective date of this report. This Report does not insure or commit to insure title or the validity, priority or enforceability of the Lender's lien, and is not intended to be relied upon as a legal opinion as to lien status.

\*

By: \_\_\_\_\_

**CLOSING AGENT'S INSTRUCTION LETTER**

We have asked you to provide your services as a closing/settlement agent for the purposes of closing a loan to be made by the Lender named below to the Borrower(s) named below, and involving the real estate described below. Because we intend to rely upon the accuracy and timeliness of your services, it is our wish to outline our specific requirements so that our expectations will be clear.

Our general requirement is that your services be provided and the closing/settlement conducted in such manner that Lender shall, upon recording of the security document(s), enjoy first lien priority as to the below-described real estate. You will receive closing instructions from the Lender as well. If our instructions and the Lender's instructions are in conflict in any respect, do not proceed to close the transaction until the conflict has been resolved and you have been notified of such resolution by Lender and ATI.

Lender: \_\_\_\_\_

Borrower(s): \_\_\_\_\_

\_\_\_\_\_  
Property address City State

1. You will be provided a copy of a Title Condition Report, issued by ATI Title Company, covering the property legally described in the Title Condition Report. All title and loan documents must reflect exactly the names and legal description contained in the Title Condition Report.
2. Do not proceed to close this transaction until you have been advised by (ATI or someone else?) that no additional matters have appeared of record since the date of the Title Condition Report.
3. All existing liens of record, including unpaid general and special real estate taxes and assessments, must be paid You and required to obtain, in writing, and provide us legible copies of, all payoff statements as to any liens listed in the Title Condition Report.
4. All lien payoffs must be made exactly in accordance with written payoff statements and you must provide us written evidence of the actual payoffs (copies of checks).
5. You must arrange for collection and payment of all fees and charges associated with the closing of this loan, including our fee, which is indicated on the Title Condition Report.
6. Ensure that Lender's mortgage/deed of trust is filed for record in the proper County records within 24 hours of closing or termination of any rescission period, whichever is later in point of time.
7. Immediately forward to our office copies of all payoff statements, payoff checks or receipts and receipts evidencing payment of general and special real estate taxes and assessments.
8. Immediately arrange for delivery and recording, in the proper County records, of all documentation evidencing release and/or satisfaction of liens reported on the Title Condition Report.

N400113

DRAFT

DRAFT

## Lien Affidavit/Indemnity Agreement

State of \_\_\_\_\_

County of \_\_\_\_\_

This Affidavit and Agreement applies to real property in the County of \_\_\_\_\_, State of \_\_\_\_\_, described as follows (the "Property"):

THE UNDERSIGNED, knowing that Norwest Mortgage ("Norwest") is relying on the truth of the statements made below in deciding whether to make a loan secured by the Property, and being first duly sworn, says, and agrees:

1. \_\_\_\_\_ The Property is free and clear of all liens, taxes, assessments, encumbrances and claims of every kind, nature and description whatsoever, not appearing of record, including, without limitation, mechanic's, material person's or laborer's liens, except for real estate taxes which are not now due and payable.
2. \_\_\_\_\_ There have been no improvements, alterations, or repairs to the Property involving work or materials for which the costs remain unpaid.
3. \_\_\_\_\_ The undersigned know(s) of no violation of municipal ordinances pertaining to the Property.
4. \_\_\_\_\_ This Affidavit and Agreement is made for the purpose of inducing \_\_\_\_\_ to purchase the Property from the undersigned.
5. \_\_\_\_\_ There are no other parties asserting claims adverse to the interest of the fee simple titleholders of record, or claims arising under a lease, option, contract, or other instrument purporting to create any interest in the Property, whose claim does not appear of record.

Only those sections of the affidavit marked "X" are applicable to this affidavit.

NOW THEREFORE, in consideration of Norwest's agreement to make a loan secured by the Property, the undersigned does hereby agree, without limitation, to indemnify and hold and save Norwest harmless from and against, any and all damages, liabilities, losses, costs, charges, attorneys' fees, and/or expenses whatsoever, of any kind or character which Norwest incurs and that arise in connection with any unrecorded defects described above, or in enforcement of this Agreement.

In this Affidavit and Agreement, whenever the context so requires, the singular number includes the plural; and, where there is more than one person included as the undersigned, the provisions and obligations of this Agreement shall be binding on such persons jointly and severally.

This Affidavit and Agreement shall inure to the benefit of and bind the heirs, devisees, successors and assigns of the parties hereto.

In executing this Affidavit and Agreement, the undersigned acknowledge that he/she is not relying on any other inducements, written or oral, by any other person or any agent, employee or representative thereof.

IN WITNESS WHEREOF, the undersigned has executed this Affidavit and Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name Printed

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name Printed

State of \_\_\_\_\_

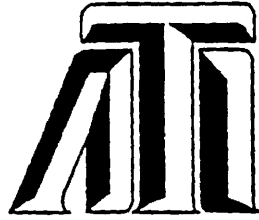
County of \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
Notary Public

N400114

No: \*



**ATI TITLE COMPANY**

**FINAL TITLE CONDITION CERTIFICATE**

*The undersigned hereby certifies unto: \* that according to the records of said county the security instrument recorded on the \* day of \* in the year \*, in Book \*, at Page \* ( or Instrument # \* ), of the Records of \* County, State of \*, evidences a valid, first, senior and paramount lien in your favor upon real estate described as :*

\*

*subject to no other liens or encumbrances appearing in the public records of said County, as reflected by a complete search of said records as of the date of this Certificate.*

*The fee simple title to the above-described real estate is at the date of this certificate vested of record in:*

\*

*This Certificate is executed this \* day of \*, \*.*

---

*Signature*

N400115

10-27-1964

RECEIVED BY THE OFFICE OF THE ATTORNEY GENERAL  
FROM THE OFFICE OF THE ATTORNEY GENERAL

**Exhibit 2**

10-27-1964

10-27-1964

10-27-1964

10-27-1964

10-27-1964



CASE NO. INS950079

TAB NUMBER 2 WITHIN EXHIBIT NUMBER JFS-1 IS A CONFIDENTIAL  
DOCUMENT, IN THE CUSTODY OF THE CLERK OF THE COMMISSION

CASE NO. INS950079

SPONSOR STAFF

EXHIBIT NO. JFS-1

WITNESS NONE

BAILIFF DEBORAH P. BEASLEY

7-27-2014

10/10/2014 10:10:10 AM 10/10/2014 10:10:10 AM  
10/10/2014 10:10:10 AM 10/10/2014 10:10:10 AM

### Exhibit 3

10/10/2014 10:10:10 AM  
10/10/2014 10:10:10 AM  
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10/10/2014 10:10:10 AM

CASE NO. INS950079

TAB NUMBER 3 WITHIN EXHIBIT NUMBER JFS-1 IS A CONFIDENTIAL  
DOCUMENT, IN THE CUSTODY OF THE CLERK OF THE COMMISSION

CASE NO. INS950079

SPONSOR STAFF

EXHIBIT NO. JFS-1

WITNESS NONE

BAILIFF DEBORAH P. BEASLEY

1. The first step is to identify the problem. In this case, the problem is that the company is not meeting its sales targets.

## Exhibit 4

DATE: 11/11/11  
PAGE: 10  
TIME: 11:11

1. *Pharmaceuticals* (1997) 10: 101-110.  
 2. *Pharmaceuticals* (1998) 11: 101-110.

CASE NO. INS950079

TAB NUMBER 4 WITHIN EXHIBIT NUMBER JFS-1 IS A CONFIDENTIAL  
DOCUMENT, IN THE CUSTODY OF THE CLERK OF THE COMMISSION

CASE NO. INS950079

SPONSOR STAFF

EXHIBIT NO. JFS-1

WITNESS NONE

BAILIFF DEBORAH P. BEASLEY

1. UNITED STATES DISTRICT COURT OF THE DISTRICT OF COLUMBIA  
2. IN RE: THE ESTATE OF JAMES EARL RAY, JR.

1. 2000年12月1日  
 2. 2000年12月1日  
 3. 2000年12月1日

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

CASE NO. INS950079

TAB NUMBER 5 WITHIN EXHIBIT NUMBER JFS-1 IS A CONFIDENTIAL  
DOCUMENT, IN THE CUSTODY OF THE CLERK OF THE COMMISSION

CASE NO. INS950079

SPONSOR STAFF

EXHIBIT NO. JFS-1

WITNESS NONE

BAILIFF DEBORAH P. BEASLEY

**Exhibit 6**



[Space Above This Line For Recording Date]

## DEED OF TRUST

24-2/0093

THIS DEED OF TRUST ("Security Instrument") is made on DECEMBER 16, 1994  
 MUSHIL S. AL-MANAT, A SINGLE PERSON AND MONTER S. MADANAT AND  
 NICOLETTE MADANAT, HUSBAND AND WIFE

. The grantor is

("Borrower"). The trustee is WALTON &amp; ADAMS P.C.

of

Fairfax County

, Virginia, and

of

, Virginia, trustees (any one of whom may act and who are referred to as

"Trustee"). The beneficiary is NORWEST MORTGAGE, INC.

94 DEC 19

2:28

which is organized and existing under the laws of VAC6

, and

whose address is NORWEST MORTGAGE INC., P.O. BOX 5137, DES MOINES, IA

503065137

("Lender"). Borrower owes Lender the principal sum of

ONE HUNDRED FORTY THREE THOUSAND NINE HUNDRED AND 00/100

Dollars (U.S. \$\*\*\*\*\*143,900.00

). This debt is

evidenced by Borrower's note dated the same date as this Security Instrument ("Note"), which provides for monthly payments, with the full debt, if not paid earlier, due and payable on JANUARY 01, 2025

This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest, advanced under paragraph 7 to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in FAIRFAX COUNTY

, Virginia:

SEE ATTACHED LEGAL DESCRIPTION ATTACHED HERETO AND MADE A PART  
 HEREOF.

ATI Title Company  
 3190 Fairview Park Dr. #140  
 Falls Church, VA 22042

THIS IS A PURCHASE MONEY SECURITY INSTRUMENT.

TAX STATEMENTS SHOULD BE SENT TO: NORWEST MORTGAGE INC., P.O.  
 BOX 5137, DES MOINES, IA 503065137

which has the address of 2827 SUMMERFIELD ROAD, FALLS CHURCH

[Street, City].

Virginia 22042

[Zip Code]

("Property Address");

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

VIRGINIA-Single Family-Fannie Mae/Freddie Mac UNIFORM INSTRUMENT

Page 1 of 6

VMP-6R(IVA) 0101

VMP MORTGAGE FORMS - 0121293-8100 - (800)521-7291

Form 3047 9/90

Amended 5/91

InCode: VSM

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M. S.M.

N400219

**BORROWER COVENANTS** that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

**THIS SECURITY INSTRUMENT** combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

**UNIFORM COVENANTS.** Borrower and Lender covenant and agree as follows:

1. **Payment of Principal and Interest; Prepayment and Late Charges.** Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any prepayment and late charges due under the Note.

2. **Funds for Taxes and Insurance.** Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly payments are due under the Note, until the Note is paid in full, a sum ("Funds") for: (a) yearly taxes and assessments which may attain priority over this Security Instrument as a lien on the Property; (b) yearly leasehold payments or ground rents on the Property, if any; (c) yearly hazard or property insurance premiums; (d) yearly flood insurance premiums, if any; (e) yearly mortgage insurance premiums, if any; and (f) any sums payable by Borrower to Lender, in accordance with the provisions of paragraph 8, in lieu of the payment of mortgage insurance premiums. These items are called "Escrow Items." Lender may, at any time, collect and hold Funds in an amount not to exceed the maximum amount a lender for a federally related mortgage loan may require for Borrower's escrow account under the federal Real Estate Settlement Procedures Act of 1974 as amended from time to time, 12 U.S.C. Section 2601 *et seq.* ("RESPA"), unless another law that applies to the Funds sets a lesser amount. If so, Lender may, at any time, collect and hold Funds in an amount not to exceed the lesser amount. Lender may estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with applicable law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is such an institution) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items. Lender may not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. However, Lender may require Borrower to pay a one-time charge for an independent real estate tax reporting service used by Lender in connection with this loan, unless applicable law provides otherwise. Unless an agreement is made or applicable law requires interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender may agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds, showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for all sums secured by this Security Instrument.

If the Funds held by Lender exceed the amounts permitted to be held by applicable law, Lender shall account to Borrower for the excess Funds in accordance with the requirements of applicable law. If the amount of the Funds held by Lender at any time is not sufficient to pay the Escrow Items when due, Lender may so notify Borrower in writing, and, in such case Borrower shall pay to Lender the amount necessary to make up the deficiency. Borrower shall make up the deficiency in no more than twelve monthly payments, at Lender's sole discretion.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender. If, under paragraph 21, Lender shall acquire or sell the Property, Lender, prior to the acquisition or sale of the Property, shall apply any Funds held by Lender at the time of acquisition or sale as a credit against the sums secured by this Security Instrument.

3. **Application of Payments.** Unless applicable law provides otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied: first, to any prepayment charges due under the Note; second, to amounts payable under paragraph 2; third, to interest due; fourth, to principal due; and last, to any late charges due under the Note.

4. **Charges; Liens.** Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Borrower shall pay these obligations in the manner provided in paragraph 2, or if not paid in that manner, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within 10 days of the giving of notice.

Form 3047 9/90

60210P -6R(VA) (9/10/91)

Page 2 of 6

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5. Hazard or Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property in accordance with paragraph 7.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgage clause. Lender shall have the right to hold the policies and renewals. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. If Borrower abandons the Property, or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Security Instrument, whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of the payments. If under paragraph 21 the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

6. Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Security Instrument or Lender's security interest. Borrower may cure such a default and reinstate, as provided in paragraph 18, by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Security Instrument or Lender's security interest. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to, representations concerning Borrower's occupancy of the Property as a principal residence. If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

7. Protection of Lender's Rights in the Property. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Security Instrument, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 7, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 7 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

8. Mortgage Insurance. If Lender required mortgage insurance as a condition of making the loan secured by this Security Instrument, Borrower shall pay the premiums required to maintain the mortgage insurance in effect. If, for any reason, the mortgage insurance coverage required by Lender lapses or ceases to be in effect, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the mortgage insurance previously in effect, at a cost substantially equivalent to the cost to Borrower of the mortgage insurance previously in effect, from an alternate mortgage insurer approved by Lender. If substantially equivalent mortgage insurance coverage is not available, Borrower shall pay to Lender each month a sum equal to one-twelfth of the yearly mortgage insurance premium being paid by Borrower when the insurance coverage lapsed or ceased to be in effect. Lender will accept, use and retain these

Form 3047 9/80

LMS -6R(VA) (2103)

Page 3 of 8

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N400221

payments as a loss reserve in lieu of mortgage insurance. Loss reserve payments may no longer be required, at the option of Lender, if mortgage insurance coverage (in the amount and for the period that Lender requires) provided by an insurer approved by Lender again becomes available and is obtained. Borrower shall pay the premiums required to maintain mortgage insurance in effect, or to provide a loss reserve, until the requirement for mortgage insurance ends in accordance with any written agreement between Borrower and Lender or applicable law.

9. **Inspection.** Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

10. **Condemnation.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of such payments.

11. **Borrower Not Released; Forbearance By Lender Not a Waiver.** Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

12. **Successors and Assigns Bound; Joint and Several Liability; Co-signers.** The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 17. Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent.

13. **Loan Charges.** If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

14. **Notices.** Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

15. **Governing Law; Severability.** This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this

Form 3047 9/90

UMP-6R(IVA) (9108)

Page 4 of 8

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Security Instrument and the Note are declared to be severable.

16. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Security Instrument.

17. Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

18. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as Lender may reasonably require to assure that the lien of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraph 17.

19. Sale of Note; Change of Loan Servicer. The Note or a partial interest in the Note (together with this Security Instrument) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Note and this Security Instrument. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change in accordance with paragraph 14 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

20. Hazardous Substances. Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law.

As used in this paragraph 20, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 20, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

21. Acceleration; Remedies. Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under paragraph 17 unless applicable law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured on or before the date specified in the notice, Lender, at its option, may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 21, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender or Trustee shall give to Borrower (and the owner of the Property, if a different person) notice of sale in the manner prescribed by applicable law. Trustee shall give public notice of sale by advertising, in accordance with applicable law, once a week for two successive weeks in a newspaper having general circulation in the county or city in which any part of the Property is located, and by such additional or any different form of advertisement the Trustee deems advisable. Trustee may sell the Property on the eighth day after the first advertisement or any day thereafter, but not later than 30 days following the last advertisement. Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property by

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Page 6 of 6

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advertising in accordance with applicable law. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property with special warranty of title. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, Trustee's fees of \$ 5.00 % of the gross sale price and reasonable attorneys' fees; (b) to the discharge of all taxes, levies and assessments on the Property, if any, as provided by applicable law; (c) to all sums secured by this Security Instrument; and (d) any excess to the person or persons legally entitled to it. Trustee shall not be required to take possession of the Property prior to the sale thereof or to deliver possession of the Property to the purchaser at the sale.

22. Release. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to release this Security Instrument and shall surrender all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall release this Security Instrument without charge to Borrower. Borrower shall pay any recordation costs.

23. Substitute Trustee. Lender, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

24. Identification of Note. The Note is identified by a certificate on the Note executed by any Notary Public who certifies an acknowledgment hereto.

25. Riders to this Security Instrument. If one or more riders are executed by Borrower and recorded together with this Security Instrument, the covenants and agreements of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Security Instrument as if the rider(s) were a part of this Security Instrument.

(Check applicable box(es))

- ☐ Adjustable Rate Rider  
☐ Graduated Payment Rider  
☐ Balloon Rider  
☐ V.A. Rider

- ☐ Condominium Rider  
☐ Planned Unit Development Rider  
☐ Rate Improvement Rider  
☐ Other(s) [specify]

- ☐ 1-4 Family Rider  
☐ Biweekly Payment Rider  
☐ Second Home Rider

NOTICE: THE DEBT SECURED HEREBY IS SUBJECT TO CALL IN FULL OR THE TERMS THEREOF BEING MODIFIED IN THE EVENT OF SALE OR CONVEYANCE OF THE PROPERTY CONVEYED.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

Witnesses:

Mushil S. Al-Madanat (Seal)  
Mushil S. Al-Madanat -Borrower

Monther S. Madanat (Seal)  
Monther S. Madanat -Borrower

Nicolette Madanat (Seal)  
Nicolette Madanat -Borrower

STATE OF VIRGINIA, FAIRFAX  
County, ss: Fairfax

The foregoing instrument was acknowledged before me this 16<sup>th</sup> day of December 1994  
by Mushil S. Al-Madanat, Monther S. Madanat, Nicolette Madanat (date)  
(person acknowledging)

My Commission Expires: 12/31/98

[Signature]  
Notary Public

**Exhibit 7**

**ATI TITLE COMPANY**  
**TITLE CONDITION REPORT**

*DATE: November 8, 1994*

*Report No.: 94650120*

*Report fee: \$491.00*

*ATI TITLE COMPANY hereby represents unto NORWEST MORTGAGE, INC. (hereinafter referred to as "Lender") that a thorough search has been conducted of the real estate records of Fairfax County, Virginia, as the same affects the following-described real estate:*

**All of that certain piece, parcel, lot or tract of land situate, lying and being in Fairfax County, Virginia, and particularly known and described as all of Lot Numbered Three Hundred Sixty-Six (366), in the Subdivision known as MASON TERRACE, as the same is duly platted, dedicated and recorded in Liber U, No. 11, Page 599, of the land records of said County.**

**and  
All of that certain piece, parcel, lot or tract of land situate, lying and being in Fairfax County, Virginia, and particularly known and described as the northerly twelve and one-half feet (12 1/2') by the full depth thereof of Lot Numbered Three Hundred Sixty-Seven (367), in the Subdivision known as MASON TERRACE, as the same is duly platted, dedicated and recorded in Liber U, No. 11, Page 599, of the land records of said County.**

**AND BEING the same property acquired by EVELYN B. DUNCAN, TRUSTEE by virtue of Deed dated April 13, 1994 and recorded May 16, 1994 in Deed Book 9119 at Page 1041, among the land records of Fairfax County, Virginia.**

*On the basis of such search, the following information is provided:*

*A. Record titleholder(s):*

**EVELYN B. DUNCAN, TRUSTEE**

*B. Proposed borrower(s)/purchaser(s):*

**MONTHER MADANAT and NICOLETTE MADANAT 4/2  
and MUSAHIL S. AL-MADANAT, married.**

N400149



*C. Unsatisfied mortgages and other liens of record:*

Four judgments against C. H. DUNCAN (a prior owner) t/a Nationwide in favor of WEAVER BROS., INC. as follows:

- 1) Judgment No. 65986, dated March 28, 1980 and docketed April 15, 1980 in the amount of \$600.00, plus interest and costs.
- 2) Judgment No. 65987, dated February 29, 1980 and docketed April 15, 1980 in the amount of \$1,110.00, plus interest and costs.
- 3) Judgment No. 65988, dated February 29, 1980 and docketed April 15, 1980 in the amount of \$790.00, plus interest and costs.
- 4) Judgment No. 65989, dated February 29, 1980 and docketed April 15, 1980 in the amount of \$790.00, plus interest and costs.

*D. Unpaid taxes and assessments of record:*

Taxes subsequent to December 31, 1994. Taxes for the first half of the year 1995 are a lien, not yet due and payable.

*If the information contained in this Report is to be used in connection with a transaction involving financing secured by a first priority lien, the following procedure is suggested:*

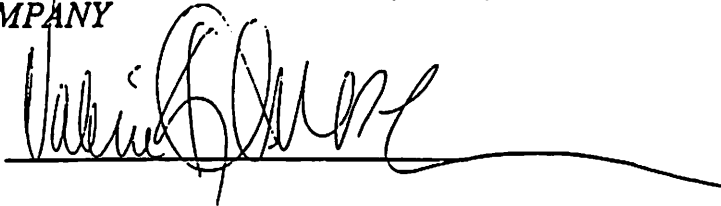
1. Obtain an updated search of the records, within 24 hours prior to closing, to ensure that no intervening matters appear of record.
2. If the loan is for purchase money, obtain a proper and recordable general warranty deed transferring title to the above-described real estate from the record titleholder(s) named in A., above, to the proposed borrower(s)/purchaser(s) named in B., above.
3. Obtain a proper and recordable loan document signed by the proposed borrower(s)/purchaser(s) named in B., above.
4. Provide for accurate payoff, from loan proceeds, of the items specified in C., above, and arrange for receipt and recording of documentation releasing those items.
5. Provide for payment to date of taxes and assessments specified in D., above.
6. File the warranty deed and your loan documents for record in the real estate records of Fairfax County, Virginia in a timely and expeditious fashion. **LENDER WILL BE AT RISK FOR ANY LOSS RESULTING FROM UNREASONABLE DELAY IN FILING.**

*In consideration of payment of the Report Fee, the undersigned Company represents to the Lender that the above information is accurate and*

*complete as of the date of the Report. This Report does not insure or commit to insure title or the validity, priority or enforceability of the Lender's lien, and is not intended to be relied upon as a legal opinion as to the lien status.*

**AMERICAN LAND TITLE CO., INC., a Nebraska Corporation, d/b/a/ ATI TITLE COMPANY**

BY:

A handwritten signature in dark ink, appearing to be "Vicki G. [unclear]", is written over a horizontal line. The signature is fluid and cursive.

[illegible][illegible]

1. *Chlorophyll *a** and *Chlorophyll *b** were determined by the method of Arar and Collins (1971).

## Exhibit 8

ATI TITLE COMPANY

NOTICE OF AVAILABILITY  
OF OWNER'S TITLE INSURANCE

DATE: 2/28/95

TO: \_\_\_\_\_

BUYING PROPERTY IDENTIFIED AS: 2229 Cofty Heights Place  
Reston, VA. 22091

A Final Title Condition Certificate to the property you are buying is being issued to your mortgage lender. This Certificate does not provide owners title insurance coverage to you.

You may obtain an Owner's policy of title insurance which provides title insurance coverage to you. The additional cost to you for an Owner's Policy of title insurance in the amount of \$ 99,000.00 is \$ 193.00, if you request it at this time. You may also require title insurance coverage for unrecorded mechanic's liens for work performed or materials furnished prior to settlement. This coverage may or may not be available. If available, an additional cost of \$ 99.00 will be charged to you. NOTE: The value of subsequent improvements to the property may not be covered by the title insurance policy.

If you are uncertain as to whether you should obtain an Owner's Policy of title insurance, you are urged to seek independent legal advice. If you are uncertain as to whether you should obtain an Owner's Policy of title insurance coverage with affirmative coverage for unfilled mechanic's liens, you are urged to seek independent legal advice.

\_\_\_\_ I/We DO request an Owner's Policy of title insurance.

\_\_\_\_ I/We DO request an Owner's Policy of title insurance WITH AFFIRMATIVE MECHANIC'S LIEN COVERAGE.

☒ I/We DO NOT request an Owner's Policy of title insurance.

Date: 2-28-95

Buyer [Signature]

Buyer \_\_\_\_\_

**Exhibit 9**



# Lawyers Title Insurance Corporation

NATIONAL HEADQUARTERS  
6630 WEST BROAD STREET (23230)  
POST OFFICE BOX 27567 (23261)  
RICHMOND, VIRGINIA  
AREA CODE 804 / 281-6700  
FAX 804 / 282-5453

August 22, 1994

The Honorable Steven T. Foster  
Commissioner of Insurance  
State Corporation Commission  
Bureau of Insurance  
1300 East Main Street, 6th Floor  
Richmond, Virginia 23219



Re: Title Option Plus

Dear Commissioner Foster:

Sunday's newspaper recently contained two articles of great interest to Virginia insurance consumers: the Commission's consumer-oriented regulation of credit life insurance, particularly captive subsidiaries that pay large commissions to parent lenders, and a new product alternative to traditional title insurance offered by ATI Title Co., a wholly-owned subsidiary of the nation's third largest mortgage lender, Norwest Mortgage. ATI is a "provider of title insurance" based in Omaha, Nebraska that offers title insurance in 13 states and the District of Columbia. See Question 22 in enclosed script suggestions and disclosure in Consumer Title Status Election forms.) The 13 states are Nebraska, Iowa, Minnesota, Indiana, Illinois, Maryland, Virginia, Arizona, New York, California, Pennsylvania, Ohio and Missouri. Norwest Mortgage is based in Des Moines, Iowa, the only state in the nation that does not recognize title insurance. The parent Norwest Corporation is based in Minneapolis, Minnesota. The product ATI proposes is called Title Option Plus or TOP. Recent news articles and presentation materials are enclosed for reference.

For about 90% of the premium charged for a regular title insurance loan policy, ATI is offering to "save" consumers the cost of traditional title insurance through TOP, a program under which the borrower pays ATI to obtain the lender Norwest's agreement to (a) accept ATI's certification of first lien status instead of indemnity title insurance; and (b) buy back the loan from the secondary market purchaser if a title problem defeating first lien status arises. One of the primary reasons ATI cites as enabling these cost savings is the elimination of the regulatory reporting requirements applicable to title insurance underwriters. See Question 8 in enclosed script suggestions.

State licensing and premium taxes, audit expenses and compliance with numerous state consumer protection requirements are other cost savings the ATI program would permit. We would appreciate receiving your view as the Virginia Commissioner of Insurance and as an experienced NAIC leader as to whether this program constitutes insurance for purposes of state regulation and taxation of the business of insurance.

As you know, Virginia consumers can now elect to purchase both an owners policy to protect their interests and a loan policy to satisfy lender requirements at the same time at competitive prices. Consumers who are refinancing receive further price discounts. These consumers receive all of the benefits and protections of traditional title insurance. These important benefits and protections include the defense obligation that pays for high legal costs in defending attacks on title and indemnity insurance protection against risks too numerous, complex and often unusual to catalogue, such as Indian land claims and ownership of tidelands.

So important are these benefits and protections that the Virginia General Assembly has enacted in Section 38.2-4616 a requirement that settlement agents give all residential real estate purchasers written notice about the availability of owner's coverage to protect their interest and equity in the property. Thousands of Virginia homeowners annually take advantage of this notice. Thousands more have benefitted from the claims and defense costs paid by Virginia title insurers. Lawyers Title is proud of its customer service record in handling claims and is taking steps to improve its ability to serve all customers faster and more efficiently in all areas through technological innovation. Indeed, you may recall previous correspondence in which we notified your office about the largest of several recent defalcations that have resulted in multimillion dollar payments benefitting many consumers in other states. See enclosed news articles.

The Norwest/ATI proposal undoubtedly will chill the election the General Assembly has required be given to Virginia consumers in Section 38.2-4616. Norwest/ATI must convince borrowers that TOP is all they need or they have no product. Norwest Mortgage's leverage as lender cannot be ignored. Nor can the confusion that Norwest/ATI's proposed disclosures to consumers will cause. That is particularly true in light of the fact that it is the settlement agent responsible for conducting the settlement and disbursing funds that must give the required notice about the availability of owner's coverage under Section 38.2-4616. A consumer may reach the settlement table before he understands that TOP is something he has purchased to protect only the lender's interest. Indeed, the consumer likely will understand only after a claim for which TOP provides no protection arises.

To illustrate what ATI proposes, consider a Virginia consumer purchasing real property worth \$150,000 with a \$15,000 down payment. That consumer can now buy owners title insurance that protects his interests and a loan policy to satisfy lender requirements at the same time and pay only a small additional simultaneous issue rate of \$50 for the loan policy. The cost of the owner's policy that protects the purchaser is \$567 and the simultaneous issue rate for the loan policy is only \$50--full coverage for \$617. The cost for a \$135,000 loan policy alone is \$401. Borrowers refinancing loans can obtain significant reissue rate discounts of 30% for borrowers refinancing within five years who would pay a reissue rate of \$280.70 for a \$135,000 loan policy and 20% for borrowers refinancing within 5 to 10 years, a reissue rate of \$320.80 for a \$135,000 loan policy.

For about \$361 (90% of the cost of a standard loan policy and more than the discounted reissue rates now available), ATI proposes to offer Title Option Plus or TOP, a product that to us looks very much like credit insurance in that it is designed to protect the lender's interest and increase profits. Indeed, the TOP product ATI proposes is a casualty type product that is not based on traditional title insurance underwriting which requires a thorough and complete search of the title and examination by skilled professionals. Rather, TOP is nothing more than a certification as to first lien status made by the lender's wholly owned subsidiary based on a truncated search ordinarily used to institute foreclosure actions. Like credit life, TOP says nothing more than that your first lien like your life is here today and may be gone tomorrow. Reduced to its essence, TOP is nothing more than a requirement that consumers pay the lender a large fee to forego the requirement of a loan policy for which the consumer receives nothing in return. Like credit life, the TOP product can greatly increase profits by eliminating from coverage most of the risks to which the purchasing consumer is exposed with only enough discount sufficient to induce a high stakes gamble. Indeed, TOP appears to be a way for Norwest to charge consumers for guaranteeing an obligation that Norwest Mortgage ordinarily assumes in dealing with the secondary market--buying back troubled loans if a problem arises--without the state taxes, licenses and consumer protection requirements that attend traditional title insurance.

ATI theorizes that its TOP product is not insurance because ATI's obligation is to cure title problems on behalf of Norwest Mortgage whose obligation to buy back the troubled loan is backed by an intercorporate guarantee by the parent Norwest. However, Virginia case law and cases from other states indicate that the TOP product could be considered insurance at least for some purposes because: (1) ATI is charging purchasers for the work the parent Norwest requires to provide this guarantee to the secondary market (the limited search which we understand costs ATI only about \$70); and (2) ATI's program represents to the



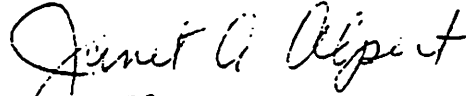
purchaser that "TOP indirectly protects (you) the borrower to the extent that: a) ATI will not issue TOP unless the title is clean, and b) if a title defect shows up after closing, ATI will usually have to cure on behalf of the Lender which would cure for the Buyer as well." See Question 23 in enclosed script suggestions.

Virginia Code Section 38.2-123 defines "title insurance" to include "insurance of the condition of the title to property and the status of any lien on property." The Supreme Court of Virginia has approved this definition: "An agreement by which one party for a consideration ... promises to make a certain payment of money upon the destruction or injury of something in which the other party has an interest." Cosmopolitan Life Insurance Association v. Koegel, 104 Va. 619, 52 S.E. 166, 168 (1905) (citation omitted). Applying this definition, TOP would seem to qualify because ATI agrees for a fee to provide a cure (e.g. paying off an encumbrance) when a covered title defect arises in title to property in which the purchaser has interest. In a more recent case in point, a California appellate court has held that a self-insurance device for which a consumer is charged as part of a fee may constitute insurance for state insurance law purposes. See Grand Rent A Car Corporation v. 20th Century Insurance Company, 31 Cal. Rptr. 2d 88 (1994) (copy enclosed). Indeed, like the self-insurance device at issue in Grand, the TOP program is an apparent attempt to shift the primary risk of loss to regulated insurers while taking the premiums they need to pay claims, thereby increasing the potential for rising insurance rates. ATI's own materials suggest that a refinancing borrower should look to his owner's title policy if one was obtained when the property was purchased. See Question 23 in enclosed script suggestions.

In sum, the ATI proposal would take the premium that could go to provide the owners' coverage and return it to ATI's parent Norwest through commissions and dividends. If this proposed product is not insurance, Lawyers Title would like to pursue it if it is possible to do so legally on an unregulated basis without complying with the state consumer protection, unfair trade practice, tax and licensing requirements that apply to title insurers, as well as Section 38.2-4614 and its federal counterpart, the Real Estate Settlement Procedures Act (RESPA). ATI's promotional materials include a "TOP hat contest" to induce referrals which could violate Section 38.2-4614 and Section 8 of RESPA depending on details we probably cannot obtain from ATI at this point.

The recent local news article indicates that ATI is already offering TOP in a number of states and that TOP is coming to Virginia soon. We are very interested in your reaction and would welcome an opportunity to meet with you and representatives of ATI at your earliest convenience. You can reach me at 804/281-6864.

Sincerely,



Janet A. Alpert  
President

enclosures

cc: Deputy Insurance Commissioner Mary Bannister  
The Honorable Nelson A. Diaz, General Counsel HUD  
Michael G. Fahey, President ATI  
The Honorable James S. Gilmore, III, Attorney General  
Frank McCormick, Regional Manager  
James R. Maher, ALTA  
Fred W. Palmore, III, Esquire  
Courtland L. Traver, Esquire

## Now there's an alternative to top-dollar title insurance

WASHINGTON

Home buyers and refinancers in dozens of cities around the country are about to be offered one of the most controversial new financial products in years: an alternative form of title protection that



**KENNETH R. HARNEY**

*The Nation's Housing*

purports to save consumers 10 percent to 30 percent or more on their title charges at settlement. Currently being offered in 15 states, primarily in the East and Midwest, the program will be available in California and other states in the next 30 to 60 days, according to Norwest Mortgage Inc., its corporate sponsor. The program is not currently offered in Richmond, Va., but should be soon. The name of the concept is Title Option Plus (TOP).

### What's the deal?

The controversy boils down to this: Is this new title alternative truly a money-saving substitute for traditional title insurance — often costing \$500 to \$600 — or is it a potential consumer nightmare, as some title insurance executives charge?

Here's some background that could help if you're plunging into the mortgage market this year.

Traditional title insurance comes in two forms: lender's insurance and owner's insurance. To obtain a mortgage from most lenders, applicants are required to buy lender's title insurance. As the name implies, the coverage of the policy extends solely to the mortgage company or bank making the loan. For a one-time premium, the lender's security interest in the house up to the amount of the loan is protected against undetected problems in the legal chain of title on the property.

### Supposed to be married

For example, say you're buying a house from what you believe to be a married couple — call them Fred and Andrea Harrington — and you apply for a loan.

A courthouse search of the legal title to the house turns up no recorded problems to the Harringtons' claim of ownership. But three years after you move in, Fred Harrington's real wife — call her Julie — arrives in town and produces evidence that Fred forged her signature on the deed of the sale to the house years ago. She still has a legally valid ownership interest in the house in which you live. She wants her house back.

Without insurance, your lender could suffer major loss and extensive legal fees in fighting and ultimately settling with Julie. The lender's policy you buy at settlement covers the bank against such eventualities. But what about you?

### Could cost you a lot

A successful title challenge literally could cost you your equity in the property — and the house itself. Although total wipeouts such as that are rare, the possibility causes many

home buyers to buy title insurance for themselves for the full value of the home. This "peace-of-mind" coverage extends for as long as you own the property and pledges the insurer to defend and compensate you for claims up to predefined limits.

Enter TOP. Norwest Mortgage, based in Des Moines, Iowa, is the third-largest originator of home loans in the country, with \$34 billion in volume last year. It owns a large title insurance subsidiary, ATI Title Co.

Under the TOP program, Norwest applicants are offered a choice of title coverage options: a traditional insurance policy or the TOP plan, costing at least 10 percent less than the lender's policy rate.

### To make certain

TOP works like this. The customary courthouse search is performed by ATI to make certain the lender has a legally enforceable first lien on the house — the right to stand first in line for payoff should the property be sold at foreclosure.

No insurance is provided, however, according to Norwest. Instead, risk of loss is assumed by Norwest's bank holding company parent, with net assets of \$11 billion.

Michael Fabey, president of ATI Title, says his firm is not worried about the assumption of risk because even in its regular title insurance business, losses run less than 1 percent of premium dollars each year. The TOP plan is not available on new homes, condominiums or jumbo mortgages, all traditionally considered more risky.

To attract business, Fabey says, the TOP program is priced at least 10 percent less than title insurance, depending upon the state. In high-cost places such as New York, a borrower refinancing might pay \$700 at settlement for a standard insurance policy but only \$270 for TOP, he said.

### Isn't settling to him

The title industry, for its part, believes TOP spells bad news.

James R. Maher, executive vice president of the American Land Title Association, calls TOP "a disservice to home buyers" because it attracts them with discount fees but provides no insurance coverage to individuals.

Maher also acknowledges that if other large lenders with title insurance subsidiaries roll out similar cut-rate programs — a distinct possibility — traditional insurers will lose a lot of business.

Is TOP for you? The answer depends partly on whether owner's title insurance is for you. If you have a big down payment of equity at risk in your house, owner's insurance will give you peace-of-mind coverage.

If you are refinancing and your property already is covered by your owner's title policy, cut-rate TOP may be worth a look. It also may be worth considering if you don't have much equity and you're willing to gamble that no one will bang on your door and challenge your title.

Readers of *The Nation's Housing* may write to Kenneth R. Harney at the Washington Post Writers' Group, 1150 15th St. N.W., Washington, D.C. 20071.

STREET ...B11  
MORTGAGES ...B13  
TITLES ...B14

# BUSINESS

MARKET  
TABLES B11-15

## Agency costs Lawyers Title

Lawyers Title Corp. has had to pay \$4.9 million to policyholders who did not receive escrow payments from one of its agencies. That total was equal to approximately one-sixth of the company's 1993 earnings.

The agency, Dearborn Title Corp., based in the Chicago suburb of Rolling Meadows, has been closed, said H. Randolph Farmer, a senior vice president at Richmond-based Lawyers Title.

He said Lawyers Title has filed suit against Dearborn to try to find out where the escrow money went and to try to recover it.

"We don't know what they did with the funds," Farmer added.

Farmer said an audit revealed a significant shortage of funds in the agency's escrow account. That meant some policyholders — mainly lenders — didn't receive the money they were due from home sales.

# Well-born lawyer plays precarious game — and loses

## Check-juggling spins out of control

By Cindy Wolff  
The Commercial Appeal

William Dunlap Cannon III once lived the high life.

The seemingly successful real estate attorney drove fancy cars, lived in a ritzy, 7,000-square-foot house in River Oaks and reported income from his law practice in excess of \$731,000 last year.

Behind the facade, however, 46-year-old Dee, as everyone calls him, used checks on overdrawn accounts and other people's money to support a lavish lifestyle for himself and his wife, Derenda.

According to real estate records, court documents and interviews with family friends, associates and investigators, Cannon skirted disaster for years. He was aided by timely financial help from his wealthy, esteemed father; patience from associates who held his family name in high regard; and support from his bank, which routinely cov-

ered overdrafts in his account. The end came quickly. A freak ice storm paralyzed Memphis in early February. It devastated trees, houses, neighborhoods. It knocked out power, closed schools, paralyzed com-

merce. It kept money from changing hands between home buyers and sellers. Without the cash from such real estate transactions that usually flowed through Cannon's escrow accounts at United American Bank, Cannon was unable to cover checks he had already written.

By then, his father, William D. Cannon Jr., had been dead for about two months and had disinherited his only son. Suddenly, Dee's bankers declined to cover his checks without the funds to make them good.

"It made it impossible because the account was overdrawn so much," Cannon explained un-

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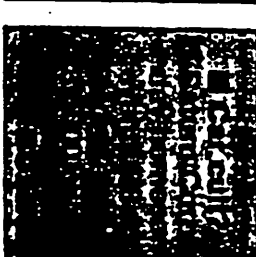
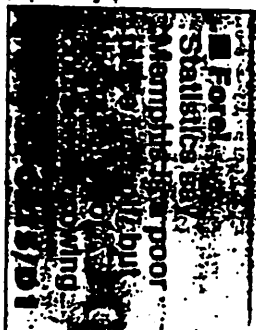
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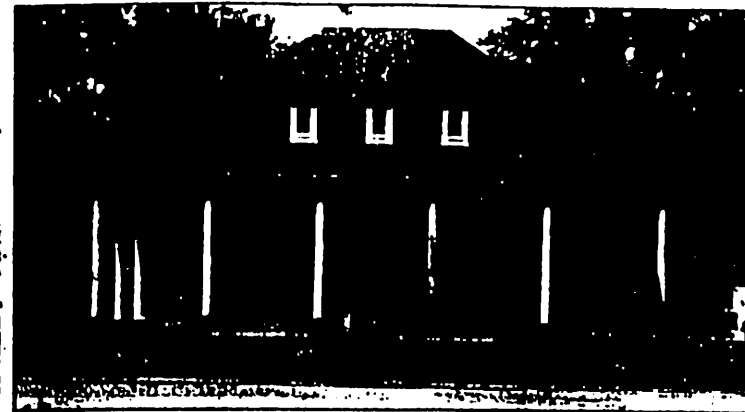
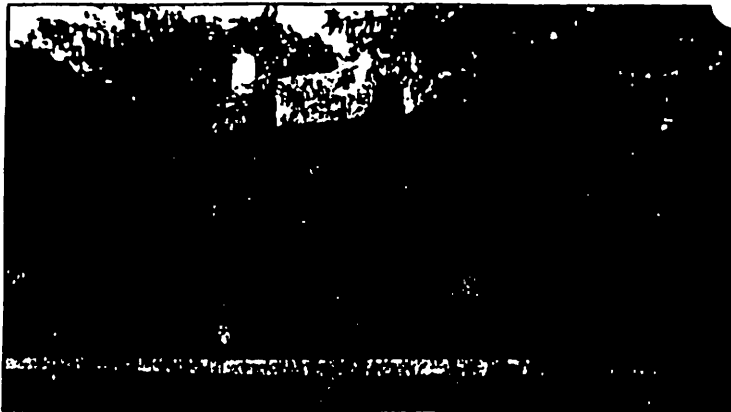
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# THE COMMERCIAL APPEAL



Dunlap Cannon and his wife, Derenda, lived in this five bedroom, 6½ bathroom house at 5996 Manor Cove until moving down the street to a smaller house at 379 Sweetbriar.



The 7,000-square-foot house at 379 Sweetbriar was purchased for \$850,000 from a trust of adult nightclub owner Steve Cooper. Cannon's bankruptcy trustee sold the house back to Cooper for \$880,000. The Cannons moved to 2335 Massey.

Photographs by Wayne Tilton

From Page A1

## Lawyer

der oath in a bankruptcy court proceeding. "There was no way for me to keep the balls in the air without having the next-day deposits."

Less than a week after the Feb. 11 ice storm, Cannon turned in his law license to the Tennessee Board of Professional Responsibility, closed his office doors and shut down a mortgage company he owned.

A week after that, he filed a personal bankruptcy petition to liquidate \$250,000 in assets to pay more than \$5 million he owed creditors.

Then his company, First Southern Mortgage Inc., followed his law practice into bankruptcy court.

Cannon is now the subject of a criminal investigation.

Through his bankruptcy attorney, David Blaylock, Cannon declined to be interviewed for this story. He declined to respond to a written request for an interview left at his residence. His sis-

ter's mortgage loan. The lawyer, or closing attorney, is responsible for dispersing the money as part of the settlement.

Typically, the money flows out to pay expenses of closing a sale, including the balance on the outstanding mortgage, as well as taxes, commissions and the seller's share.

The money is not the attorney's. He is simply the guardian of other people's funds and has agreed to disburse them to the proper people.

Cannon's father, W. Dunlap Cannon Jr., a prominent Memphis attorney, bailed Dee out several times by lending him money to cover his escrow overdrafts. Bankruptcy court records show that almost half a million dollars was given to Dee by his father. In his will, Dee's father left his estate to his wife and two daughters. Dee is not mentioned.

The senior Cannon even enlisted a longtime family friend, attorney Lewis Donelson, to try to persuade Dee to stop dipping into his escrow.

"What he did was a mystery to his father, to his mother and to me," Donelson said.



Since his bankruptcy, Cannon and his wife have lived at the 3,766-square-foot house at 2335 Massey. The house is owned by Terry and Patricia Thompson of Waltham, Mass., according to the Shelby County Assessor's Office.

## Cannon creditors

Here is a list of the 100 creditors who have filed claims against Cannon.

## Criminal charges possible

By Ted Evanoff  
The Commercial Appeal

Federal authorities are investigating possible criminal violations following Dee Cannon's financial meltdown.

Investigators are looking into Cannon's use of millions of dollars that flowed through his bank accounts and his connection with companies involved in the purchase, renovation and resale of government housing.

Cannon, a popular private real estate closing attorney, also served as one of two lawyers in Memphis who closed transactions for the U.S. Department of Housing and Urban Development (HUD) when the agency's foreclosed properties changed hands.

Despite a high volume of business that enabled him to gener-

The ice storm caused a lot of people to postpone their closings on houses, which severely reduced Cannon's cash flow. Unit.

story. He dr ed to respond to a written it for an interview left at residence. His sisters and mother also declined interview requests.

By all appearances, Cannon's 20-year-old law practice thrived. His wife, Derenda, the niece of William B. Tanner, who is the chairman of the holding company that owns United American Bank, drove a 1980 Mercedes. Cannon drove a 1986 Lincoln.

His wife's three children from her first marriage, whom Cannon adopted in 1985, fared well. One is in the U.S. Navy. A second worked in a real estate concern financed in part by his father. The third attends Southern Methodist University.

The Cannons lived in a 7,000-square-foot pink brick house in an affluent area of East Memphis at 379 Sweetbriar. Their \$750,000 home was filled with high-priced chandeliers, rugs, drapes and other furnishings.

But much of the money Cannon spent was not his own money, court records and other documents reveal. For more than 10 years, he dipped into and out of his escrow account for living expenses, business ventures and personal investments, including commodity trading, he acknowledged under oath.

In the 13 months before his bankruptcy, Cannon took a total of \$937,000 from his escrow account and deposited it in his account at J. C. Bradford, where he was trying to make a lot of money quickly by speculating on soybeans and other commodities.

During the last three years, Cannon said, he lost about \$500,000 to \$600,000.

His broker, Charlie Ross, with the Memphis office of J. C. Bradford, would not discuss Cannon's commodities investments, discretionary trading activity or heavy losses.

A lawyer's escrow account, sometimes called a trust account, is where an attorney deposits money collected at a real

"What he did was a mystery to his father, to his mother and to me," Donelson said.

"His father asked me to talk to him. He thought it would have some influence. He seemed to listen to me, but I don't think he did. The problem he had was so contrary to everything else about him."



Dunlap Cannon

Cannon's family was long established in the area. William Dunlap Cannon, Dee's grandfather, was a prominent and successful cotton broker in the Brownsville area during the early 1900s.

His son, W. Dunlap Cannon Jr., a widely respected attorney, graduated at the top of his Harvard Law School class.

Dee followed his father's footsteps into the legal profession. But many of his colleagues say he was sloppy in the way he handled his law practice. According to a handful of Memphis area real estate lawyers, checks were late, closings weren't completed on the scheduled day, loose ends were left untied.

Still, people describe the younger Cannon as a likable, nice person who has a warm personality.

"He is a heck of a nice young man, just as pleasant as he can be," said family friend Rex Esary, a retired Memphis businessman. "Dee is a nicer person than his daddy, but his daddy was a lot smarter. He was a brilliant lawyer. Dee isn't really a wiz."

Cannon invested in several business ventures. None was successful.

According to his testimony in bankruptcy proceedings, he withdrew at least \$200,000 to \$300,000 from his escrow account in 1990 to open a medical

## Cannon creditors

Here is a list of the top creditors who have filed claims against former Memphis lawyer William Dunlap Cannon. Cannon filed personal bankruptcy in late February and reported liabilities in excess of \$5 million and assets of only \$250,000.

Lawyers Title Insurance Co., Memphis	\$1.3 million
Memphis Title Co.	900,000
Shawmut Title Insurance Co., Memphis	400,000
William H. Griffin, Memphis	200,000
Don Roddy United American Bank, Memphis	157,000
United American Bank, Memphis	140,000
Wade-Henrichs, Memphis	120,000
Am South Mortgage Co., Birmingham, Ala.	107,077
Mary E. Cannon, Memphis	100,000
Chicago Title Insurance Co., Memphis	83,000
Colonial Mortgage Co., Memphis	82,600
Zouhair Jabase, Memphis	60,000
Steve Richmond, Memphis	53,500
Kathryn Ray McGregor, Lorton, Va.	53,000
William B. Tanner, Memphis	50,000
Paul Jones, Memphis	36,000
Bank of Mississippi, Olive Branch, Miss.	36,000
Boyle Investment Co., Memphis	25,000
Dee E. Cannon, Memphis	25,000

Source: Cannon bankruptcy petition

Staff graphic

Cannon claimed he lost \$100,000 more in a development called Cow Island Hunt Club Inc. He sold memberships for the island hunting camp just south of the bottoms in DeSoto County, Miss.

A year ago, he formed a company called National Homes Inc., to buy, renovate and resell at a profit houses foreclosed on by the U.S. Department of Housing and Urban Development. HUD provides federal mortgage insurance through the Federal Housing Administration.

Derenda Cannon's cousin Steve Golden operated the company, according to Cannon's bankruptcy testimony, and Cannon acknowledged that he took money out of his escrow account to purchase houses in the name of National Homes.

While he was involved with buying and selling HUD homes

Cannon's criminal attorney, Leslie Ballin, asked attorneys in bankruptcy court not to ask Cannon details about the HUD houses because it would cause Fifth Amendment problems.

"My appearance here certainly is, I assume, with the knowledge of everyone that there's an ongoing federal investigation headed by Vivian Donaldson at the U.S. Attorney's Office," Ballin said during Cannon's deposition with bankruptcy creditors.

A few years ago, Cannon's father retained attorney Richard Glassman, who specializes in representing lawyers. Glassman said Dee's father was concerned about some of his son's spending practices and some of his business decisions. He wanted Glassman to help Dee.

Eventually, Dee retained Glassman, and in the end it was he who advised Cannon to sur-

people to postpone their closings on houses, which severely reduced Cannon's cash flow. United American Bank had sent Cannon a letter that said it would no longer honor checks drawn on his account unless there were collected funds there to cover the check.

"The last straw was when checks started to bounce," Glassman said. "When a lawyer's checks start to bounce, there are serious problems. He might have been able to continue for a period of time, but I made a decision as soon as I saw the severity of the problem."

"At that point in time, I was trying to see that no one was harmed or damaged any further as a result of Dee's actions."

Glassman called title companies and made Cannon's records available to them so they could get their claims in order.

Several individuals have filed claims with the U.S. Bankruptcy Court, but most individual claims are covered by the title insurance companies, who are Cannon's largest creditors.

Dee was distraught, embarrassed, remorseful and sad, denied that this had happened, Glassman said. "Dee didn't want people to be hurt," he said. "He's made every effort to see that people who got bad checks got paid. He is terribly saddened by what he has done."

Cannon is in the process of working through the liquidation of his assets in bankruptcy court. The bankruptcy trustee sold Cannon's house for \$680,000 to its former owner, who turned around and sold it for \$750,000.

Cannon and his wife moved to a 3,766-square-foot house on Massey near Quince. County tax records show the owners of the house as Terry and Patricia Thompson in Waltham, Mass. They were not listed in the Massachusetts telephone directory.

"He's not a criminal," Glassman said. "He's done everything to correct the damage that he

hands. Despite a huge volume of business that enabled him to generate income of \$731,000 last year, Cannon surrendered his law license and filed bankruptcy.

In bankruptcy testimony, he acknowledged diverting money from his escrow accounts before bankers at United American Bank (UAB) stopped their longstanding practice of allowing him to cover cash shortages.

"It's sort of like an unsecured loan; although we never called it that or discussed it like that, that's really sort of what it turned out to be," Cannon told lawyers for his largest creditors of UAB's overdraft policy. "Sort of like a floating, unsecured loan, as it were."

George Stevenson, the court-appointed trustee in Cannon's bankruptcy case, has referred the case to the Federal Bureau of Investigation. Court documents indicate that representatives of the Internal Revenue Service and HUD also are investigating.

William B. Tanner, chairman of the bank holding company that owns United American Bank, has financial and family ties to Cannon. Tanner is the uncle of Cannon's wife, Derenda, and according to Cannon, he had loaned him money throughout the years.

Tanner, who went to prison for financial crimes in the mid-'80s after he pleaded guilty to federal charges of mail fraud and filing false tax returns, declined to be interviewed for this article. He conveyed a message through his secretary that he could not publicly discuss business between the bank and its clients.

United American Bank president John Koch also declined an interview. Koch said privacy laws forbid him to discuss the bank's business dealings with a particular client.

Cannon indicated that United American collected more than \$20,000 in overdraft fees last year on his accounts.

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A lawyer's escrow account, sometimes called a trust account, is where an attorney deposits money collected at a real estate closing.

Traditionally, money comes into the account from the down payment a homebuyer puts up and the proceeds from the buy-

steps into the legal profession. But many of his colleagues say he was sloppy in the way he handled his law practice. According to a handful of Memphis area real estate lawyers, checks were late, closings weren't completed on the scheduled day, loose ends were left untied.

Still, people describe the younger Cannon as a likable, nice person who has a warm personality.

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Cannon invested in several business ventures. None was successful.

According to his testimony in a bankruptcy proceeding, he withdrew at least \$200,000 to \$300,000 from his escrow account in 1990 to open a medical transcription company that typed physicians' notes and hospital records for permanent records. The company closed in two years.

Source: Cannon bankruptcy petition

Cannon claimed he lost \$100,000 more in a development called Cow Island Hunt Club Inc. He sold memberships for the island hunting camp just south of the bottoms in DeSoto County, Miss.

A year ago, he formed a company called National Homes Inc., to buy, renovate and resell at a profit houses foreclosed on by the U.S. Department of Housing and Urban Development. HUD provides federal mortgage insurance through the Federal Housing Administration.

Derenda Cannon's cousin Steve Golden operated the company, according to Cannon's bankruptcy testimony, and Cannon acknowledged that he took money out of his escrow account to purchase houses in the name of National Homes.

While he was involved with buying and selling HUD homes through different corporate names, he also was the closing attorney, representing the federal government in the sale of HUD homes.

Cannon's criminal attorney, Leslie Ballin, asked attorneys in bankruptcy court not to ask Cannon details about the HUD houses because it would cause Fifth Amendment problems.

"My appearance here certainly is, I assume, with the knowledge of everyone that there's an ongoing federal investigation headed by Vivian Donaldson at the U.S. Attorney's Office," Ballin said during Cannon's deposition with bankruptcy creditors.

A few years ago, Cannon's father retained attorney Richard Glassman, who specializes in representing lawyers. Glassman said Dec's father was concerned about some of his son's spending practices and some of his business decisions. He wanted Glassman to help Dec.

Eventually, Dec retained Glassman, and in the end it was he who advised Cannon to surrender his law license and stop the hemorrhaging of money. Glassman said a combination of things made him decide to tell Cannon to shut down.

claims are covered by the title insurance companies, who are Cannon's largest creditors.

Dec was distraught, embarrassed, remorseful and saddened that this had happened, Glassman said. "Dec didn't want people to be hurt," he said. "He's made every effort to see that people who got bad checks got paid. He is terribly saddened by what he has done."

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"He's not a criminal," Glassman said. "He's done everything to correct the damage that he has done. He was a lawyer, but he has lost that career for the rest of his life. The damage to Dec is far beyond what anyone can imagine."

and HUD also are investigating. William B. Tanner, chairman of the bank holding company that owns United American Bank, has financial and family ties to Cannon. Tanner is the uncle of Cannon's wife, Derenda, and according to Cannon, he had loaned him money throughout the years.

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"That seems very strange," said Robert Miallovich, associate director of bank supervision at the Federal Deposit Insurance Corp. in Washington. "I can't imagine why an escrow account would have that kind of overdraft activity."

Miallovich said that if FDIC examiners had discovered the frequent overdrafts, they at the least would have encouraged the bank to persuade the customer to stop the practice.

"By granting the overdrafts they are countenancing inappropriate behavior," he said.

Katy Edge, deputy commissioner of the Tennessee Department of Financial Institutions, said examiners from her agency usually focus on loans and do not pay much attention to escrow accounts.

In a ruling effective June 1, the Tennessee Supreme Court now requires all banks in the state to report each overdraft in a lawyer's escrow account.

The reports are to be made to the court's Board of Professional

## CANNON'S TESTIMONY

By The Commercial Appeal

The following are excerpts from sworn testimony given by William Dunlap Cannon III in his personal bankruptcy case.

The full transcript of his examination by lawyers for the court-appointed trustee in his case, George Stevenson, a handful of title insurance companies and several state and federal agencies taken April 15 is about 200 pages. It has been edited for brevity.

Q — Mr. Cannon, I take it from your earlier testimony today that it has been a fairly regular and common practice for you to be overdrawn in your escrow account?

billity?

A — Yes, it was.

Q — And what was the resolution of that complaint?

A — Dismissed.

Q — Can you tell me how you first began to get into the practice of having shortages in your escrow account?

A — It came about when, I believe it started when I didn't get the house deeded back to me and I borrowed money from my escrow account. That's when I started borrowing money from it.

Q — OK. And this would be in the mid-'80s?

A — The mid-'80s, the early '80s.

Q — Would this be at the time

ner?

A — For a while, yes.

Q — And then he sold you the property?

A — Back. I owned it, then he owned it, then I owned it.

Q — How did he come to own it?

A — He had a mortgage on it, and he foreclosed, saying I think he got a deed in lieu of foreclosure, is how he ended up with.

Q — Did you continue to live there and lease the property?

A — Yes.

Q — Now how long did you have your escrow account at UAB (United American Bank)?

A — Years.

Q — Did you ever come to have

A — Yes. Well, if they called me on Tuesday morning and said, "You're overdrawn this morning \$100,000," as long as I brought the \$100,000 in there, they would pay them.

Q — OK. And the \$100,000 that you brought in, could it be drawn on any account?

A — Pretty much.

Q — Could it be drawn on one of your other escrow accounts?

A — It could be.

Q — Did you ever make deposits from one escrow account to another: from one escrow account to the UAB account to cover overdrafts at UAB?

A — Yes.

Q — OK. And just tell me, as best you recall, the substance of the conversation.

A — He said, "Dec, you know we've had a continuing problem with you being overdrawn, and we always let you cover it, but now we're getting nervous and we need to have collected funds in here before we pay checks."

Q — Did he indicate what had changed to cause, to make them to feel nervous?

A — I guess, the fact that I was continually overdrawn.

Q — Now that was a departure from the prior practice, was it not?

A — A huge departure.



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The reports are to be made to the court's Board of Professional Responsibility, a panel in Nashville that monitors lawyers. The rule followed a board-commissioned study that found 30 lawyers in Tennessee (not including Cannon) misappropriated \$8.5 million in recent years.

In the months before his bankruptcy, some homeowners whose closings involved Cannon received delinquent payment notices from the mortgage lenders. That happened when Cannon failed to fulfill immediately his responsibility of paying off the old mortgage with the new check from the buyer.

In most cases, title insurance companies protected individuals from losses.

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Q — Mr. Cannon, I take it from your earlier testimony today that it has been a fairly regular and common practice for you to be overdrawn in your escrow account?

A — That's correct.

Q — Prior to this year, had there ever been any disciplinary complaints made against you by any clients concerning your management of your escrow?

A — Yes.

Q — OK. Can you tell me when those would have taken place?

A — Well, there was one, primarily, about a year and a half ago, I would say, where a loan didn't get paid off and a stop payment was put on a check and the loan was ultimately paid off.

Q — And was a disciplinary complaint filed in Nashville with the board of Professional Responsibility?

Milly?

A — Yes, it was.

Q — And what was the resolution of that complaint?

A — Dismissed.

Q — Can you tell me how you first began to get into the practice of having shortages in your escrow account?

A — It came about when, I believe it started when I didn't get the house deeded back to me and I borrowed money from my escrow account. That's when I started borrowing money from it.

Q — OK. And this would be in the mid-'80s?

A — The mid-'80s, the early '90s.

Q — Would this be at the time that Mr. (William B.) Tanner had acquired title to the Manor Cove house?

A — That's correct.

Q — Under what circumstances would you use money in the escrow account for purposes other than its intended purpose?

A — Part of the purpose was, I was paying money to Tanner to live in the house.

Q — So you just used money in the escrow account for living expenses?

A — Yes.

Q — So you lived in the Manor Cove house at a point in time where it was owned by Mr. Tan-

ner?

A — For a while, yes.

Q — And then he sold you the property?

A — Back. I owned it, then he owned it, then I owned it.

Q — How did he come to own it?

A — He had a mortgage on it, and he foreclosed, saying I think he got a deed in lieu of foreclosure, is how he ended up with it.

Q — Did you continue to live there and lease the property?

A — Yes.

Q — Now how long did you have your escrow account at UAB (United American Bank)?

A — Years.

Q — Did you ever come to have any understanding with that bank concerning the honoring of overdrafts on your escrow account?

A — Yes, I did have an understanding with the bank.

Q — Can you describe for us what that understanding was?

A — The understanding was that if my account was overdrawn, I could cover the checks the next day. If I called the bank in the morning and they said, "You're overdrawn \$100,000," they would pay the checks as long as I covered them.

Q — With the next day's deposits?

A — Yes. Well, if they called me on Tuesday morning and said, "You're overdrawn this morning \$100,000," as long as I brought the \$100,000 in there, they would pay them.

Q — OK. And the \$100,000 that you brought in, could it be drawn on any account?

A — Pretty much.

Q — Could it be drawn on one of your other escrow accounts?

A — It could be.

Q — Did you ever make deposits from one escrow account to another: from one escrow account to the UAB account to cover overdrafts at UAB?

A — Yes.

Q — OK. And did you ever have situations where those new deposits were returned for insufficient funds?

A — At the tail end, I did. The last month or two, I did.

Q — OK. With respect to covering overdrafts, would UAB give you immediate credit for new deposits?

A — Yes.

Q — OK. Did there ever come a time where that changed?

A — Right. At the very, very tail end, in early February they indicated they were going to quit.

Q — Did (your loan officer at UAB) request the meeting?

A — Yes.

Q — OK. And just tell me, as best you recall, the substance of the conversation.

A — He said, "Dee, you know we've had a continuing problem with you being overdrawn, and we always let you cover it, but now we're getting nervous and we need to have collected funds in here before we pay checks."

Q — Did he indicate what had changed to cause, to make them to feel nervous?

A — I guess, the fact that I was continually overdrawn.

Q — Now that was a departure from the prior practice, was it not?

A — A huge departure.

Q — What impact, if any, did that departure have on your ability to manage your cash escrow?

A — It made it impossible.

Q — Over the last three years, can you give me an estimate of how much money you have lost in the commodities market?

A — I would say at least \$500,000 or \$600,000.

Q — Can you tell me why in the face of the various losses that you were incurring trading commodities that you continued on with commodity trading?

A — I thought it was one of the only way I could make enough money to try to work out of my situation.

# Policies ensure controversy

Consumers criticize, sellers defend big commissions on credit insurance

BY DAVID RESS

TIMES-DISPATCH STAFF WRITER

It usually takes only a minute or two to pitch credit insurance, but some Virginia lenders pay themselves a commission of 50 percent or more every time they sell a policy.

And even if a finance company, retailer or car dealer doesn't own an insurance company, it still can earn a hefty commission by selling credit insurance when arranging a loan or an installment sales contract.

Consumers pay for the insurance, which repays loans or makes installment payments if they die or become ill. It saves borrowers and creditors the hassle of repossession or a lawsuit if loan payments are not made for those reasons.

But consumer groups say the size of the commissions has pushed the cost of credit insurance up to unfairly high levels.

"The seller persuades you to buy insurance to protect him, and then makes the commission, gets the protection and even interest on it," said Jean Ann Fox, president of the Virginia Citizens Consumer Council. "This is just additional profit to the dealer."

For their part, credit insurers complain that a rate cut ordered by the State Corporation Commission to take effect Jan. 1 would badly squeeze already narrow margins.

They're pushing for changes in the state law that regulates their rates. "There's a misconception that credit life insurance is a bonanza for the companies," said Richard Bowman, chief financial officer for First Virginia Banks Inc., which owns an in-house credit insurance subsidiary.

"If we're already making a low return, what's going to happen if rates are cut?" he asked.

### Earned 2 percent on investment

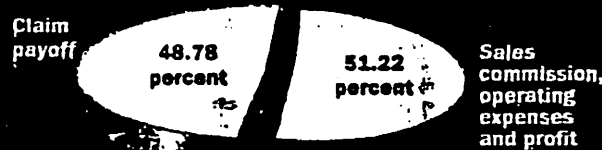
Bowman said First Virginia's credit insurance business, which sells policies through First Virginia bank branches to cover loans they make, has earned only 2 percent on the holding company's investment in recent years. Most of the covered First Virginia loans, according to testimony before the State Corporation Commission, are secured by second mortgages on the borrowers' homes or by liens on cars, boats or other personal property.

According to First Virginia Life's latest annual statement filed with the Bureau of Insurance, the company made a profit of only \$135,486 last year, a return of 2.8 percent on its parent company's investment.

But that was after it paid banks in the First Virginia system a total of \$1.97 million in commissions for selling its insurance. Just more than 40 cents of every premium dollar the

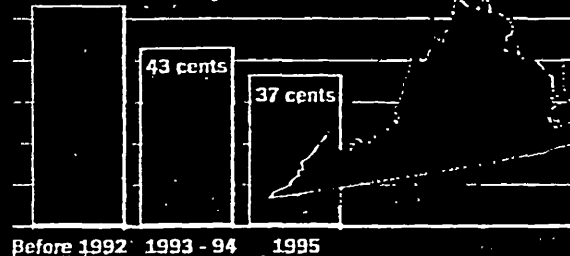
### Premium dollars

Compared with other types of insurance, a relatively small part of credit insurance premiums goes to pay claims — which consumer groups say is a sign the insurance costs too much. Here's the Virginia average:



Credit life insurance premiums for a four-year, \$10,000 loan have been cut sharply as a result of Virginia's regulatory crackdown.

52 cents / \$100 / year



### Other rates in region

	Washington, D.C.	43 cents
	Maryland	51 cents
	West Virginia	62 cents
	North Carolina	65 cents
	Tennessee	66 cents

JOHN T. ALDRICH/TIMES-DISPATCH

insurance company collected was paid to the banks in commissions.

That's a fairly standard commission on credit insurance. In fact, Bowman said, it's on the low end of the average range in Virginia.

Commissions around 40 percent to 50 percent of premiums are typical for credit insurance, usually sold in a matter of minutes by car dealers, appliance stores, banks and consumer finance companies when a consumer closes on a loan or installment purchase plan.

Those commission rates apply whether or not the insurer is affiliated with the lender or dealer.

Merit Life Insurance, the credit insurance arm of American General Financial Co., pays 56.7 cents of every premium dollar it collects in Virginia as sales commissions, according to financial statements filed with the State Corporation Commission's Bureau of Insurance. State law requires credit insurance companies to file the statements with the bureau, which regulates the insurance.

Ford Life Insurance Co. pays 49.75 cents of each premium dollar it collects in Virginia to the Ford car and truck dealers who sell its policies.

"It's part of the profit of selling vehicles," said Jerry L. Heimlicher,

president of Ford Life Insurance Co.

Commonwealth Dealers Life Insurance Co., a Fairfax-based firm owned by car dealers in five states, pays its dealer-owners in Virginia more than three times as much in commissions as it pays in claims.

But the other big in-house credit insurer in Virginia, the credit union-owned CUNA Mutual Insurance Group, does not pay commissions. It passes that saving on by cutting its rates — 125 credit unions in Virginia don't charge customers anything for credit insurance; the rest charge CUNA's standard rate, about 10.5 percent less than the rate other credit insurers will charge when the SCC's rate cut takes effect next year.

### Survey showed illegal rates

The cut is part of a regulatory crackdown launched by state Insurance Commissioner Steven T. Foster after a 1991 survey showed several of the biggest credit insurers were charging illegally high rates. Some were paying as little as 15 cents in claims for every premium dollar they collected.

Although there are plenty of companies selling credit insurance, they don't compete for business by trying to cut the rates they charge.

Instead, they compete with one another to sign up retailers, car dealers and finance companies as agents. To do that, they have to pay big commissions — in fact, the competition tends to drive up commissions, which in turn forces premium rates to rise, Foster said.

Commissions are high even at the in-house insurers — the companies that are affiliates of a lender.

The in-house insurers and their parent companies don't believe those commissions are inappropriate.

"We'd get the 40 percent anyway if we used another insurance company," said First Virginia's Bowman.

But the claims First Virginia incurred in Virginia last year accounted for just more than 48 cents of every premium dollar it collected, according to Times-Dispatch calculations from reports filed with the Bureau of Insurance. The company's payout ratio was 54 cents on the premium dollar for credit life insurance and 37.7 cents on the dollar for credit accident and health policies.

The payout ratio was even lower at the other credit insurer based in Virginia.

Commonwealth Dealers Life paid or committed to pay claims equal to just less than 30 cents of every premium dollar it collected in Virginia last year. Its payout ratio for credit life was only 14.6 cents on the premium dollar, while the ratio for credit accident and health was 42.65 cents

PLEASE SEE CREDIT, PAGE E3 ►



cream, results

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my thighs look the part is still dimpled

CREAM, PAGE E3 ►

# Consumers criticize, sellers defend commissions on credit insurance

## ▼ CREDIT FROM PAGE E1

on the dollar.

Bureau of Insurance figures show the company paid \$1.36 million in commissions last year, while incurring \$428,641 in claims.

"I write claim checks every day," said company President J. Bruce Furr. "I think we offer a good product."

Without the commissions, Furr said, dealers wouldn't bother selling credit insurance. But compared with extended warranties, rustproofing or other extras, insurance is not the most profitable item automobile dealers sell.

"It's a profit center for dealers," Furr said. "If they don't sell credit insurance, they will find other ways of making the money."

Many dealers aim at providing financing themselves for 33 percent to 40 percent of the cars they sell, and they try to sell credit insurance for half of those financing agreements, Furr said.

A dealer who sells 100 cars a month might sell 15 to 25 credit life policies and 10 to 15 credit accident and health policies, which would produce up to \$10,000 in commissions, Furr said.

When rates are cut but claims payments stay constant, there are only two ways for an insurer to make up the difference, Furr said. One is to cut expenses; the other is to cut commissions.

Furr believes lower rates will lead

credit insurers to cut commissions by as much as one-third or more. He believes many car dealers simply won't believe it's worth their time to sell the insurance.

Walter D. Runkle, government affairs vice president for the Chicago-based Consumer Credit Insurance Association, also believes commissions will be cut when the new rates take effect next year.

Even before the SCC ordered the rate cut, Runkle's trade association had asked Del. George H. Heilig Jr., D-Norfolk, to hold hearings on new ways of regulating rates.

The SCC now pegs rates low enough to make sure that credit insurers pay in claims an average of 50 cents of every premium dollar they collect; the rate cuts that will take effect Jan. 1 are intended to increase that payout ratio to 60 cents.

Runkle says that ignores too many costs — the biggest of which is the money insurers pay in sales commissions.

"We think the [SCC] should have more flexibility," he said, adding that insurers will ask the General Assembly next year for a new regulatory system that will take into account all costs, including commissions.

Some states, including Maryland, cap commission rates. Maryland limits commissions to 32 percent of premiums.

But the kind of regulation the insurers propose is much more complicated to administer than the benefit payout ratio standard Virginia now

uses. That 60 cents-of-the-premium-dollar standard is a keystone of the National Association of Insurance Commissioners' model legislation on credit insurance.

And, consumer advocates say, any other approach to regulating credit insurance puts regulators in the middle of the commercial relationship between insurance companies and the retailers or other companies that sell policies.

It's far from clear, they say, that the result will be fairer rates for consumers.

Runkle, though, says the current system isn't fair to insurers. And cutting commissions won't solve insurers' cost squeeze alone, he added.

He said insurers will have to turn to the other big chunk of their costs: the claims they pay. To cut those costs, they probably will have to tighten their underwriting standards for credit insurance.

At the moment, not many people are ruled out for the insurance because of their health, but Runkle said he expects some insurers will tighten their medical underwriting of policies.

Insurers say that will deprive some consumers of coverage that could be a benefit.

Critics say that's a limited benefit.

"If we're saying that a 65-year-old who's got 12 months to live won't get credit insurance to pay off his loan, well, I have no problem with that," said Insurance Commissioner Foster.

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1203.2, subdivision (a). The policy behind subdivision (e) was to give courts an alternative to imprisoning probationers after expiration of their probationary terms when their revocation did not warrant it. The policy behind subdivision (a) was to avoid imprisoning probationers who were unable to pay restitution due to circumstances beyond their control.

Our interpretation of subdivisions (a) and (e) of section 1203.2 does not affect the treatment of probationers who are able to pay and willfully do not. If these circumstances appear at the formal revocation hearing, the court is authorized to revoke probation and either order imprisonment or to set aside the revocation and reinstate probation for a new term exceeding the original maximum. Nor does our interpretation of section 1203.2, subdivision (a), preclude summary revocation of probation when a probationer has not fully paid restitution. Summary revocation remains available to preserve the court's jurisdiction when the probation term is about to expire. (Cf. *People v. Journey* (1976) 58 Cal.App.3d 44, 27, 129 Cal.Rptr. 478.) Indeed, the Legislature has acknowledged summary revocation in the following amendment to section 1203.2, subdivision (a). "Such revocation, summary or otherwise, shall serve to toll the running of the probationary period." (Stats.1977, ch. 358, § 1, p. 1330.) The provision precluding revocation for inability to pay was added immediately preceding this provision.

[5] In summary, section 1203.2, subdivision (e), is the only statutory authority for extending probation beyond the initial maximum term. Probation cannot be imposed "again" under that subdivision unless probation is revoked based on a violation of probation and the revocation has been set aside. Since the trial court found that defendant did not violate probation and was unable to pay full restitution, there was no formal revocation and section 1203.2, subdivision (e), did not authorize extending probation beyond the initial maximum five-year term.

7. In light of this conclusion, we need not address

### Disposition

The order reinstating probation is reversed. The trial court is directed to discharge defendant from probation.

ELIA and BAMATTRE-MANOUKIAN, JJ., concur.



GRAND RENT A CAR CORPORATION,  
Plaintiff and Appellant,

v.

20TH CENTURY INSURANCE  
COMPANY, Defendant  
and Respondent.

GRAND RENT A CAR CORPORATION,  
Plaintiff and Respondent,

v.

STATE FARM MUTUAL AUTOMOBILE  
INSURANCE COMPANY, Defendant  
and Appellant.

GRAND RENT A CAR CORPORATION,  
Plaintiff and Appellant,

v.

INTERINSURANCE EXCHANGE OF THE  
AUTOMOBILE CLUB, Defendant  
and Respondent.

No. B073108, B073396 and B073487.

Court of Appeal, Second District,  
Division 5.

June 14, 1994.

Action was brought concerning priority of coverage disputes between self-insured car rental agency and automobile liability insurers of renters of agency's automobiles. The Superior Court, Los Angeles County, No. B073487 and B073108, Charles Carter Lee, J., granted insurers' motions for summary

defendant's equal protection argument.

GRAND RENT

judgment, and agency appeal. Superior Court, Ventura County. Barbara A. Lane, J., enters favor of agency, and insurer Court of Appeal, Grignon, J., car rental agreement together certificate of self-insurance "policy" of automobile liability (2) agency's "policy" provided age for injuries arising out of rented vehicle.

Affirmed in part; reverse

### 1. Insurance ⇐2

Car rental agreement which provision indemnifying renter to third persons, up to specified amount from accident which occurs while vehicle is in use constitutes insurance. This is so even where liability in rental agreement is effectuated by of self-insurance.

### 2. Insurance ⇐2, 514.21(1)

Car rental agreement, which contract of insurance, and certificate of insurance, which was means of effectuating the contract of insurance, operated to constitute a "policy" of automobile insurance within meaning of Insurance Code section providing that, where two policies affording liability insurance cover the same vehicle in an occurrence in which liability loss arises, it shall be presumed that insurance afforded by that policy in which the vehicle is described as an owned automobile shall be primary over insurance afforded by any other policy to be excess. West's Ann.Cal. Ins. Code § 11580.9(d).

See publication Words and Phrases for other judicial constructions and definitions.

### 3. Insurance ⇐514.21(1)

Statutory presumption that insurance afforded by automobile liability policy in which the vehicle is described as an owned automobile shall be primary and insurance afforded by any other policy shall be excess rests on that primary policy "particularize" the vehicle. West's Ann.Cal. Ins. Code § 11580.9(d).

Cite as 31 Cal.Rptr.2d 88 (Cal.App. 2 Dist. 1994)

Judgment, and agency appealed. The Superior Court, Ventura County, No. B073396, Barbara A. Lane, J., entered judgment in favor of agency, and insurer appealed. The Court of Appeal, Grignon, J., held that: (1) car rental agreement together with agency's certificate of self-insurance constituted a "policy" of automobile liability insurance, and (2) agency's "policy" provided primary coverage for injuries arising out of operation of rented vehicle.

Affirmed in part; reversed in part.

#### 1. Insurance ⇐2

Car rental agreement which contains provision indemnifying renter from liability to third persons, up to specified limit, resulting from accident which occurs while rented vehicle is in use constitutes insurance and this is so even where liability insurance/car rental agreement is effectuated by certificate of self-insurance.

#### 2. Insurance ⇐2, 514.21(1)

Car rental agreement, which was a contract of insurance, and certificate of self-insurance, which was means of effectuating the contract of insurance, operated together to constitute a "policy" of automobile liability insurance within meaning of Insurance Code section providing that, where two or more policies affording liability insurance apply to the same vehicle in an occurrence out of which liability loss arises, it shall be conclusively presumed that insurance afforded by that policy in which the vehicle is described as an owned automobile shall be primary and insurance afforded by any other policy shall be excess. West's Ann.Cal.Ins.Code § 11580.9(d).

See publication Words and Phrases for other judicial constructions and definitions.

#### Insurance ⇐514.21(1)

Statutory presumption that insurance afforded by automobile liability policy in which the vehicle is described as an owned automobile shall be primary and insurance afforded by any other policy shall be excess requires that primary policy "particularize" the vehicle. West's Ann.Cal.Ins.Code § 11580.9(d).

#### 4. Insurance ⇐514.21(1)

Where car rental agency's policies of automobile liability insurance, which included car rental agreements as well as the certificate of self-insurance, described the rented cars as owned vehicles, agency's policies were the primary policies and policies of automobile liability insurers of renters of agency's vehicles were excess policies pursuant to Insurance Code section providing that, where two or more policies afford liability insurance, it shall be conclusively presumed that insurance afforded by that policy in which the vehicle is described as an owned automobile shall be primary and insurance afforded by any other policy shall be excess. West's Ann.Cal.Ins.Code § 11580.9(d).

#### 5. Statutes ⇐217.3

Legislative intent may be ascertained from legislative committee reports.

Latham & Watkins, G. Andrew Lundberg, Myra J. Pasek, Ure & Peterson, and Steven J. Roberts, for plaintiff and appellant in Nos. B073487 and B073108, and plaintiff and respondent in No. B073396.

Ford, Walker, Haggerty & Behar, Donna Rogers Kirby, Maxine J. Lebowitz, Gilbert, Kelly, Crowley & Jennett, Clifford H. Woosley and Peter J. Godfrey, for defendant and respondent in No. B073487.

Spray, Gould & Bowers, Robert D. Brugge, Melinda J. McGee, Horvitz & Levy, Christina J. Imre and Julie L. Woods as amici curiae on behalf of defendant and respondent in No. B073487.

Demler, Armstrong & Rowland, Thomas J. Moses, Horvitz & Levy, Christina J. Imre and Julie L. Woods, for defendant and respondent in No. B073108.

Spray, Gould & Bowers, Robert D. Brugge and Melinda J. McGee as amici curiae on behalf of defendant and respondent in No. B073108.

Spray, Gould & Bowers, Robert D. Brugge, Richard C. Turner and Melinda J. McGee, for defendant and appellant in No. B073396.

Ford, Walker, Haggerty & Behar, Donna Rogers Kirby, Maxine J. Lebowitz, Horvitz & Levy, Christina J. Imra and Julie L. Woods as amici curiae on behalf of defendant and appellant in No. B073396.

GEIGNON, Associate Justice.

These cases involve priority of coverage disputes between Grand Rent A Car Corporation, a self-insured car rental agency, and automobile liability insurers of renters of Grand's automobiles. The question presented is whether the car rental agreements together with Grand's certificate of self-insurance constitute policies of automobile liability insurance providing primary coverage to renters of Grand automobiles pursuant to Insurance Code section 11580.9. We answer this question in the affirmative.<sup>1</sup>

### FACTS

Grand is in the business of renting cars to the public on a short-term basis. The cars are rented to the public pursuant to a written rental agreement. This rental agreement provides in pertinent part as follows. "Liability Insurance. Anyone driving the car as permitted by this Agreement will be protected against liability for causing bodily injury or death to others or damaging the property of someone other than the driver and/or the renter up to the limits stated in box 21 on the other side of this Agreement, but in no event less than the (minimum) financial responsibility limits required by applicable law. Such coverage will be provided by [Grand] accord-

1. This decision concerns three unrelated superior court actions involving the same issue (L.A.S.C. Nos. SC000833 and C0749968 and V.S.C. No. 112155). Plaintiff in all three cases is Grand Rent A Car Corporation, doing business as Avis Rent-A-Car System, Inc. Defendants are insurance companies: in B073487, Interinsurance Exchange of the Automobile Club of Southern California; in B073108, 20th Century Insurance Company; and in B073396, State Farm Mutual Automobile Insurance Company. Grand filed declaratory relief actions against each insurer. In B073487 and B073108, Grand appeals from judgments entered after insurers' motions for summary judgment were granted. In B073396, insurer appeals from a judgment in favor of Grand following a court trial. We have ordered the cases to be heard concurrently.

2. This language is taken from the car rental agreement in B073487. The agreements in

ing to the terms and subject to all of the conditions of a standard automobile liability policy, including all requirements as to notice and cooperation on [renter's] part, which are hereby made a part of this Agreement.... [Grand] can provide coverage under a certificate of self-insurance or an insurance policy, or both as [Grand chooses]. In any case, a copy of the policy and/or Certificate, will be available for [renter's] inspection at [Grand's] main office."<sup>2</sup>

Grand elected to provide coverage under a certificate of self-insurance, which states as follows. "This is to certify that The First Gray Line Corporation/Grand Rent A Car Corporation 9841 Airport Blvd. #200, Los Angeles, CA 90045 has been approved as a Self-Insurer under the Compulsory Financial Responsibility Law and assigned S.I. No. 99 by the Director of Motor Vehicles. This Certificate exempts [Grand] from the reporting provisions of the law as provided under Section 16002 of the California Vehicle Code. However, if [Grand] or [its] employees receive a request for a report from this office, return it and furnish the Self-Insurer number assigned."

Grand rented specific cars, of which it was the registered owner, to individual renters.<sup>3</sup> While operating the rented cars, renters were involved in traffic collisions with third parties, who suffered personal injuries as a result of the traffic collisions. These third parties made claims against Grand.<sup>4</sup>

A portion of the car rental fee was allocated by Grand to the liability insurance de-

B073396 and B073108 are substantially similar, but not identical. The limit of liability was not the same in the three cases. In B073487, Grand elected to limit its liability insurance obligation to the minimum financial responsibility limits: in B073396, liability was limited to \$100,000/300,000/25,000; and in B073108, liability was apparently limited to \$25,000/50,000/25,000.

3. In B073487, Grand rented a 1989 Chevrolet Corsica to Nancy Day Gallun on August 13, 1989; in B073108, Grand rented a vehicle to Thomas Cost on February 7, 1987; in B073396, Grand rented a 1986 Cadillac Seville to Kenneth K. Hobson on September 24, 1986.

4. In B073487, on August 13, 1989, the Corsica driven by Gallun collided with a 1984 Ford Escort driven by John White, which collided with an Oldsmobile Sierra driven by Arnold William Soskins, resulting in personal injuries to White

### GRAND RENT

scribed in the agreement. Grand claim investigators, set aside third party claims and retained settle and defend against third

At the time of the traffic collision were insured by their own individual liability insurance policies. Insurers' automobile liability policies provided insurance coverage listed on the declaration page of In addition, the policies provided for "additional insured vehicles," defined as automobiles not owned able for regular use to renters. rented by renters of Grand were insured vehicles" within the insurers' policies. Insurers' policies "other insurance clauses" with "additional insured vehicles." Th provided that if other insurance able with respect to an addition vehicle, the other insurance would primary liability coverage and insur- cies would only provide excess co-

The other insurance clauses provide follows. "If there is other automobile insurance for a loss covered under part, we will pay no greater portion loss than the applicable limits of the loss bear to the combined limit of all policies apply to the loss, except: (a) If other valid and collectible automobile insurance for an insured automobile acquired by you, this part does not (b) Any insurance afforded under part for an insured automobile not owned by you, for an additional insured automobile for loss occurring in Mexico shall be over any other valid and collectible automobile liability insurance."

### DISCUSSION

#### Issues

In this case, we are asked to determine priority of coverage issue between:

and his passengers Anna Marie O'Connor, O'Connor and Michael O'Connor. In B073396, on February 9, 1987, the vehicle driven by O'Connor collided with a car driven by Ellen Ac resulting in personal injuries to Adderly B073396, on September 27, 1986, the Cadillac driven by Hobson collided with a car driven by Nerissa Michelle Aguilar, resulting in per-



scribed in the agreement. Grand employed claim investigators, set-aside reserves for third party claims and retained attorneys to settle and defend against third party claims.

At the time of the traffic collisions, renters were insured by their own individual automobile liability insurance policies by insurers. Insurers' automobile liability insurance policies provided insurance coverage for vehicles listed on the declaration page of the policies. In addition, the policies provided coverage for "additional insured vehicles," which were defined as automobiles not owned by or available for regular use to renters. The cars rented by renters of Grand were "additional insured vehicles" within the meaning of insurers' policies. Insurers' policies contained "other insurance clauses" with respect to "additional insured vehicles." These clauses provided that if other insurance were available with respect to an additional insured vehicle, the other insurance would provide primary liability coverage and insurers' policies would only provide excess coverage.

The other insurance clauses provided as follows. "If there is other automobile liability insurance for a loss covered under this part, we will pay no greater portion of the loss than the applicable limits of this policy bear to the combined limit of all policies that apply to the loss, except: (a) If you have other valid and collectible automobile liability insurance for an insured automobile newly acquired by you, this part does not apply. (b) Any insurance afforded under this part for an insured automobile not owned by you, for an additional insured automobile or for loss occurring in Mexico shall be excess over any other valid and collectible automobile liability insurance."

### DISCUSSION

In this case, we are asked to decide a priority of coverage issue between a self-insured car rental agency and the automobile liability insurer of a renter, when the car rental agency rents a car to renter pursuant to the terms of a car rental agreement and renter is involved in a traffic collision while operating the rented vehicle. In arriving at this determination, we must resolve two questions: (1) Whether the car rental agreement together with the certificate of self-insurance constitutes a policy of automobile liability insurance; and (2) If the car rental agreement together with the certificate of self-insurance constitutes a policy of automobile liability insurance, whether "the policy" provides primary coverage for injuries arising out of the operation of the rented vehicle. For the reasons discussed below, we answer both of these questions in the affirmative.

insured car rental agency and the automobile liability insurer of a renter, when the car rental agency rents a car to renter pursuant to the terms of a car rental agreement and renter is involved in a traffic collision while operating the rented vehicle. In arriving at this determination, we must resolve two questions: (1) Whether the car rental agreement together with the certificate of self-insurance constitutes a policy of automobile liability insurance; and (2) If the car rental agreement together with the certificate of self-insurance constitutes a policy of automobile liability insurance, whether "the policy" provides primary coverage for injuries arising out of the operation of the rented vehicle. For the reasons discussed below, we answer both of these questions in the affirmative.

### Statutory Framework

Division 2, part 3, article 2 of the Insurance Code, sections 11580 through 11589.5, entitled "Actions on Policies Containing Liability Provisions," is a comprehensive statutory scheme setting forth the required provisions of automobile liability insurance policies. "The Legislature declares that the public policy of this state in regard to provisions authorized or required to be included in policies affording automobile liability insurance or motor vehicle liability insurance issued or delivered in this state shall be as stated in this article, that this article expresses the total public policy of this state respecting the content of such policies...." (Ins.Code, § 11580.05.)

Insurance Code section 11580.9 concerns priority of coverage when two or more automobile liability insurance policies apply to the same automobile involved in an occurrence giving rise to liability to third parties. Subdivision (d) of that section provides:

injuries to the driver and her passenger, Raylene Aguilar.

5. This "other insurance clause" provision is taken from the policy issued by the Interinsurance Exchange to Gallun. The other two policies contain substantially similar, but not identical, provisions.

"Where two or more policies affording valid automobile liability insurance apply to the same motor vehicle or vehicles in an occurrence out of which a liability loss shall arise, it shall be conclusively presumed that the insurance afforded by that policy in which the motor vehicle is described or rated as an owned automobile shall be primary and the insurance afforded by any other policy or policies shall be excess."

Insurance Code section 11580.9 is intended to be comprehensive on the issue of priority of coverage. "The Legislature declares it to be the public policy of this state to avoid so far as possible conflicts and litigation, with resulting court congestion, between and among injured parties, insureds, and insurers concerning which, among various policies of liability insurance and the various coverages therein, are responsible as primary, excess, or sole coverage, and to what extent, under the circumstances of any given event involving death or injury to persons or property caused by the operation or use of a motor vehicle. [¶] The Legislature further declares it to be the public policy of this state that Section 11580.9 of the Insurance Code expresses the total public policy of this state respecting the order in which two or more of such liability insurance policies covering the same loss shall apply..." (Ins. Code, § 11580.8.)

A certificate of self-insurance issued pursuant to Vehicle Code section 16053 is a policy of automobile liability insurance. (Ins. Code, § 11580.9, subd. (g).) Similarly, a cash deposit made pursuant to Vehicle Code section 16054.2, or a bond in effect pursuant to Vehicle Code section 16054, or a report of governmental ownership filed pursuant to Vehicle Code section 16051 is a policy of automobile liability insurance. (*Ibid.*) Subdivision (g) of section 11580.9 of the Insurance Code treating certificates of self-insurance as policies of automobile liability insurance, was added in 1980. (Stats. 1980, ch. 1189, § 1, p. 3973.) In 1984, subdivision (g) was amended to treat cash deposits and surety bonds as policies of automobile liability insurance. (Stats. 1984, ch. 461, § 1, p. 1924.) The 1984 amendments to subdivision (g) were enacted in response to *Lumbermens Mutual Casualty Co. v.*

*Agency Rent A Car, Inc.* (1982) 128 Cal. App.3d 764, 180 Cal.Rptr. 546, which had concluded a car rental agency's surety bond did not provide primary coverage under Insurance Code section 11580.9 for accidents involving its rented vehicles.

The legislative history of the 1984 amendment indicates that its purpose was to ensure that car rental agencies would be primarily liable for injuries arising out of the operation of their rented vehicles. "The end result is that a rental car agency can avoid having its auto liability insurance policy on the vehicle, which it owns and rents, to be considered primary insurance by depositing cash or posting a surety bond with DMV as a self-insurer meeting the financial responsibility limits of the Vehicle Code. [¶] This measure is intended to close this loophole except when an owner in the business of renting or leasing vehicles has leased the vehicle for a period of more than six months. [¶] Insurers are constantly finding their auto liability coverage considered as primary rather than excess when their insured rents a vehicle. Besides the insurer assuming a greater risk, the potential for auto insurance premiums rising is that much more prevalent." (Assem. Finance and Ins. Com. Rep. for Assem. Bill No. 3192 (May 5, 1984); *Interinsurance Exchange v. Spectrum Investment Corp.* (1989) 209 Cal.App.3d 1243, 1251, 258 Cal.Rptr. 43.) "The effect of this situation means that some companies (particularly rental car companies) can avoid having their auto liability on their vehicles from being considered primary insurance by depositing cash or surety bonds with DMV to meet the financial responsibility laws. Thus, in the event of an accident, the costs are always shifted to the insurance company of the other vehicle rather than to its own. [¶] This bill is intended to close this loophole by stating that cash deposit or surety bond filed with DMV to meet the financial responsibility requirements shall be considered a policy of automobile insurance for purpose of determining primary or excess coverage in the event of an auto collision." (Sen. Ins., Claims and Corp. Com. Rep. for Assem. Bill No. 3192 (June 20, 1984); *Interinsurance Exchange v. Spectrum Investment Corp.*, *supra*, 209 Cal.App.3d at p. 1251, 258 Cal.Rptr. 43.)

In 1986, subdivision (g) was amended to treat a report of governmental ownership as a policy of automobile liability insurance. (Stats. 1986, ch. 1142, § 2, port of the Assembly Committee on Insurance dated July 1986, report of the Senate Rules Committee of Senate Floor Analyses, dated July 1986, on Senate Bill No. 831, the foregoing amendment, poses of priority of policy insurance, authorized bonds are considered as policies of liability insurance." The Assembly Reading of Senate Bill No. 831 out: "Self-insurance, authorized cash deposits are considered automobile liability insurance; priority of policy provisions." *Interinsurance Exchange v. Spectrum Investment Corp.*, *supra*, 209 Cal.App.3d at p. 43.)

"Clearly, the language of [Ins. Code] section 11580.9, subdivision (g), legislative history of that subdivision, and the legislative intent that certificates of self-insurance bonds be considered as policies of automobile liability insurance within the subdivision (d) of that section, the purpose of determining which policy of automobile liability insurance shall be primary and which shall be excess. It also appears that the Legislature's purposes in enacting subdivision (g) was to hold car rental agencies primarily liable for automobiles rented by them for a period of less than six months are involved in accidents when driven by renters whose own automobile liability insurance policies cover losses when driving rented automobiles." (*Interinsurance Exchange v. Spectrum Investment Corp.*, *supra*, 209 Cal.App.3d 1252-1253, 258 Cal.Rptr. 43; cf. *General Employees Ins. Co. v. Carrier Ins. Co.* (1945) 45 Cal.App.3d 223, 228-229, 119 Cal.Rptr. 116.)

#### Policy of Automobile Liability Insurance

[1] We first consider whether a rental agreement constitutes insurance. "Ordinarily, where there is a risk of



Cite as 31 Cal.Rptr.2d 88 (Cal.App. 2 Dist. 1994)

In 1986, subdivision (g) was again amended to treat a report of governmental ownership as a policy of automobile liability insurance. (Stats. 1986, ch. 1142, § 2, p. 4104.) "A report of the Assembly Committee on Finance and Insurance dated July 8, 1986, and a report of the Senate Rules Committee, Office of Senate Floor Analysts, dated August 19, 1986, on Senate Bill No. 881, which proposed the foregoing amendment, state: 'For purposes of priority of policy provisions, self insurance, authorized bonds and cash deposits are considered as policies of automobile liability insurance.' The Assembly Third Reading of Senate Bill No. 881 also points out: 'Self insurance, authorized bonds and cash deposits are considered as policies of automobile liability insurance for purposes of priority of policy provisions.'" (*Interinsurance Exchange v. Spectrum Investment Corp.*, *supra*, 209 Cal.App.3d at p. 1252, 258 Cal.Rptr. 43.)

Clearly, the language of [Insurance Code] section 11509, subdivision (g), as well as the legislative history of that subdivision, establish the legislative intent that cash deposits, certificates of self insurance and surety bonds be considered as policies of automobile liability insurance within the meaning of subdivision (d) of that section, for the purpose of determining which policy of automobile liability insurance shall be primary and which shall be excess. It also appears one of the Legislature's purposes in enacting and amending subdivision (g) was to hold automobile rental agencies primarily liable when automobiles rented by them for a period of less than six months are involved in accidents when driven by renters whose own automobile liability insurance policies cover their losses when driving rented automobiles." (*Interinsurance Exchange v. Spectrum Investment Corp.*, *supra*, 209 Cal.App.3d at pp. 1252-1253, 258 Cal.Rptr. 43; cf. *Government Employees Ins. Co. v. Carrier Ins. Co.* (1975) 14 Cal.App.3d 223, 228-229, 119 Cal.Rptr. 111.)

**Policy of Automobile Liability Insurance**

We first consider whether the car rental agreement constitutes insurance. Ordinarily, where there is a risk of loss to

which one party is subject based on contingent or future events and a contract which shifts that risk to another, together with a distribution of the risks among similarly situated persons, the contract is one of insurance." (*Hertz Corp. v. Home Ins. Co.* (1993) 14 Cal.App.4th 1071, 1077, 18 Cal.Rptr.2d 267; accord, *Metropolitan Life Ins. Co. v. State Bd. of Equalization* (1982) 32 Cal.3d 649, 654, 186 Cal.Rptr. 578, 652 P.2d 426.) A car rental agreement which contains a provision indemnifying the renter from liability to third persons, up to a specified limit, resulting from an accident which occurs while the rented vehicle is in use constitutes insurance. (*Hertz Corp. v. Home Ins. Co.*, *supra*, 14 Cal.App.4th at pp. 1077-1078, 18 Cal.Rptr.2d 267; *Nathanson v. Hertz Corp.* (1986) 183 Cal.App.3d 78, 84, 227 Cal.Rptr. 799, disapproved on other grounds in *Moradi-Shalal v. Fireman's Fund Ins. Companies* (1988) 46 Cal.3d 287, 250 Cal.Rptr. 116, 758 P.2d 58; compare *Transportation Guar. Co. v. Jellins* (1946) 29 Cal.2d 242, 174 P.2d 625 [motor truck maintenance contracts in which maintenance company agreed to cause the trucks to be insured is not a contract of insurance]; *Truda v. Avis Rent A Car System, Inc.* (1987) 193 Cal.App.3d 802, 815, 238 Cal.Rptr. 806 [car rental agency's collision damage waiver is not an insurance agreement].) This is so even where the liability insurance/car rental agreement is effectuated by a certificate of self insurance. (*Nathanson v. Hertz Corp.*, *supra*, 183 Cal.App.3d at p. 85, 227 Cal.Rptr. 799.)

The car rental agreement in this case provides that Grand will indemnify the renter for liability to third persons arising out of operation of the rented vehicle. The provision is contained in a paragraph entitled "Liability Insurance." Moreover, the paragraph expressly provides that the liability "coverage" will be provided to the renter in accordance with the terms and conditions of "a standard automobile liability insurance policy." The paragraph further provides that Grand may provide liability coverage under a certificate of self insurance or an insurance policy. All of the elements of an insurance contract are contained in the car rental agreement. In addition, it is apparent from the language of the provision that

Grand's interest in the agreement served as insurance. The indemnification provisions are expressly referred to as liability insurance. In counterpoint, the car rental agreement specifically provides that the collision damage waiver is not insurance. Finally, Grand allocates a portion of the rental fee to liability insurance, sets up reserves, hires investigators and retains attorneys to settle and defend third-party claims. We conclude the car rental agreement is a contract of insurance.

[2]. As noted previously, the car rental agreement specifically provides that the automobile liability insurance may be provided by Grand in the form of a certificate of self-insurance. Grand has elected to provide the insurance coverage by means of such a certificate. Pursuant to Insurance Code section 11580.9, subdivision (g), a certificate of self-insurance is a policy of automobile liability insurance. Accordingly, we conclude the car rental agreement, which is a contract of insurance, and the certificate of self-insurance, which is the means of effectuating the contract of insurance, operate together to constitute a policy of automobile liability insurance within the meaning of Insurance Code section 11580.9, subdivision (d). (*Cl. 20th Century Ins. Co. v. Liberty Mut. Ins. Co.* (9th Cir.1992) 965 F.2d 747, 750-751 (language of car rental agreement incorporated into automobile liability insurance policy).)

#### Priority of Coverage

We have concluded the car rental agreement together with the certificate of self-insurance constitutes policies of automobile liability insurance, affording coverage to the rented cars. There is no dispute that insurers issued policies of automobile liability insurance which also afforded coverage to the rented cars. Thus, the priority of coverage

is an issue. Grand contends that the agreement is a contract of indemnification and not one of insurance, because it was limited to the minimum financial responsibility requirement. (The liability limits in the other agreements extended the minimum financial responsibility requirement to \$2 million, which was already satisfied as an owner of the vehicle for those minimum limits. It did not distribute any risk among its renters. (Veh.Code, §§ 17150, 17020, subd. (a), 16056, subd. (a).) We are not persuaded by

provisions of Insurance Code section 11580.9 must next be considered.

[3, 4] Insurance Code section 11580.9, subdivision (d) provides that, where two policies of automobile liability insurance apply to the same automobile in an occurrence generating liability to third persons, the policy of insurance in which the automobile is "described or rated as an owned automobile shall be primary and the insurance afforded by any other policy or policies shall be excess." This conclusive presumption requires that the primary policy "particularize" the vehicle. (*Hartford Accident & Indemnity Co. v. Sequoia Ins. Co.* (1989) 211 Cal.App.3d 1285, 1297-1298, 260 Cal.Rptr. 190; *Interinsurance Exchange v. Spectrum Investment Corp.*, supra, 209 Cal.App.3d at p. 1253, 258 Cal.Rptr. 43.) There is no dispute that the rented cars are not described or rated as owned automobiles in insurers' policies. It is also apparent that there is nothing in the certificate of self-insurance which describes or rates the vehicles owned by the applicant for the certificate. The question remains whether Grand's policies of automobile liability insurance, which include the car rental agreements as well as the certificate of self-insurance, describe the rented cars as owned vehicles. We answer this question in the affirmative.

The car rental agreement describes a particular vehicle as the rented car. The description includes make, model, color and license number. The liability insurance provision of the car rental agreement refers to the rented car. The liability insurance covers the described rented vehicle and no other. We conclude the rented cars are described in Grand's policies of automobile liability insurance. There is no question that the rented cars are owned by Grand. Ac-

cordingly, the conclusive presumption of Insurance Code section 11580.9 applies. Grand's policies of automobile liability insurance are the primary policies of automobile liability insurance and the excess policies.

[5] Such a conclusion not the strict letter of the statute, but in accordance with the obvious and legislative intent. The Legislature abundantly clear that car rental companies should bear the primary responsibility for coverage of their rented cars. Insurance is provided by an insurer, certificate of self-insurance, cash surety bond, and the renters' insurance bear only excess responsibility. The mental rule in construing a statute, the court should ascertain the legislative intent in order to effectuate the law. (*Interinsurance Exchange v. Spectrum Investment Corp.*, supra, 209 Cal.App.3d at p. 1252, 258 Cal.Rptr. 43; *San Diego Teachers Assn. v. San Diego College Dist.* (1981) 28 Cal.3d 606, 616, 7 Cal.Rptr.2d 550, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.)

7. Since the rented car is "described or rated as an owned automobile" in the automobile liability policy, it need not also be "described or rated as an owned vehicle." (*Ohio Cas. Ins. Co.* (1978) 85 Cal.App.3d 521, 524, 153 Cal.Rptr. 562.)

8. Legislative intent may be ascertained from legislative committee reports. (*Southland Cal. Constructors Corp. v. Nizer* (1988) 44 Cal.4th 417, 427, 173 Cal.Rptr.2d 550, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.)

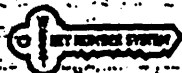
9. Since we have concluded the conclusive presumption of Insurance Code section 11580.9 applies, we need not discuss the effect of other insurance clauses contained in Grand's policy and insurers' policies. Grand's policy and insurers' policies need not address whether Grand is required to extend liability insurance to persons under Insurance Code section 11580.9 since in this case, Grand has extended insurance to renters. (*Hertz Corp. v. Hertz* (1988) 44 Cal.4th 417, 427, 173 Cal.Rptr.2d 550, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.)



# DISPOSITION

The judgments in B073497 and B073108 are affirmed. The judgment in B073396 is reversed. All parties shall bear their own costs on appeal.

TURNER, P.J., and GODOY PEREZ, J., concur.



The PEOPLE, Plaintiff and Respondent,

Timothy Scott CRAIG, Defendant and Appellant.

Case No. F019734

Court of Appeal, Fifth District

June 15, 1994

Certified for Partial Publication.\*

Defendant was convicted of assault with intent to commit rape, in the Superior Court, Kings County, No. 10978. Peter M. Schultz, J., Defendant, appealed. The Court of Appeal, Thaxter, J., held that there was evidence from which jury could conclude that defendant had intended to rape victim when he sexually attacked her.

Affirmed.

Criminal LAW 6-585

Specific intent with which an act is done may be shown by defendant's statement of his intent and by circumstances surrounding commission of act.

In this case, defendant's statement of intent and circumstances surrounding commission of act may draw inferences from his statements.

\*Pursuant to California Rules of Court, rule 976.1, this opinion is certified for publication with the exception of parts II-VII of Discussion.

conduct, including any words defendant has spoken.

## 3. Rape 6-15

Conduct sufficient to satisfy statute prohibiting sexual battery does not establish that defendant did not commit crime of attempted rape, as described under another section of Penal Code. West's Ann.Cal.Penal Code §§ 220, 243.4.

## 4. Rape 6-36

There was evidence from which trier of fact could infer that defendant had assaulted victim with specific intent of committing rape, even though defendant had not expressly stated he was going to rape victim; in prior assault on another victim under similar circumstances defendant had said "I want you now," defendant had touched breasts of victim under her shirt and in prior attack had slid hand up skirt to other victim's panties, and defendant in present case had not stopped until there was intervening force applied in form of boyfriend coming to victim's rescue. West's Ann.Cal.Penal Code § 220.

Gregory Marshall, Ramona, under appointment by the Court of Appeal, for defendant and appellant.

Daniel E. Lungren, Atty. Gen., George Williamson, Chief Asst. Atty. Gen., Robert R. Anderson, Asst. Atty. Gen., Cynthia G. Besemer and Janis Shank McLean, Deputy Atty. Gen., Sacramento, for plaintiff and respondent.

## OPINION

THAXTER, Associate Justice.

A jury convicted appellant Timothy Scott Craig on a single count of assault with intent to commit rape, a violation of Penal Code section 220.<sup>1</sup> In a bifurcated proceeding the same jury found true allegations that appellant had suffered a prior conviction for a serious felony (§ 667, subd. (a)), and that he

1. All statutory references are to the Penal Code unless otherwise noted.

had served a prior prison meaning of section 667. The court sentenced appellant to a term of six years for the a consecutive enhancements one year, respectively, for the prior prison term and the prior prison aggregate prison sentence.

Appellant raises a multi-point appeal. We will reject all of them relating to sentencing. We affirm the one-year enhancement.

## FACTS

On February 11, 1993, at 8:00 p.m., Lisa L. picked up her car at her sister's house in the Elgin area and drove towards which she shared with Ron three-year-old son was also in the car. Lisa noticed another vehicle following very closely behind her vehicle continued to follow, bumper to bumper," as Lisa made three separate turns and drove four streets.

As she arrived at her home and got into the driveway. The car, which was a small pickup truck, stopped approximately a foot behind her car. Appellant, who had been driving the truck and was standing near Lisa's car, opened her door. Appellant said, "I thought you were someone else." and appeared to be getting into the truck. Lisa, who was then out of the car and son get out of the back seat. She immediately confronted by appellant who turned around and put her hands on the car. He then grabbed Lisa by the back of her head and pushed her back into the driver's seat. Lisa told her not to look at him. As Lisa tried to look up, appellant then placed his hand inside her sweater or bra and placed his hand flat against her chest, feeling both of her breasts outside her clothing.

Ron Riso was inside the house. He was attracted outside when he heard two boys shouting. Looking out a window

2. *Miranda v. Arizona* (1966) 384 U.S.

No: \*



**ATI TITLE COMPANY**

**FINAL TITLE CONDITION CERTIFICATE**

*The undersigned hereby certifies unto: \* that according to the records of said county the security instrument recorded on the \* day of \* in the year \*, in Book \*, at Page \* (or Instrument # \*), of the Records of \* County, State of \*, evidences a valid, first, senior and paramount lien in your favor upon real estate described as:*

*subject to no other liens or encumbrances appearing in the public records of said County, as reflected by a complete search of said records as of the date of this Certificate.*

*The fee simple title to the above-described real estate is at the date of this certificate vested of record in:*

*This Certificate is executed this \* day of \*, \*.*

\_\_\_\_\_  
Signature

## **Title Condition Report**

**Report Date: \***

**Effective Date: \***

**Report Number: \***

**Report Fee: \***

ATI \* hereby represents unto \* (hereinafter referred to as "Lender") that a thorough search has been conducted of the real estate records of \*, \* as the same affect the following-described real estate:

On the basis of such search, the following information is provided:

- A. **Record Titleholder(s):**  
\*
- B. **Proposed Borrower(s) / Purchaser(s):**  
\*
- C. **Mortgage Record:**  
\*
- D. **Judgment Record:**  
\*
- E. **Taxes and Assessments of Record:**  
\*

If the information contained in this report is to be used in connection with financing secured by a first priority lien, the following procedure is required:

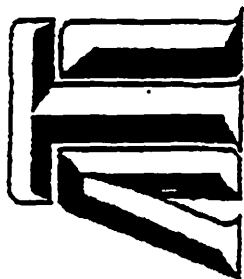
- . **Contact ATI at (800) 380-3399 to obtain an updated search of the records, prior to closing, to ensure that no intervening matters appear of record.**
- . **Obtain a proper and recordable general warranty deed transferring title to the above-described real estate from the record titleholder(s) named in A., above, to the proposed borrower(s) / purchaser(s) named in B., above.**
- . **Obtain a proper and recordable loan document signed by the proposed borrower(s) / purchaser(s) named in B., above.**

**Exhibit E (2 of 2)**

- Provide for accurate payoff, from loan proceeds, of the items specified in C. and D., above, and arrange for receipt and recording of documentation releasing those items.
- Provide for payment to date of taxes and assessments specified in E., above.
- Contact ATI at (800) 380-3399 to arrange for filing the warranty deed and loan documents in the real estate records of \* County, \* in a timely and expeditious fashion. **LENDER WILL BE AT RISK FOR ANY LOSS RESULTING FROM UNREASONABLE DELAY IN FILING.**

In consideration of payment of the Report Fee, the undersigned Company warrants to the Lender the accuracy and completeness of the above information as of the effective date of this report. This Report does not insure or commit to insure title or the validity, priority or enforceability of the Lender's lien, and is not intended to be relied upon as a legal opinion as to lien status.

By: \_\_\_\_\_



# EXTRA

# TOP<sup>TM</sup>

*Title Option Plus*

**Norwest Mortgage  
Cost & Time Saving Title Protection**





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## **PRESENTATION MATERIALS**

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### **SCRIPT SUGGESTIONS FOR OFFERING TITLE OPTION PLUS (TOP) AS A VALUE-ADDED SERVICE**

The following pages contain helpful script suggestions for use when talking to borrowers, sellers and Realtors.

Show your borrowers how you can save them cash out of pocket by completing the Consumer Title Status Election form (NMFL#4177 or 4178). Its easy to see the TOP cash savings!

Lender's title protection is a requirement of the loan. TOP satisfies the requirement and saves your borrower cash out of pocket. TOP is another "Norwest First", and is an exclusive service that sets you apart from the competition. Offering TOP as a value-added service is a terrific deal for your borrower -- and you!

*And remember, your name goes into the TOP hat for the TOP contest, each time you close a loan with TOP!*

Here are script suggestions for telling your borrowers about Norwest's TOP:

"You are required to purchase lender's title insurance, as a condition of this loan, which may cost you approximately \$\_\_\_\_\_. Norwest has Title Option Plus (TOP) which satisfies our requirement for title protection, but only costs you \$\_\_\_\_\_. With TOP, you save cash out of pocket, and you can use the cash savings for something you want".

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## AUDIENCE: BORROWERS

A suggested script for TOP partnered with Norwest 90.

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"Most lenders require that you purchase title insurance as a condition of the loan. But only Norwest has Title Option Plus (TOP) which satisfies our requirement for title protection, and does not cost you any cash out of pocket!!

All you do is select TOP, and I do the rest."

*NOTE: TOP partnered with Norwest 90 satisfies Norwest's requirement for title protection and doesn't cost the borrower a penny out of pocket!! Remember, when you use Norwest 90 to cover the Title Option Plus fee, your branch still will receive P & L soft dollar credit, and your name still goes into the TOP Hat for the January TOP contest drawing!!*

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## **AUDIENCE: BANK CUSTOMERS**

**Anticipated question from Title Agency customers of our  
Banks who currently do title work on Norwest loans.**

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### **QUESTION:**

Why should I keep my banking business with Norwest when you are promoting a product that takes business away from me?

### **ANSWER:**

We will give you the same excellent banking services as always.

- This product is good for consumers in that it saves them money (makes housing more affordable) and simplifies the home buying process. It is the right thing to do.
- Norwest will continue to do its jumbo, commercial, and new construction properties with you.
- The consumer will be offered the title insurance option, and if so elects, we will continue to do that business with you.
- Until (if ever) Norwest builds a local abstracting and closing facility, we will want to buy those services from you to support our TOP product.

**IMPORTANT NOTICE:** *Questions from the media, regulatory officials or similar parties should be directed to Sue Bunce (515-221-5356) or Bill Lloyd (515-221-4059) in the Norwest Mortgage Communication Support Services Department in Des Moines. It is very important that all branch personnel be informed of the need to direct these calls to the home office.*

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## **AUDIENCE: REALTORS AND BORROWERS**

**Here are some easy script suggestions for responding to borrower or Realtor questions about TOP:**

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<b>QUESTION</b>	<b>ANSWER</b>
1. Am I required to purchase owner's title insurance?	No, owner's title insurance is optional.
2. Can I have TOP and owner's title insurance?	No. Once you select TOP, owner's title insurance is not available. (NOTE: <i>If it is the custom in the market for the owner's and lenders policies to be ordered from different title companies, you may use TOP for the lender's title requirement. Contact your TOP marketing rep if you have any questions.</i> )
3. What is the difference between lender's and owner's title insurance?	Lender's title insurance is a loan requirement which protects the lender's interest in the property, and owner's title insurance is optional, normally more expensive, and protects your equity in the event of a title defect.
4. What protection does owner's title insurance provide?	Owner's title insurance will protect the owner, subject to the policy exceptions, for loss or damages sustained by the insured (i.e., the owner) due to <ol style="list-style-type: none"><li>(i) title to the property being vested other than as stated in the policy</li><li>(ii) any defect in or lien or encumbrance on the title</li><li>(iii) unmarketability of the title</li><li>(iv) lack of a right of access to and from the land.</li></ol> The policy also protects against forgeries of documents and errors in recording of documents by government officials. The liability of the title insurer is generally limited to the amount of the insurance (normally the purchase price of the property).

### QUESTION

5. What type of "exceptions" are typically not covered by owner's title insurance?

### ANSWER

Each owner's title policy will contain exceptions to the policy. Common exceptions — those items not covered by the policy — include facts which would be disclosed by a survey, mechanic's liens or similar claims not of record, easements or other restrictions which are unique to the property, judgments, and changes in title occurring subsequent to the effective date of the policy.

A survey, at the borrower's expense, would identify encroachments, overlaps, boundary disputes or similar matters. Typically if a survey is ordered and provided to the title insurance company, the exception for these items will be removed from the exceptions to the policy.

6. Basically, isn't this another name for title insurance?

No. We are not insuring the title. We are only telling the lender who is in title, according to the real estate records, and what liens are of record. There is no insurance involved since we are managing our own title risks.

7. What is the benefit to consumers?

Consumers will save at least ten percent over the cost of lender title insurance. Had this program been used by 100% of Norwest Mortgage's borrowers in 1993, they would have saved \$39 million. We also anticipate a simplified, faster loan approval process.

8. Why can Norwest offer this product for less?

By assuming the risk internally, we are eliminating the most expensive part of the title protection process: the title insurance underwriter. We avoid subsidizing title underwriters' losses caused by riskier agencies, commercial and new construction, overhead, claims administration and regulatory reporting requirements.

9. Where do you plan to offer this protection?

We have identified markets in each state plus the District of Columbia which will be served by one of six regional ATI Service Centers.

10. Have the government mortgage-related agencies accepted this product?

Yes. Freddie Mac, FHA and VA have all approved this product in lieu of title insurance. We expect Fannie Mae's approval soon.

### QUESTION

11. Why did the agencies agree to accept this product?

### ANSWER

Norwest is recognized as a high quality lender. Because of Norwest Corp's size and strength, we can create an acceptable backup to our investor-required standard lender representation and warranty as to title at a lower cost to borrowers, while at the same time protect stockholders with adequate reserves equal to Norwest standards. The secondary market also recognizes this product as providing a benefit to consumers in the form of significant cost savings, and a simplified, speedier loan approval process. This product does not increase the risk to the secondary market investors.

12. Will all types of mortgage loans be eligible for this coverage?

No. Title Option Plus will not cover new construction, jumbo loans, broker business, or condominiums.

13. What is the relationship between ATI and Norwest Mortgage?

ATI is a wholly-owned subsidiary of Norwest Mortgage, Inc.

14. What will prevent other mortgage lenders from developing a similar product?

While we cannot prevent competition, we believe that most of our competitors do not have a strong enough balance sheet to gain secondary market approval, nor the title network necessary to compete effectively.

15. Is this a new concept?

No. Prior to the secondary market becoming the dominant source of first mortgage financing, this product is how many lenders managed their risk of title defects. Today, some first mortgage lenders and most second mortgage lenders manage their title defects risk with a similar type of product, which involves a similar review process.

16. How significant have losses been to the title insurance industry and to ATI?

Given the high premiums, losses have still remained very low. ATI has experienced losses of less than 1% of premium dollars versus the industry average of approximately 6%, which mainly covers agency fraud and new construction related losses.

17. Is there a higher risk to Norwest by issuing this protection versus title insurance?

Yes, however, ATI has a good track record compared to the industry in managing the risk of agent error, negligence, and errors incurred in closing the loan. We can manage these risks more effectively than an independent agency structure through Quality Assurance Program and established accounting controls that most independent agencies lack.

### QUESTION

18. Do you anticipate negative reaction from the title insurance industry?
19. What does Norwest gain from managing its own title defect risk?
20. Who will review the title and records?
21. How much risk is there in other situations where a title insurance underwriter would have borne the risk, such as claims resulting from liens that are not detectable on the record?
22. Will borrowers also be able to receive owner's title insurance from ATI?
23. What protection does TOP afford the borrower?

### ANSWER

We believe that some insurance underwriters and their agents may threaten to stop using Norwest Banks and may refuse to close loans for our retail branches. Norwest Bank executives and Regional Presidents enthusiastically support the TOP product and view it as a product which provides great benefit to our shareholders and direct benefit to consumers through reduced costs.

We believe this will streamline the process of issuing title evidence and ultimately speed up the loan approval/closing process. It will also speed up delivery of the loans to the secondary market. We also believe that use of this product will result in fewer deficiencies to be dealt with in the Post Closing Department.

ATI will use its own employees or abstractors who have been approved to do business with ATI.

Norwest will establish an allowance for losses to cover these and other "agent error" losses. We estimate that these losses will be less than .25%.

Yes, in the areas where ATI has approved title insurance operations, but not in conjunction with the TOP program. ATI offers title insurance in 13 states and Washington, D.C. The 13 states are: Nebraska, Iowa, Minnesota, Indiana, Illinois, Maryland, Virginia, Arizona, New York, California, Pennsylvania, Ohio, and Missouri.

TOP affords protection to the lender only:

\* A refinancing borrower who wants an owner's title policy will probably have obtained an owner's title policy at the time the property was purchased. This policy remains in effect and will continue to provide protection for as long as your borrower owns the property.

\* When a purchase money borrower chooses TOP the protection is provided to the Lender. TOP indirectly protects the borrower to the extent that: a) ATI will not issue TOP unless the title is clean, and b) If a title defect shows up after closing, ATI will usually have to cure on behalf of the Lender which would cure for the Buyer as well.



### QUESTION

24. How should we respond when a Bank customer who is also a title insurance agent threatens to sever its relationship with the Bank because of the relationship to ATI to Norwest?

F  
i?

25. What about surveys?

26. What's the risk of not buying an Owner's Policy?

27. Do we or don't we recommend an owner's policy?

28. What if a customer elects to have an Owner's Policy?

29. How will your branches benefit from offering this product?

### ANSWER

Although TOP was developed because of its profit potential, it is also recognized as being advantageous to the consumer because of its cost-effectiveness and efficiency. Norwest believes that the consumer should be provided the best products at the lowest possible cost and that development and marketing of such products is the "right thing to do." We believe that we have such a product in TOP. We should also point out that TOP is being used only in connection with certain loans made by Norwest Mortgage.

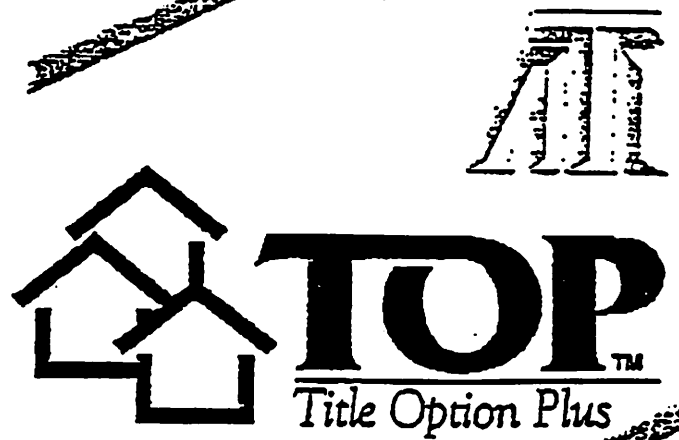
ATI is not requiring a survey which results in additional savings of time and money for the borrower. Because TOP is to be used in connection with loans on existing residential real property only, the risk of loss resulting from survey matters is perceived as slight. A borrower who is concerned about survey issues should buy a survey at his or her own expense to determine in advance of closing whether any problems are disclosed by the survey. Keep in mind that in most purchase agreements, Sellers warrant to the Buyers for issues that surveys would detect.

\*Survey risks — but Buyer has Seller warranties and can buy (or require seller to buy) a survey to discover those risks.  
\*Title defect risks — for a defect that ATI does not cure for the lender. Historically, this risk averages less than \$2.50 per transaction handled by ATI.

As when we are asked for a recommendation whether to float or lock a loan rate, i.e. predicting which way interest rates are going, we should not make a recommendation. We should present the facts and let the customer decide. We believe most customers will elect TOP.

Gladly refer the customer to our usual third party title insurance vendors at the costs inherent in that product. We will require the customer to buy both Lender's and Owner's title insurance (no TOP for the Lender) if this election is made.

They will be able to create consumer goodwill by offering quicker turnaround and a lower cost alternative to title insurance. There will be fewer unresolved issues at the closing table resulting from issues involving survey protection and policy endorsements, because they will not be required.



- Reducing Title Fee Costs
- Speeds Up Loan Closings
- Allowable on a Wide Variety of Norwest Products
- Sets You and Your Realtor Apart From the Competition
- Another Norwest First



17.



The premium charge for the original first mortgage life insurance shall be 75% of original owner's policy rate.

Amount	Owner Rate	Owner & Lender Rate
\$ 15,000 or less	\$140.00	\$150.00
16,000	145.00	155.00
17,000	150.00	160.00
18,000	155.00	165.00
19,000	160.00	170.00
20,000	165.00	175.00
21,000	170.00	180.00
22,000	175.00	185.00
23,000	180.00	190.00
24,000	185.00	195.00
25,000	190.00	200.00
26,000	194.00	204.00
27,000	198.00	208.00
28,000	202.00	212.00
29,000	206.00	216.00
30,000	210.00	220.00
31,000	214.00	224.00
32,000	218.00	228.00
33,000	222.00	232.00
34,000	226.00	236.00
35,000	230.00	240.00
36,000	234.00	244.00
37,000	238.00	248.00
38,000	242.00	252.00
39,000	246.00	256.00
40,000	250.00	260.00
41,000	254.00	264.00
42,000	258.00	268.00
43,000	262.00	272.00
44,000	266.00	276.00
45,000	270.00	280.00
46,000	274.00	284.00
47,000	278.00	288.00
48,000	282.00	292.00
49,000	286.00	296.00
50,000	290.00	300.00
51,000	294.00	304.00
52,000	298.00	308.00
53,000	302.00	312.00
54,000	306.00	316.00
55,000	310.00	320.00
56,000	314.00	324.00
57,000	318.00	328.00
58,000	322.00	332.00
59,000	326.00	336.00
60,000	330.00	340.00
61,000	334.00	344.00
62,000	338.00	348.00
63,000	342.00	352.00
64,000	346.00	356.00
65,000	350.00	360.00
66,000	354.00	364.00
67,000	358.00	368.00
68,000	362.00	372.00
69,000	366.00	376.00
70,000	370.00	380.00
71,000	374.00	384.00
72,000	378.00	388.00
73,000	382.00	392.00
74,000	386.00	396.00
75,000	390.00	400.00
76,000	394.00	404.00
77,000	398.00	408.00
78,000	402.00	412.00
79,000	406.00	416.00
80,000	410.00	420.00
81,000	414.00	424.00

Amount	Owner Rate	Owner & Lender Rate
82,000	418.00	428.00
83,000	422.00	432.00
84,000	426.00	436.00
85,000	430.00	440.00
86,000	434.00	444.00
87,000	438.00	448.00
88,000	442.00	452.00
89,000	446.00	456.00
90,000	450.00	460.00
91,000	454.00	464.00
92,000	458.00	468.00
93,000	462.00	472.00
94,000	466.00	476.00
95,000	470.00	480.00
96,000	474.00	484.00
97,000	478.00	488.00
98,000	482.00	492.00
99,000	486.00	496.00
100,000	490.00	500.00
101,000	494.00	504.00
102,000	498.00	508.00
103,000	502.00	512.00
104,000	506.00	516.00
105,000	510.00	520.00
106,000	514.00	524.00
107,000	518.00	528.00
108,000	522.00	532.00
109,000	526.00	536.00
110,000	530.00	540.00
111,000	534.00	544.00
112,000	538.00	548.00
113,000	542.00	552.00
114,000	546.00	556.00
115,000	550.00	560.00
116,000	554.00	564.00
117,000	558.00	568.00
118,000	562.00	572.00
119,000	566.00	576.00
120,000	570.00	580.00
121,000	574.00	584.00
122,000	578.00	588.00
123,000	582.00	592.00
124,000	586.00	596.00
125,000	590.00	600.00
126,000	594.00	604.00
127,000	598.00	608.00
128,000	602.00	612.00
129,000	606.00	616.00
130,000	610.00	620.00
131,000	614.00	624.00
132,000	618.00	628.00
133,000	622.00	632.00
134,000	626.00	636.00
135,000	630.00	640.00
136,000	634.00	644.00
137,000	638.00	648.00
138,000	642.00	652.00
139,000	646.00	656.00
140,000	650.00	660.00
141,000	654.00	664.00
142,000	658.00	668.00
143,000	662.00	672.00
144,000	666.00	676.00
145,000	670.00	680.00
146,000	674.00	684.00
147,000	678.00	688.00
148,000	682.00	692.00
149,000	686.00	696.00
150,000	690.00	700.00
151,000	694.00	704.00



## Consumer Title Status Election First Lien Options - REFINANCE

Estimated Cost Comparison \$ \_\_\_\_\_ (Proposed Loan Amount)

Cost	Option A Lender's Title Insurance (3)	Option B ATI Title Condition Report (4)	ATI Savings
Title Insurance Premium			
Endorsement Fees (1)		-0-	
Abstract Fee (if separately charged)		-0-	
Survey or Plat drawing (2)		-0-	
Total Estimate			

### Footnotes

(1) Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$50 or more. Lenders using the ATI Title Condition Report do not require these endorsements.

(2) No survey or plat drawing is required when an ATI Title Condition Report is issued. Depending upon the geographic area, these costs can vary significantly. Costs in the \$75 to \$100 range are typical.

(3) Lender's title insurance cost is based upon loan amount. Lender's title insurance affords protection, to the Lender only, against title defects.

(4) Owner's title insurance coverage is not available if ATI Title Condition report is elected. If you obtained an Owner's title insurance policy when you purchased the property, that policy will remain in effect.

### Disclosure

ATI is a wholly owned subsidiary of Norwest Mortgage, Inc. Selection of ATI as a provider of title insurance or a Title Condition Report is not a condition for the granting of a loan by Norwest Mortgage, Inc.

### Election

- ☐ Option A  
☐ Option B

Borrower's Signature

Date

Borrower's Signature

Date



## Consumer Title Status Election First Lien Options - PURCHASE

Estimated Cost Comparison

\$ \_\_\_\_\_  
(Proposed Loan Amount)

\$ \_\_\_\_\_  
(Purchase Price)

Cost	Option A Lender's Title Insurance (3)	Option B Lenders and Owners Title Insurance (4)	Option C ATT Title Condition Report (5)	Option C's Savings Over Option A	Option C's Savings Over Option B
Premium					
Endorsement Fees (1)			-0-		
Abstract Fee (if separately charged)			-0-		
Survey or Plat drawing (2)			-0-		
Total Estimate					

### Footnotes

(1) Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$50 or more. Lenders using the ATT Title Condition Report do not require these endorsements.

(2) No survey or plat drawing is required when an ATT Title Condition Report is issued. Depending upon the geographic area, these costs can vary significantly. Costs in the \$75 to \$100 range are typical.

(3) Lender's title insurance cost is based upon loan amount. Lender's title insurance affords protection, to the Lender only, against title defects. Lender's title insurance will not be provided by ATT unless Borrower elects option B and elects to use ATT in a state where ATT is licensed to sell title insurance. In some states this cost may be less than estimated here if certain conditions are satisfied.

(4) Owner's title insurance cost is customarily based upon Purchase Price. The cost shown in this column assumes that the owner's policy is purchased in conjunction with a lender's policy. Norwest Mortgage does not require the Borrower to obtain an owner's policy. Please ask your Norwest Sales Representative any questions you have about owner's title insurance.

(5) Owner's Title Insurance coverage is not available if the ATT Title Condition Report is elected.

### Disclosure

ATT is a wholly owned subsidiary of Norwest Mortgage, Inc. Selection of ATT as a provider of title insurance or a Title Condition Report is not a condition for the granting of a loan by Norwest Mortgage, Inc.

### Election

- ☐ Option A  
☐ Option B  
☐ Option C (not available if option A or B are elected)

Borrower's Signature

Date

Borrower's Signature

Date

**L. SETTLEMENT CHARGES**

700. TOTAL SALES/BROKER'S COMMISSION		FEDERAL RESERVE'S PORTION OF SETTLEMENT	STATE'S PORTION OF SETTLEMENT
Based on sales of _____			
Division of Commission (Lines 700) as follows:			
701. _____	to _____		
702. _____	to _____		
703. _____	to _____		
704. _____	to _____		
<b>800. ITEMS PAYABLE IN CONNECTION WITH LOAN</b>			
801. Loan Origination Fee	NAL 487.50/515.00 FOC	52.50	
802. Loan Maintenance			
803. Appraisal Fee to _____	M Partnership 6324.00/371.00 FOC	43.00	
804. Credit Report Fee	SPCH 50.00/50.00 FOC		
805. Landmark Inspection Fee			
806. Mortgage Insurance Premium Fee to _____			
807. Insurance Fee			
808. Commitment Fee	Newport Mortgage, Inc.	175.50	
809. _____			
810. _____			
<b>900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE</b>			
901. Mortgage Fee	05/05/94 06/01/94 25.660000	407.16	
902. Mortgage Insurance Premium Fee	1350 months interest of HUD	1,501.88	
903. Record Mortgage Premium Fee	1 years to 8178.00 FOC		
904. Flood Insurance Premium Fee	years to _____		
905. _____			
<b>1000. RESERVES DEPOSITED WITH LENDER</b>			
1001. Flood Insurance	5 months @ 14.67 per month	73.35	
1002. Mortgage Insurance	2 months @ 27.71 per month	55.42	
1003. City Property Taxes	months @ _____ per month		
1004. Grave property taxes	3 months @ 154.93 per month	464.79	
1005. Annual assessments	months @ _____ per month		
1006. Flood Insurance	months @ _____ per month		
1007. _____	months @ _____ per month		
1008. _____	months @ _____ per month		
<b>1100. TITLE CHARGES</b>			
1101. Lender's or closing fee	First Debits Title	159.00	
1102. Abstract or title search	to _____		
1103. Title examination	to _____		
1104. Title transfer binder	to _____		
1105. Mortgage preparation	to _____		
1106. Survey fees	to _____		
1107. Attorney's fees	to _____		
1108. _____	(includes above items listed below)		
1109. Title Insurance	First Debits Title	244.50	
1110. _____	(includes above items listed below)		
1111. Lender's commission	\$ 69,251.00		
1112. Survey's commission	\$ _____		
1113. _____			
1114. _____			
1115. _____			
<b>1200. GOVERNMENT RECORDING AND TRANSFER CHARGES</b>			
1201. Recording fees: Book & _____	Mortgage \$ 15.00	Insurance \$ 10.00	25.00
1202. City/County tax stamps: Book & _____	Mortgage \$ _____	Insurance \$ _____	
1203. State tax/stamps: Book & _____	Mortgage \$ _____	Insurance \$ _____	
1204. _____			
<b>300. ADDITIONAL SETTLEMENT CHARGES</b>			
301. Survey to _____	Donal A. Newman	71.55	
302. Title Insurance to _____			
303. Express Fee	First Debits Title	10.75	
304. _____			
305. _____			
<b>1400. TOTAL SETTLEMENT CHARGES</b> (Enter in Lines 101, Section J and 301, Section K)			
			3,287.40
<p>I have carefully reviewed the HUD-1 Settlement Statement and to the best of my knowledge and belief it is a true and accurate statement of all charges and disbursements made for or against me in this transaction. I hereby certify that I have received a copy of the HUD-1 Settlement Statement.</p> <p>_____ Borrower</p> <p>_____ Lender</p> <p>The HUD-1 Settlement Statement which I have prepared is a true and accurate statement of this transaction. I have signed or will cause the same to be signed in accordance with this statement.</p> <p style="text-align: center;"><b>474</b></p> <p>Settlement Agent _____ Date _____</p> <p>Warning: It is a crime to knowingly make false statements to the United States on this or any similar form. Penalties upon conviction can include a fine and imprisonment. For details see Title 18 U.S.C. Code Section 1001 and Section 1010.</p>			





# Controlled Business Arrangement Disclosure

Buyer, or Seller	Property:
From:	Date:

## NOTICE

This is to give you notice that Norwest Mortgage, Inc. ("Norwest") has a business relationship with ATI Title Company ("ATI"). ATI is a direct subsidiary of Norwest. It is in the financial interest of ATI and Norwest to refer business to each other.

Listed below is the estimated charge or range of charges for the following services:

	:	\$	
	:	\$	
	:	\$	

You are not required to use ATI as a condition for settlement of your loan or the purchase or sale of your home. You may be able to get these services at a lower rate by shopping with other settlement service providers.

Lender is allowed to require the use of an attorney, credit reporting agency or real estate appraiser chosen to represent the lender's interest.

Borrower	Date	Borrower	Date
Borrower	Date	Borrower	Date
			Lender
By:			

## Exhibit "C" Instructions

### Instructions for completing the Controlled Business Arrangement Disclosure (NMFL #3191)

The Controlled Business Arrangement Disclosure (NMFL #3191) is required for all mortgage loans (including new construction, primary residence, second home, refinance, and home equity loans) which use ATI Title as the provider of title insurance or escrow services.

The Controlled Business Arrangement Disclosure (NMFL #3191 H93) is also required on mortgage loans which are eligible for T.O.P., when the borrower selects T.O.P. for Lender's title coverage.

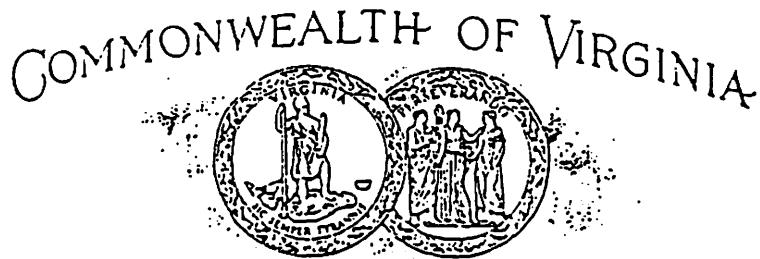
#### Instruction for completing the Controlled Business Arrangement Disclosure:

Refer to Exhibit "C".

- |  |   |
|--|---|
| <b>"To: Buyer or Seller" section:</b>                  | Complete this section with the borrower name(s).  |
| <b>"Property" section:</b>                             | Complete this section with the subject property street, city, and state address.  |
| <b>"From" section:</b>                                 | Complete this section with the originating Norwest Mortgage branch location (i.e., "Norwest Mortgage, Paradise, CA").   |
| <b>"Date" section:</b>                                 | Complete this section with the date that the borrower(s) elected to use ATI or Title Option Plus (T.O.P.) for title.  |
| <b>"Estimated Charge or Range of Charges" section:</b> | Three lines have been provided. Complete this section with the name of the charge, and the charge or fee quoted to the borrower(s), (i.e., ATI Owner's title insurance, ATI Owner's combined, TOP, etc.). |
| <b>"Borrower Signature" section:</b>                   | Borrower(s) sign to acknowledge their understanding that Norwest Mortgage, Inc. has a business relationship with ATI Title Company ("ATI").   |
| <b>"Lender" section:</b>                               | Complete this section with "Norwest Mortgage, Inc."   |
| <b>"By" section:</b>                                   | Signature of Norwest Mortgage, Inc. employee who completed the disclosure.  |

**Exhibit 10**

STEVEN T. FOSTER  
COMMISSIONER OF INSURANCE



BOX 1157  
RICHMOND, VIRGINIA 23209  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206

STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE

March 20, 1995

Mr. Stephen D. Morrison  
Senior Vice President  
Norwest Mortgage, Inc.  
405 S.W. 5th Street  
Des Moines, IA 50309-4626

Re: Title Option Plus (TOP)

Dear Mr. Morrison:

The above referenced matter has been referred to our legal counsel for an opinion as to whether the Title Option Plus (TOP) Program offered by Norwest Mortgage, Inc. constitutes the unauthorized business of insurance in the Commonwealth. We will advise you of our legal counsel's opinion as soon as we receive it.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Mary M. Bannister  
Deputy Commissioner  
Property and Casualty Division

MMB:dw

**Exhibit 11**

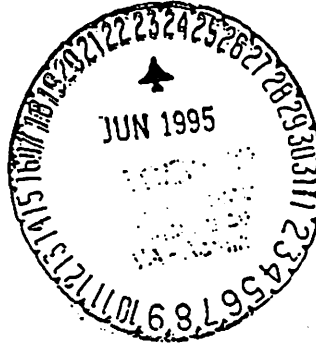
Stephen D. Morrison  
Senior Vice President  
Secretary and General Counsel

**NORWEST MORTGAGE**

Norwest Mortgage, Inc.  
405 S.W. 5th Street  
Des Moines, IA 50309-4626  
515/221-7520  
Fax 515/221-5192

June 22, 1995

Ms. Mary M. Bannister  
Deputy Commissioner  
Property and Casualty Division  
Virginia Bureau of Insurance  
Box 1157  
Richmond, VA 23209

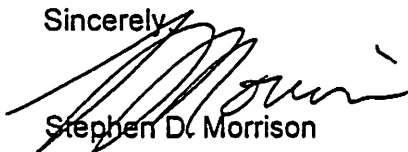


RE: Rule to Show Cause

I was disappointed to receive your fax of today setting a hearing for September 27, 1995 without first having an opportunity to review your legal analysis as you promised in your letter of March 20, 1995 (copy attached), or even hearing from you that any opinion had been formed about the status of TOP by your department. We have cooperated fully with your requests for information and our legal analysis since August of 1994, and we are upset and surprised that you apparently reached a decision without telling us about it and at least letting us review your legal analysis to see if we could agree with it or point out areas that might be flawed.

You should know that the Nebraska commissioner held a hearing similar to the one you propose, found in his own favor and issued a cease and desist order that has been quashed by the Nebraska District Court pending a de novo review of the "issue." The Court clearly stated that the "issue" was for it to decide.

Sincerely,



Stephen D. Morrison

SDM/dg

cc: Mike Keller  
Mike Fahey  
Dan Segersin  
Stan Stroup

**Exhibit 12**

# Chapter 39

## Title Insurance

### 39.1

#### General Freddie Mac requirements

Each Mortgage purchased by Freddie Mac must be covered by one of the following:

- A paid-up Mortgage title insurance policy meeting the requirements in Section 39.2, or
- An attorney's title opinion or certificate meeting the requirements in Section 39.3

PUD

Title insurance is mandatory for Mortgages on condominium or Planned Unit Development (PUD) units and Mortgages on a leasehold estate.

### 39.2

#### Title insurance policy requirements

Each title insurance policy must meet the following minimum requirements:

(a) Title insurer

The title insurance policy must be written by a title insurer legally able to do business in the jurisdiction where the Mortgaged Premises are located.

The policy must be fully enforceable and protective of the mortgagee's rights and comply with all other requirements of this section.

Selection or acceptance of the title insurance company by the Seller must be based solely on considerations, such as the comprehensiveness of the policy, the financial ability of the company to stand behind its commitment, the company's record on



**39.2**  
**Title insurance policy**  
**requirements**  
**(continued)**

settling claims and other considerations normally employed by institutional investors originating or purchasing Mortgages in the jurisdiction where the Mortgaged Premises are located. The selection or acceptance must not be based on receipt of any fee or other consideration by the Seller or its employees, officers or directors.

**(b) Amount of protection**

The title insurance policy must protect the mortgagee up to at least the current principal balance of the Mortgage.

**(c) Beneficiary**

The protection and benefits must run to Freddie Mac for Mortgages Purchased in Whole by Freddie Mac and to the Seller or the Servicer for Mortgages Purchased in Part by Freddie Mac.

**(d) Form**

The title insurance policy should be written on the 1987 or 1990 standard policy form of the American Land Title Association (ALTA) with the ALTA Form 8.1, Environmental Protection Lien Endorsement, included. Part (b) of ALTA Form 8.1 may make an exception only for specific State statutes that provide for possible subsequent "superliens" that could take priority over the Mortgage.

ALTA

If the title insurance policy is written on a form other than the 1990 ALTA standard policy form, the Seller must warrant that the coverage the policy provides is at least as broad as the coverage provided by the 1990 ALTA standard policy form, and the ALTA Form 8.1 endorsement must be included. The 1970 ALTA policy form is acceptable, provided the ALTA Form 8.1 endorsement is attached.

ARMs

For all adjustable-rate Mortgages (ARMs), the appropriate ALTA form for Variable Rate Mortgages (ALTA Form 6, Variable Rate Mortgage; ALTA Form 6.1, Variable Rate Mortgage--regulations; or ALTA Form 6.2, Variable Rate Mortgage--Negative Amortization) must be attached.

An ALTA 4 endorsement, or its equivalent, must be attached for each Condominium Unit Mortgage and an ALTA 5 endorsement, or its equivalent, must be attached for each PUD unit Mortgage.

**39.2**  
**Title insurance policy**  
**requirements**  
**(continued)**

A Seller may accept evidence of title insurance under a master title insurance policy for any Home Mortgage. Any Seller that accepts evidence of title insurance under a master title insurance policy represents and warrants as follows:

- The Seller has reviewed the title insurer's master policy documents including the certificate of title insurance or short-form title policy, the master policy with all endorsements and any other applicable documents; and, based on this review and on certifications from the title insurer, the Seller has confirmed that the master policy provides at least the amount and scope of coverage given by the ALTA standard policy and that the master policy otherwise meets the requirements of Section 39.2.
- The Seller has obtained from the title insurer a fully executed master title insurance policy issued in the Seller's name as insured. If the Mortgage is Purchased in Whole by Freddie Mac, the Seller will assign to Freddie Mac its rights in the policy to the extent of the Mortgage purchased. For Mortgages Purchased in Part by Freddie Mac the Seller need not assign its rights in the policy.
- The master policy has been approved by the applicable State or local authority where such approval is required.
- The insurer will replace the title insurance certificate with a full individual ALTA or similar policy upon 10 days' notice by Freddie Mac.

Freddie Mac may refuse to accept the master title insurance policy of any title insurer.

**(e) Survey requirements**

If the title company insuring the Mortgage or the attorney rendering the opinion of title requires a survey to remove exceptions to survey matters, the Seller must provide a survey of the Mortgaged Premises. The survey provided must conform to

- The title insurance company's or attorney's standards and
- Any applicable legal standards relating to surveys

**39.2****Title insurance policy  
requirements  
(continued)****(f) Exceptions**

When the title insurance policy takes exception to survey matters, other than those permitted under Section 39.4, the Seller must provide whatever information is required by the title insurance company to either remove the exception or obtain an endorsement providing the insurance required. If the title company will not issue a policy without a survey exception, Freddie Mac will not purchase the Mortgage. In addition, the title policy must not be subject to any title exceptions other than those permitted under Section 39.4.

**39.3****Opinions of title  
(certificates of title)**

An attorney's opinion of title is acceptable to Freddie Mac in lieu of a title insurance policy if all of the following conditions are met without exception:

1. The opinion must be addressed to the Seller and all successors in interest of the Seller.

2. The opinion must provide the following statement:

We [I] agree to indemnify you and your successors in interest in the [Mortgage] [deed of trust] opined hereto, to the full extent of any loss attributable to a breach of our [my] duty to exercise reasonable care and skill in the examination of the title and the giving of this opinion.

3. The opinion must be given by an attorney licensed to practice law in the jurisdiction where the Mortgaged Premises are located. The attorney must also be insured against malpractice in rendering opinions of title in an amount commonly prevailing in the jurisdiction, taking into account the volume of opinions rendered by the attorney.
4. The opinion must not take exception to survey matters. When the attorney's opinion takes exception to survey matters, the Seller must provide whatever information is required by the attorney to remove the exception. If the attorney will not issue the title opinion without a survey exception, Freddie Mac will not purchase the Mortgage. In addition, the opinion must not be subject to any title exceptions other than those permitted under Section 39.4.

**39.3**  
**Opinions of title**  
**(certificates of title)**  
**(continued)**

5. The Mortgage must not be secured by a unit in a condominium or PUD or a dwelling on a leasehold estate.
6. Attorney's opinions of title must be commonly acceptable in lieu of title insurance by private institutional Mortgage investors in the area where the Mortgaged Premises are located.

---

**39.4**

**Acceptable exceptions**  
**to title insurance or to**  
**attorney's opinion of**  
**title**

The following exceptions to the title insurance policy or to the attorney's opinion of title are acceptable:

**(a) Subsurface public utility easements**

Exceptions for subsurface public utility easements for local residential distribution, such as lines for gas and water, and cable for electric, telephone or television utilities, are acceptable provided that the location of the easements is ascertainable and fixed. The exercise of the rights thereunder must not interfere with the use and enjoyment of any present improvements on the Mortgaged Premises or proposed improvements on which the appraisal or Mortgage is based.

**(b) Surface public utility easements**

Exceptions for surface easements for public utilities for local residential distribution are acceptable provided that the location of the easements is ascertainable and fixed. The exercise of the rights thereunder must not interfere with the use and enjoyment of any of the following:

- Present improvements on the Mortgaged Premises
- Proposed improvements upon which the appraisal or Mortgage is based
- Part of the Mortgaged Premises outside the easement and not occupied by improvements

**39.4**

**Acceptable exceptions  
to title insurance or to  
attorney's opinion of  
title  
(continued)**

**(c) Encroachments on public utility easements**

Exceptions for encroachments on easements for public utilities by a garage, tool shed or similar structure that is not attached to, or a portion of, the dwelling structure are acceptable provided that the encroachments do not interfere with the use and enjoyment of the easements or the exercise of rights of repair and maintenance in connection therewith.

**(d) Restrictive agreements**

Exceptions for restrictive agreements or restrictive covenants of record related to cost, use, setback, minimum size and building materials, and architectural, aesthetic or similar matters (other than single-family-use restrictions on 2-4 unit properties) are acceptable provided that the following conditions are met:

- The restrictive agreements or restrictive covenants do not create or provide for any lien that would be prior to the lien of the Home Mortgage nor provide for the elimination of the lien of the Home Mortgage.
- The terms and provisions of the restrictive agreements or restrictive covenants are commonly acceptable to private institutional Mortgage investors in the area where the Mortgaged Premises are located.
- An endorsement to the title insurance policy affirmatively insures that no violation of any such restrictive agreement or restrictive covenant exists and that any future violation shall not result in forfeiture or reversion of title.

**(e) Mutual easement agreements**

Exceptions for mutual easement agreements of record that establish a joint driveway or a party wall are acceptable if such improvements are constructed in any of the following ways:

- Partly on the Mortgaged Premises and partly on adjoining property, or
- Wholly on the Mortgaged Premises, or
- Wholly on the adjoining property

**39.4****Acceptable exceptions  
to title insurance or to  
attorney's opinion of  
title****(continued)**

The easement agreement must allow all present and future owners and their heirs, successors and assigns forever, unlimited use and enjoyment of the driveway or party wall without any restriction other than restriction by reason of the mutual easement owners' rights in common and duties for joint maintenance.

**(f) Fence misplacements**

Exceptions for fence misplacements on either side of the property line of the Mortgaged Premises, are acceptable provided that neither the misplacement, nor a future correction thereof, will interfere with the use and enjoyment of any improvements on the Mortgaged Premises nor with the use and enjoyment of the balance of the Mortgaged Premises not occupied by improvements. The definition of fence in this section shall not include retaining walls or other permanent structures.

**(g) Encroachments on the Mortgaged Premises by improvements on adjoining property**

Exceptions for encroachments on the Mortgaged Premises by improvements on adjoining property are acceptable provided that the following conditions are met:

- The encroachment must not touch any improvements on the Mortgaged Premises.
- The encroachment must not interfere with the use and enjoyment of any improvements on the Mortgaged Premises nor with the use and enjoyment of the Mortgaged Premises not occupied by improvements.

**(h) Encroachments on adjoining property**

Exceptions for encroachments on adjoining property by eaves or other projections attached to improvements on the Mortgaged Premises, or by structures such as tool sheds, or by a driveway appurtenant to the Mortgaged Premises are acceptable provided that there is an endorsement to the title insurance policy whereby the policy affirmatively insures against loss suffered by reason of the entry of a decree or court order requiring the removal of the encroachment.

**39.4**

**Acceptable exceptions  
to title insurance or to  
attorney's opinion of  
title  
(continued)**

**(i) Oil, gas, water and mineral rights**

Exceptions for outstanding oil, gas, water or mineral rights are acceptable if commonly granted by private institutional Mortgage investors in the area where the Mortgaged Premises are located, and

- The exercise of such rights will not result in damage to the Mortgaged Premises or impairment of the use or marketability of the Mortgaged Premises for residential purposes and there is no right of surface or subsurface entry within 200 feet of the residential structure, or
- There is a comprehensive endorsement to the title insurance policy that affirmatively insures the lender against damage or loss due to the exercise of such rights

**(j) Liens for taxes not due**

Exceptions for liens for real estate or ad valorem taxes and assessments that specifically state that such liens are not yet due and payable are acceptable.

**(k) Sums readvanced**

This includes the priority of the lien for any sum repaid and subsequently readvanced under the terms of the Mortgage insured thereby.

**(l) Tenants in possession**

Exceptions for rights of tenants in possession, as tenants only, under prior unrecorded leases, are acceptable.

**(m) Other exceptions**

Any exception not set forth above in Sections 39.4(a)–39.4(l) is acceptable only if all of the following conditions are met:

1. The subject of the exception must not interfere with the use and enjoyment of any present or proposed improvements on the Mortgaged Premises or with the use and enjoyment of the balance of the Mortgaged Premises not occupied by improvements.
2. The subject of the exception must not affect the marketability of the Mortgaged Premises.
3. The subject of the exception must have no or minimal effect on the value of the Mortgaged Premises.

## 39.4

Acceptable exceptions  
to title insurance or to  
attorney's opinion of  
title  
(continued)

4. The subject of the exception must be acceptable to the MI if the Mortgage is insured.
5. The subject of the exception must be commonly acceptable to private institutional Mortgage investors in the area where the Mortgaged Premises are located.

The Seller shall warrant that all exceptions to the title insurance policy or to the attorney's opinion of title are permissible under this section. Freddie Mac will not issue any letters addressing the acceptability of particular exceptions nor waivers of the above requirements.

---





**Exhibit 13**

**ATI TITLE COMPANY**

**FINAL TITLE CONDITION CERTIFICATE**

*The undersigned hereby certifies unto: NORWEST MORTGAGE, INC. that according to the records of said county the security instrument recorded on the 23rd day of November in the year 1994, in Book 9297 at Page 58 (or instrument #94-257327, of the land records of Fairfax County, State of Virginia, evidences a valid, first, senior and paramount lien in your favor upon real estate described as:*

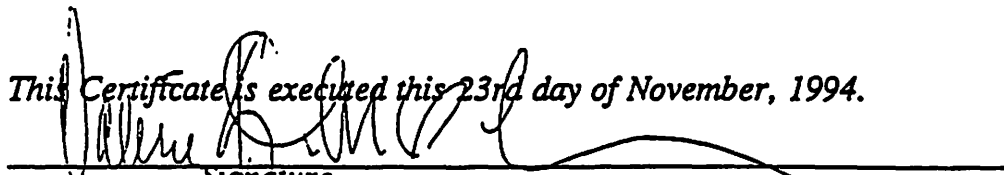
**All of Lot Thirty-Eight-A (38-A) of a resubdivision of Lots 37, 38 and 39, SINGING PINES, as said resubdivision is duly dedicated, platted and recorded in Deed Book 1124 at Page 48, of the land records of Fairfax County, Virginia.**

*subject to no other liens or encumbrances appearing in the public records of said County, as reflected by a complete search of said records as of the date of this Certificate.*

*The fee simple title to the above-described real estate is at the date of this certificate vested of record in:*

**THOMAS F. SHIELDS**

*This Certificate is executed this 23rd day of November, 1994.*

  
Signature

**Exhibit 14**



## Consumer Title Status Election First Lien Options - PURCHASE

### Estimated Cost Comparison

\$ 222,750.00  
(Proposed Loan Amount)

\$ 234,500.00  
(Purchase Price)

Cost	Option A Lender's Title Insurance (3)	Option B Lenders and Owners Title Insurance (4)	Option C ATI Title Condition Report (5)	Option C's Savings Over Option A	Option C's Savings Over Option B
Premium	585.20	899.00	662.00		
Endorsement Fees (1)	50.00	50.00	-0-		
Abstract Fee (if separately charged)	150.00	150.00	-0-		
Survey or Plat drawing (2)	225.00	225.00	-0-		
Total Estimate	1010.20	1324.00	662.00	348.20	

### Footnotes

(1) Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$50 or more. Lenders using the ATI Title Condition Report do not require these endorsements.

(2) No survey or plat drawing is required when an ATI Title Condition Report is issued. Depending upon the geographic area, these costs can vary significantly. Costs in the \$75 to \$100 range are typical.

(3) Lender's title insurance cost is based upon loan amount. Lender's title insurance affords protection, to the Lender only, against title defects. Lender's title insurance will not be provided by ATI unless Borrower elects option B and elects to use ATI in a state where ATI is licensed to sell title insurance. In some states this cost may be less than estimated here if certain conditions are satisfied.

(4) Owner's title insurance cost is customarily based upon Purchase Price. The cost shown in this column assumes that the owner's policy is purchased in conjunction with a lender's policy. Norwest Mortgage does not require the Borrower to obtain an owner's policy. Please ask your Norwest Sales Representative any questions you have about owner's title insurance.

(5) Owner's Title Insurance coverage is not available if the ATI Title Condition Report is elected.

### Disclosure

ATI is a wholly owned subsidiary of Norwest Mortgage, Inc. Selection of ATI as a provider of title insurance or a Title Condition Report is not a condition for the granting of a loan by Norwest Mortgage, Inc.

### Election

- ☐ Option A  
☐ Option B  
☒ Option C (not available if option A or B are elected)

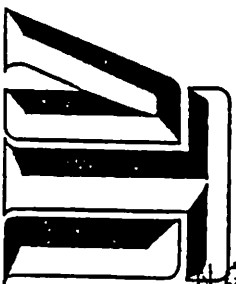
Phyllis H. Cooper      6-20-95  
Borrower's Signature      Date

\_\_\_\_\_  
Borrower's Signature

\_\_\_\_\_  
Date

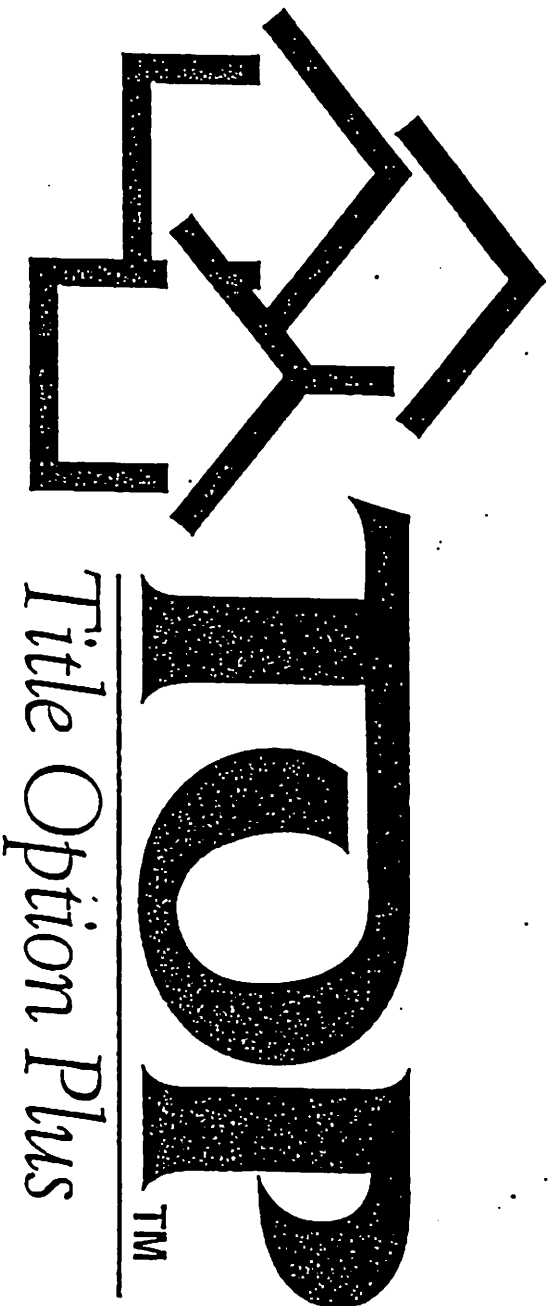
N401454

**Exhibit 15**



N400036

497



Norwest Mortgage  
Cost & Time Saving Title Protection



# **TOP IS NOT Insurance**

- Norwest is assuming its own risk for the evaluation of title





# **Save Cash On Lender's Title Protection**

---

## ***Title Option Plus (TOP)***

- Saves borrowers at least 10% on the cost of Lender's title protection
- Meets Norwest's requirement for Lender's title protection

---

# WHAT'S IN IT FOR ME ?

- ANOTHER NORWEST FIRST
- COST SAVINGS TO BORROWER
- MORE BUSINESS
- INCOME POTENTIAL
- MANAGEMENT CREDIT TO BRANCH P & L
- CONTEST FOR LO'S, STAFF & BRANCH

---

# **ATI    *IS PARTNERING WITH*    NMI**

- **NMI IS MAKING A DECISION BASED ON  
ATI'S EVALUATION**
- **NORWEST IS ASSUMING & MANAGING  
THE RISKS**
- **THEREFORE....  
MAKING IT LESS COSTLY TO THE  
CONSUMER BY AT LEAST 10 %**

# ABOUT ATI

- ATI Is A Wholly Owned Subsidiary Of Norwest Mortgage
- Offices In 13 States
  - Others Scheduled To Open Soon
- History
  - 1978 - An Omaha Nebraska Company
  - 1990 - Acquired By Norwest Corporation
  - 1992 - Became Part Of Norwest Mortgage

---

# **WHY IS THIS NOT INSURANCE?**

- WE ARE MANAGING OUR OWN RISK**
- WE ARE NOT PAYING OUT TO A THIRD  
PARTY FOR COVERAGE**

---

# **SECONDARY MARKET APPROVAL**

N400043

- **FHA**
- **VA**
- **GINNIE MAE**
- **FREDDIE MAC**

504

**(FNMA PENDING)**

---

TOP

## **Why Is TOP Acceptable On The Secondary Market? (Acceptable to *INVESTORS*)**

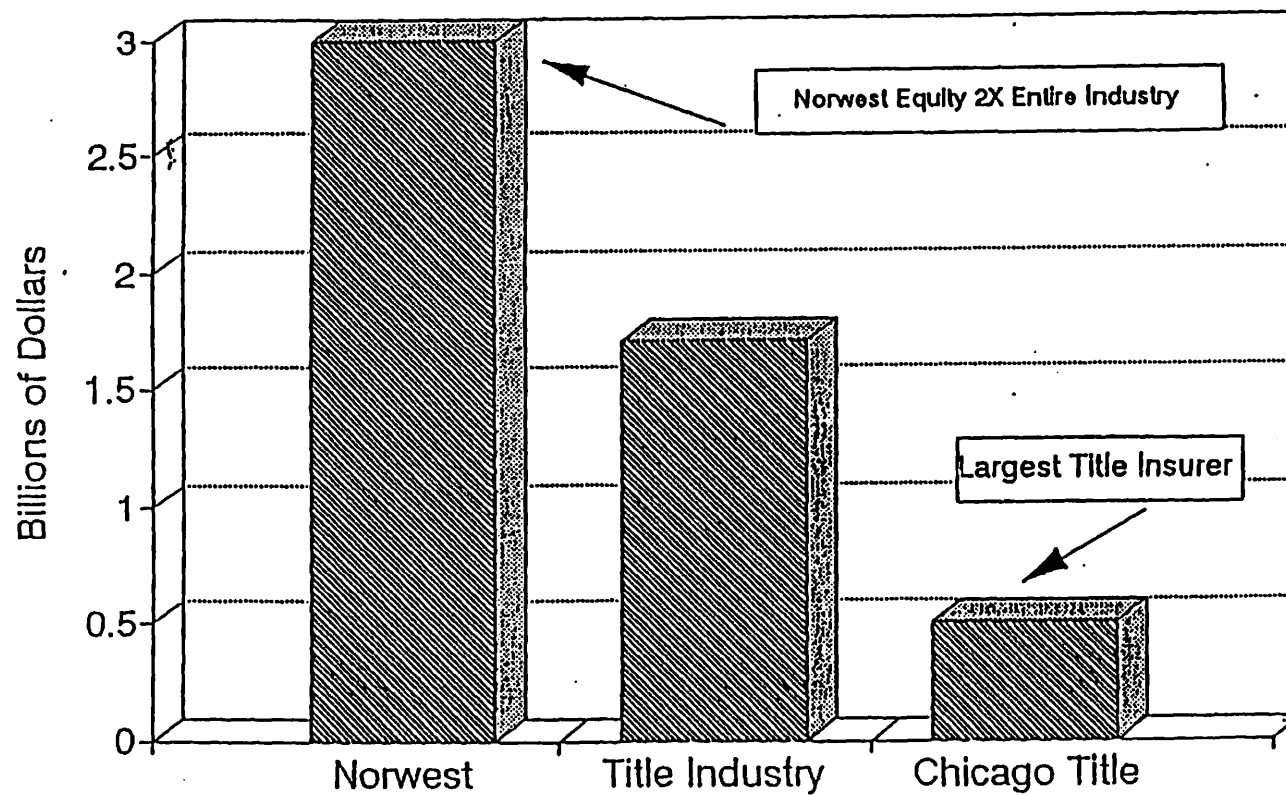
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*Only Norwest is approved to offer this value-added service:*

- Norwest is recognized by investors as a high quality lender
- Norwest's net worth is (3) three times greater than the title industry on a whole
- Norwest's size and financial strength can back up our TOP business

# TOTAL STOCKHOLDERS EQUITY

## Norwest vs. Entire Title Industry





# **Not A New Concept**

## ***Similar type of Risk Management:***

- Used prior to secondary market
- Used today by most second lenders

***The TOP title review process is identical to the title insurance title review process***

---

# **HOW CAN WE OFFER FOR LESS \$ ?**

N400047

**- WE USE OUR OWN EMPLOYEES OR**

508

**THOSE APPROVED BY US!**

---

**IS NORWEST AT RISK? YES**

**HOWEVER.....**

**ATI HAS EXPERIENCED LOSSES OF  
LESS THAN 1 % COMPARED TO  
THE INDUSTRY AVERAGE OF 6 %**

509

**NOTE... MAJORITY OF INDUSTRY LOSSES**

**-NEW CONSTRUCTION**

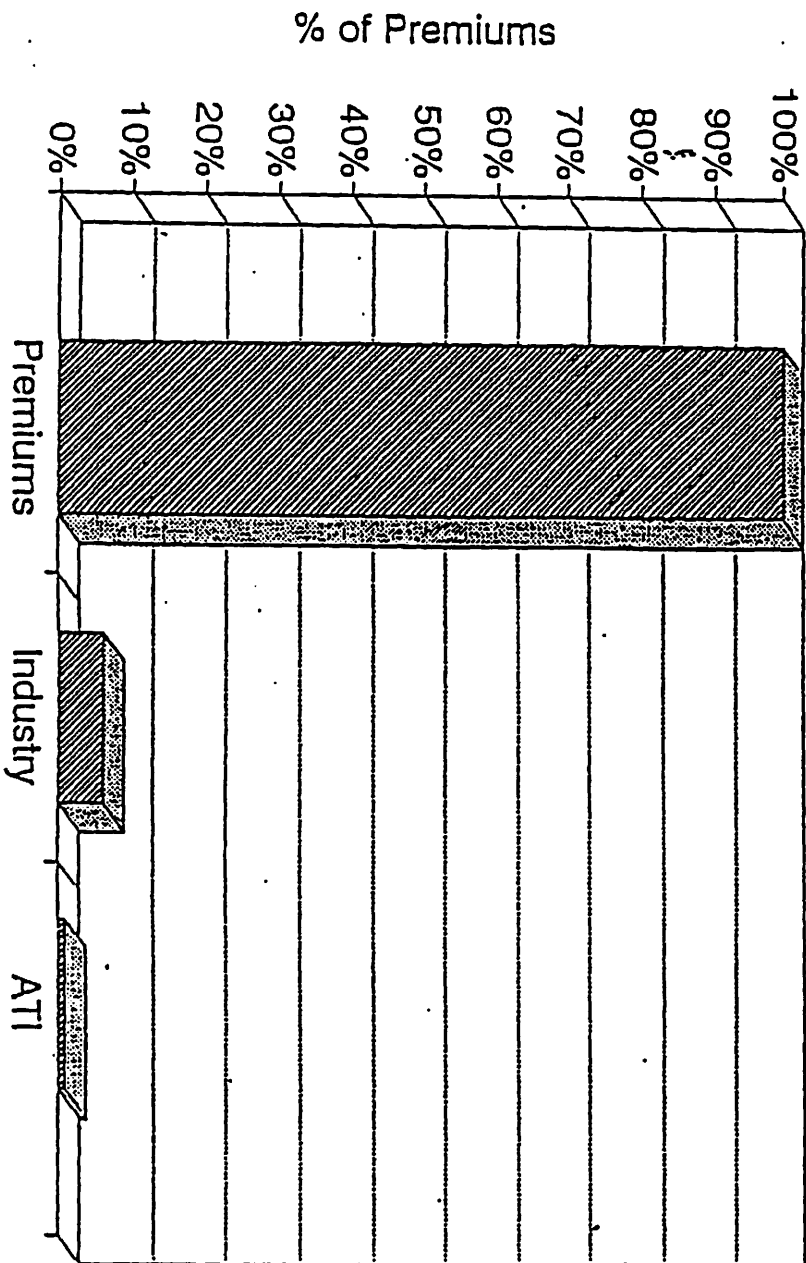
**-COMMERCIAL PROPERTIES**

**-AGENCY FRAUD**

---

TOP

# COMPARATIVE LOSS RATIOS ATI and INDUSTRY



# Why Is Norwest Offering TOP?

---

- Norwest believes that the consumer should be provided the best product at the lowest possible price and that the development & marketing of such a service is . . . .

**THE RIGHT THING TO DO!**

---

**If 100% of Norwest's  
1993 customers used  
TOP they would have  
saved \$39 million**

---



N400052

# When Your Customers Win... You Win.

---

- Save your customers cash  
out of pocket!

513



---

# ALLOWABLE PRODUCTS FOR TOP

REFINANCES & PURCHASES OF  
EXISTING PROPERTIES (NO CONDO'S)

FHA/VA      GRADES: A, B, & 1

CONV.      GRADES: N, L, O, T, P

*Gov.* 2, 3, 5,

M, X, Y, (BLENDED)

NORWEST 90



---

# PRODUCTS NOT ELIGIBLE FOR TOP

- NEW CONSTRUCTION
  - CONDOMINIUMS
  - JUMBO LOANS (EXCEPT 2,3,5)
  - BROKER BUSINESS
  - BOND PROGRAMS
  - FNMA GRADES (TEMPORARILY)
- W, K, H, & S

515

---

## NO OWNERS POLICY

<b>REFINANCES:</b>	<b>If previously purchased owner is still covered.</b>
<b>PURCHASES:</b>	<b>TOP protects lender but... indirectly protects borrower.</b>
<b>HOW?</b>	<b>ATI will not issue TOP unless title is clear.</b>
<b>THEORY:</b>	<b>"Since the lender is satisfied it must be reasonable safe."</b>

---

# NO SURVEY

TOP IS USED ON EXISTING  
RESIDENTIAL ONLY!

therefore.....

RISK OF LOSS RESULTING FROM  
SURVEY MATTERS IS SLIGHT.

**NOTE:** If borrower is concerned they  
should make their own decision.

---

# PROCEDURE

N4C0057

## APPLICATION:

- Use Controlled Business Disclosure  
(NMFL # 3191)
- Complete ATI Consumer Election  
Option Form

518

## SUPPORT STAFF:

- Complete TOP order form
- Fax to ATI Servicing Center

---

# **PROCEDURE (cont.)**

N400058

## **ATI SERVICE CENTER:**

- Conducts Searches**
- Issues Title Condition Report**  
**(Replaces Title Commit./Attorneys Opinion)**
- Report indicates steps needed to obtain a**  
**1st Lien for Norwest.**
- Issues Final Condition Certificate after closing**

519

---

# **BENEFIT TO BRANCH**

**- MORE BUSINESS**

**- SOFT DOLLAR CREDITS**

**20 % OF TOP PRODUCT COST**

**20 % OF CLOSING FEE**

**(If ATI provides settlement)**

# TOP CONTEST PRIZES

- Loan Originator
  - Choice Of TOP Trip For Two
- Support Staff
  - Choice Of TOP Trip For Two
- Branch (3 Awards)
  - \$1000 For A Celebration Of Choice

**Exhibit 16**



00725-55 01.0114 FROM NORWEST NORWEST 10 11006-10000 1007

**Virginia-Winchester**



**A Norwest/ATI Exclusive**

**Loan Amount \$ 100,000/ Sales Price \$110,000**



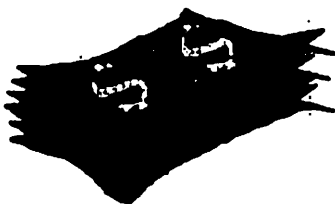
*what if....*

***Your customer wants an Owner's policy???***

***The buyer can still select TOP and save \$\$\$!!***

	<b><u>"TRADITIONAL"</u></b> (Lender/Owner's )	<b><u>TOP PLUS</u></b> (Owner's/TOP Cert.)	<b><u>LENDER'S</u></b> (Lender's Protection Only)	<b><u>TOP</u></b> (NMI Protection)
Owner's	\$424	\$424	NA	NA
Lender's	\$ 50	\$ 10	\$290	\$261
Endorsements	\$ 50	\$ 0	\$ 50	\$ 0
Survey	\$300	\$ 0	\$300	\$ 0
Title Exam	<u>\$200</u>	<u>\$200</u>	<u>\$200</u>	<u>\$180</u>
Total	\$1024	\$634	\$840	\$441

(Note: Attorney Settlement Charge additional)



***Why Pay More ?????***

N400021



## **TOP FEE ADVANTAGE SCHEDULE**

### **VIRGINIA**

(Effective March 10, 1994)

1. Estimated Lender's Title Premium rates are issued for the full value of the loan amount.
2. Estimated Owner's and Mortgagee Combined Cost is based on the sales price of the property.
3. The quoted title insurance rates, and TOP fees do not include the cost of surveys or special inspections.
4. Re-Issue rate: If a refinancing borrower provides a copy of the owner's title policy within 48 hours of selecting Title Option Plus, and the policy was issued during the preceding 10 years, the charge will be 60% of the standard fee. TOP will always be 90% of the calculated refinance fee.
5. TOP fee does not include closing or similar settlement charges.
6. Lenders Title Insurance Rates: (Minimum \$85)  
\$2.90 per thousand up to loan amounts of \$100,000.  
\$2.40 per thousand additional for amounts over \$100,000 up to \$500,000 plus \$290.00.
7. Owner's and Mortgagee's Combined Title Insurance Rates: (Minimum \$100.00)  
\$3.90 per thousand for purchase price up to \$100,000 plus \$50 for simultaneous issue.  
\$3.40 per thousand additional for amounts over \$100,000 up to \$500,000 plus \$390 plus \$50.00 for simultaneous issue.
8. Title Option Plus is 90% of cost for total lender's coverage including abstracting cost.
9. Title Option Plus with the purchase of an Owner's Policy from ATI Title Company will be \$10.  
(Note: Normal market abstracting costs will be charged with the Owner's Policy.)

Bev Stierna  
Top Marketing Representative  
(617) 224-3370  
Voice Pager (800) 370-9738

N400023



## Virginia-Winchester

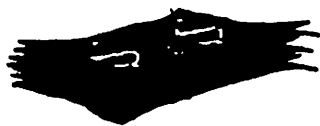
<i>Loan Amount</i>	<b>\$100,000</b>
<i>Sales Price</i>	<b>\$110,000</b>



*What if... ???*

The **Buyer** selects **TOP** instead of purchasing *Traditional Title Insurance*

	<u>NOW</u>	<u>TOP</u>
LENDER'S	\$ 290	\$261
ENDORSEMENTS	\$ 50	\$ 0
SURVEY	\$300 (or more)	\$ 0
TITLE SEARCH	(Inc. in Settlement)	\$180
SETTLEMENT	\$400	\$200
TRANSACTION TOTAL	\$1040	\$641



**Buyer Saves \$399 and Norwest's requirements are met!!** N400022

VIRGINIA\*

## TOP FEE ADVANTAGE SCHEDULE



LOAN SIZE	ESTIMATED LENDER'S TITLE PREMIUM	ABSTRACT SEARCH FEE	TITLE OPTION PLUS ESTIMATE
35,000	102	200	271
36,000	104	200	274
37,000	107	200	277
38,000	110	200	279
39,000	113	200	282
40,000	116	200	284
41,000	118	200	287
42,000	122	200	290
43,000	125	200	292
44,000	128	200	296
45,000	131	200	297
46,000	133	200	300
47,000	138	200	303
48,000	139	200	306
49,000	142	200	308
50,000	146	200	311
51,000	148	200	313
52,000	151	200	316
53,000	154	200	318
54,000	157	200	321
55,000	160	200	324
56,000	162	200	328
57,000	165	200	329
58,000	168	200	331
59,000	171	200	334
60,000	174	200	337
61,000	177	200	339
62,000	180	200	342
63,000	183	200	344
64,000	186	200	347
65,000	189	200	350
66,000	191	200	352
67,000	194	200	355
68,000	197	200	357
69,000	200	200	360
70,000	203	200	363
71,000	206	200	366
72,000	209	200	368
73,000	212	200	371
74,000	215	200	373
75,000	218	200	376
76,000	220	200	378
77,000	223	200	381
78,000	226	200	384
79,000	229	200	386

\*Effective 3/29/95  
Winchester



OWNER'S TITLE PREMIUM	LENDER'S SIMULT. ISSUE	TOP WITH ATT OWNER'S
137	50	10
140	50	10
144	50	10
148	50	10
152	50	10
156	50	10
160	50	10
164	50	10
168	50	10
172	50	10
176	50	10
179	50	10
183	50	10
187	50	10
191	50	10
195	50	10
199	50	10
203	50	10
207	50	10
211	50	10
215	50	10
219	50	10
222	50	10
226	50	10
230	50	10
234	50	10
238	50	10
242	50	10
246	50	10
250	50	10
254	50	10
257	50	10
261	50	10
265	50	10
269	50	10
273	50	10
277	50	10
281	50	10
285	50	10
289	50	10
293	50	10
296	50	10
300	50	10
304	50	10
308	50	10

N400024

## VIRGINIA\*

LOAN SIZE	ESTIMATED LENDER'S TITLE PREMIUM	ABSTRACT SEARCH FEE	TITLE OPTION PLUS ESTIMATE
80,000	232	200	399
81,000	236	200	391
82,000	238	200	394
83,000	241	200	397
84,000	244	200	399
85,000	247	200	402
86,000	249	200	404
87,000	252	200	407
88,000	255	200	410
89,000	258	200	412
90,000	261	200	415
91,000	264	200	418
92,000	267	200	420
93,000	270	200	423
94,000	273	200	425
95,000	279	200	428
96,000	278	200	431
97,000	281	200	433
98,000	284	200	436
99,000	287	200	438
100,000	290	200	441
101,000	282	200	443
102,000	285	200	446
103,000	287	200	447
104,000	300	200	450
105,000	302	200	452
106,000	304	200	454
107,000	307	200	456
108,000	308	200	458
109,000	312	200	460
110,000	314	200	463
111,000	316	200	465
112,000	318	200	467
113,000	321	200	469
114,000	324	200	471
115,000	326	200	473
116,000	328	200	475
117,000	331	200	478
118,000	333	200	480
119,000	336	200	482
120,000	338	200	484
121,000	340	200	486
122,000	343	200	489
123,000	345	200	491
124,000	348	200	493
125,000	350	200	495
126,000	352	200	497
127,000	355	200	499
128,000	357	200	501
129,000	360	200	504
130,000	362	200	506
131,000	364	200	508
132,000	367	200	510

OWNER'S TITLE PREMIUM	LENDER'S SIMULT. ISSUE	TOP WITH ATT OWNER'S
312	50	10
316	50	10
320	50	10
324	50	10
328	50	10
332	50	10
335	50	10
339	50	10
343	50	10
347	50	10
351	50	10
355	50	10
359	50	10
363	50	10
367	50	10
371	50	10
374	50	10
378	50	10
382	50	10
386	50	10
390	50	10
393	50	10
397	50	10
400	50	10
404	50	10
407	50	10
410	50	10
414	50	10
417	50	10
421	50	10
424	50	10
427	50	10
431	50	10
434	50	10
438	50	10
441	50	10
444	50	10
448	50	10
451	50	10
455	50	10
459	50	10
461	50	10
465	50	10
469	50	10
472	50	10
475	50	10
478	50	10
482	50	10
485	50	10
489	50	10
492	50	10
495	50	10
499	50	10

\*Effective 3/29/95  
Winchester

527.

N400025

## VIRGINIA \*

LOAN SIZE	ESTIMATED LENDER'S TITLE PREMIUM	ABSTRACT SEARCH FEE	TITLE OPTION PLUS ESTIMATE
133,000	369	200	612
134,000	372	200	614
135,000	374	200	617
136,000	376	200	619
137,000	379	200	621
138,000	381	200	623
139,000	384	200	625
140,000	386	200	627
141,000	388	200	630
142,000	381	200	632
143,000	383	200	634
144,000	386	200	636
145,000	388	200	638
146,000	400	200	640
147,000	403	200	643
148,000	406	200	646
149,000	408	200	647
150,000	410	200	649
151,000	412	200	651
152,000	416	200	653
153,000	417	200	655
154,000	420	200	658
155,000	422	200	660
156,000	424	200	662
157,000	427	200	664
158,000	429	200	666
159,000	432	200	669
160,000	434	200	671
161,000	436	200	673
162,000	439	200	676
163,000	441	200	677
164,000	444	200	679
165,000	446	200	681
166,000	446	200	684
167,000	451	200	686
168,000	453	200	688
169,000	456	200	690
170,000	458	200	692
171,000	460	200	694
172,000	463	200	697
173,000	466	200	699
174,000	468	200	801
175,000	470	200	803
176,000	472	200	806
177,000	475	200	807
178,000	477	200	809
179,000	480	200	812
180,000	482	200	814
181,000	484	200	816
182,000	487	200	818
183,000	489	200	820
184,000	482	200	822
185,000	494	200	825

OWNER'S TITLE PREMIUM	LENDER'S SIMULT. ISSUE	TOP WITH ATI OWNER'S
602	60	10
606	60	10
608	60	10
612	60	10
616	60	10
619	60	10
623	60	10
626	60	10
627	60	10
629	60	10
633	60	10
636	60	10
640	60	10
643	60	10
646	60	10
650	60	10
653	60	10
657	60	10
660	60	10
663	60	10
667	60	10
670	60	10
674	60	10
677	60	10
680	60	10
684	60	10
687	60	10
691	60	10
694	60	10
697	60	10
801	60	10
804	60	10
806	60	10
811	60	10
814	60	10
818	60	10
821	60	10
826	60	10
828	60	10
831	60	10
835	60	10
838	60	10
842	60	10
846	60	10
848	60	10
852	60	10
855	60	10
858	60	10
862	60	10
865	60	10
868	60	10
872	60	10
876	60	10
879	60	10

\*Effective 3/29/95  
Winchester



## Virginia-Winchester

*Loan Amount - \$100,000 / Sales Price - \$110,000*



*What if your customer wants an Owner's Policy?*

**The Buyer can still select TOP and Save \$\$\$ !!**

	<u>NOW</u>	<u>TOP PLUS</u>
OWNER'S	\$424	\$424
LENDER'S	\$ 50 (Simultaneous issue)	\$ 10
ENDORSEMENTS	\$ 50	\$ 0
SURVEY	\$300 (or more)	\$ 0
TITLE SEARCH	(Inc. in settlement)	\$200
SETTLEMENT	\$400	\$200
TRANSACTION TOTAL	\$1224	\$834



***Buyer Saves \$390 and still receives an Owner's Policy  
from ATI!... and Norwest's requirements are met!!***

N400027

**Exhibit 17**



**VIRGINIA**  
***Southern Area***



<i>Loan Amount</i>	<b>\$100,000</b>
<i>Sales Price</i>	<b>\$110,000</b>



*What if... ???*

The **Buyer** selects **TOP** instead of purchasing a Lender's Policy.

	<u><b>NOW</b></u>	<u><b>TOP</b></u>
<b>LENDER'S</b>	<b>\$290</b>	<b>\$261</b>
<b>ENDORSEMENTS</b>	<b>\$ 50</b>	<b>\$ 0</b>
<b>SURVEY</b>	<b>\$200</b>	<b>\$ 0</b>
<b>TRANSACTION TOTAL</b>	<b>\$540</b>	<b>\$261</b>



***Buyer Saves \$279 and Norwest's requirements are met!!***

N400028

## VIRGINIA Southern Area



<i>Loan Amount</i>	<b>\$100,000</b>
<i>Sales Price</i>	<b>\$110,000</b>



*What if your customer wants an owner's policy?*

**The Buyer can still select TOP and Save \$ !!**

	<u>NOW</u>	<u>TOP</u>
OWNER'S	\$429	\$429
LENDER'S	\$50 (Simultaneous issue)	\$10
ENDORSEMENTS	\$50	\$ 0
SURVEY	\$200	\$ 0
TRANSACTION TOTAL	\$729	\$439



**Buyer Saves \$290 and still receives an Owner's Policy N400029  
from ATI!... and Norwest's requirements are met!!**

**VIRGINIA (SOUTHERN)****LPO #1009- Virginia Beach****LPO #8016- Newport News****LPO #1011 -Chesapeake****Area Manager - Bart Auer 804-490-4546**

Closing attorneys will be conducting the title search for ATI. This charge is included in the normal attorney fees charged to the borrower at closing.

ATI will receive the title search from the attorney and produce the TOP Title Condition Report, which will be faxed to both the Norwest Closing Attorney and the Norwest Branch.

**ATTORNEYS TO CLOSE TOP LOANS****Virginia Beach-**

<b>Ernie Consolvo</b>	<b>804-490-2711</b>	<b>fax: 804-497-2711</b>
<b>Bob Ruloff</b>	<b>804-671-6000</b>	<b>fax: 804-671-6003</b>

**Newport News-**

<b>Robert Harris</b>	<b>804-722-2131</b>	<b>fax: 804-722-6411</b>
<b>Stuart Spirn</b>	<b>804-229-4281</b>	<b>fax: 804-229-7439</b>

**??? Not contacted yet-- Jones, Blechman, Woltz & Kelly 804-873-8000**

**Chesapeake-**

<b>Steve Whitiger</b>	<b>804-424-2803</b>	<b>fax: 804-424-0879</b>
-----------------------	---------------------	--------------------------

**Norfolk-**

<b>Larry Lambert</b>	<b>804-490-2649</b>	<b>fax: 804-671-3340</b>
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**(Peggy Bridgers) Can also close in Virginia Beach & Chesapeake.**

**??? Left message- but not spoken to yet--**  
**James & Carlson (Randy Carlson) 804-627-6568**

N400030



## **TITLE OPTION PLUS CONTACT PERSONS**

### **Southern Virginia**

To better serve your needs please contact the following persons for your TOP loans.

**Eileen Hanna**

New orders, Status, Updates or Closing Dates

or

**Steven MacKinnon**

**804-673-3366**

**FAX: 804- 673-9012**

**If there is any involved problem or situation please contact:**

**Tony Byrne**

**ATI District Manager/Counsel -Southeastern States  
Falls Church, VA 703-641-5900**

Please continue to call me at any time with your marketing , product & procedure questions, etc.. Also, feel free to inform me of any situations that should arise that I can either assist you with or that you feel I should be aware of.

**Bev Stierna  
TOP Marketing Representative  
617-224-3370 or Voice Mail 1-800-370-9738**

**(Dan Segersin, National TOP Manager 612-832-9740)**

N400031

*Please pass this information on to the appropriate sales/staff personnel & your TOP settlement agents.*

FAX DATE \_\_\_\_\_  
ATI Number: \_\_\_\_\_

# Title Option Plus ( T.O.P.) Order Request Fax Sheet

FAX TO::	ATI / Title Option Plus Service Center	Attention: T.O.P. Order Department
Address:	<u>5540 Falmouth St., #100</u>	Phone: <u>(804) 673-3366</u>
	<u>Richmond, VA 23220</u>	Fax #: <u>(804) 673-9012</u>

---

**NMI Branch Information:**

Branch #: _____	Sales Person: _____
Location: _____	Order Contact: _____
City _____ State _____	
Phone #: (_____) _____	Fax # (_____) _____

**NMI Loan Information:**

Loan Product Code: _____	Loan Amount: \$ _____
Loan Number: _____	Purchase Price \$ _____
Refinance or Purchase (circle) _____	Est. Closing Date: _____

**Property Information:**

Seller(s) Name: (if applicable) \_\_\_\_\_

Borrower(s) Name(s): \_\_\_\_\_ SS Number: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Property Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ County: \_\_\_\_\_

Legal Description: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Note: If property is rural, or description is lengthy, attach a property description, if available, to ensure accuracy and to speed up the title searching process. Attach a copy of the existing Title Insurance Policy, if available & copy of Purchase Contract on buy/sells. Thank you.

**ATI to order the following:**

\_\_\_\_\_ TOP Coverage only (Refinance or no Owner's Policy) Fee Quoted: \$ \_\_\_\_\_

\_\_\_\_\_ TOP Coverage for NMI and full Owner's Policy of \$ \_\_\_\_\_

Fees Quoted: Full Owner's \$ \_\_\_\_\_ TOP \$ \_\_\_\_\_

**PLEASE FAX AN ADDITIONAL COPY OF THE T.O.P. TITLE CONDITION REPORT TO:**

Norwest Attorney	Seller's Attorney or Realtor etc...
Name : _____	Name: _____
Addr: _____	Addr: _____
_____	_____

N400032



**TOP FEE ADVANTAGE SCHEDULE**

**VIRGINIA**  
***Southern Area***  
(Effective March 10, 1994)

1. Estimated Lender's Title Premium rates are issued for the full value of the loan amount.
2. Estimated Owner's and Mortgagee Combined Cost is based on the sales price of the property.
3. The quoted title insurance rates, and TOP fees do not include the cost of surveys or special inspections.
4. Re-Issue rate: If a refinancing borrower provides a copy of the owner's title policy within 48 hours of selecting Title Option Plus, and the policy was issued during the preceding 10 years, the charge will be 60% of the standard fee. TOP will always be 90% of the calculated refinance fee.
5. TOP fee does not include closing or similar settlement charges.
6. Lenders Title Insurance Rates: (Minimum \$85)  
\$2.90 per thousand up to loan amounts of \$100,000.  
\$2.40 per thousand additional for amounts over \$100,000 up to \$500,000 plus \$290.00.
7. Owner's and Mortgagee's Combined Title Insurance Rates: (Minimum \$100.00)  
\$3.90 per thousand for purchase price up to \$100,000 plus \$50 for simultaneous issue.  
\$3.40 per thousand additional for amounts over \$100,000 up to \$500,000 plus \$390 plus \$50.
8. Title Option Plus is 90% of the cost for lender's coverage.
9. Title Option Plus with the purchase of an Owner's Policy from ATI Title Company will be \$10.

Bev Stierna  
Top Marketing Representative  
(617) 224-3370  
Voice Pager (800) 370-9738

N400033

**VIRGINIA-  
SOUTHERN AREA**

**TOP FEE ADVANTAGE SCHEDULE**



LOAN SIZE	ESTIMATED LENDER'S TITLE PREMIUM	TITLE OPTION PLUS ESTIMATE
35,000	102	91
36,000	104	94
37,000	107	97
38,000	110	99
39,000	113	102
40,000	116	104
41,000	119	107
42,000	122	110
43,000	125	112
44,000	128	115
45,000	131	117
46,000	133	120
47,000	136	123
48,000	139	126
49,000	142	128
50,000	145	131
51,000	148	133
52,000	151	136
53,000	154	138
54,000	157	141
55,000	160	144
56,000	162	146
57,000	165	149
58,000	168	151
59,000	171	154
60,000	174	157
61,000	177	159
62,000	180	162
63,000	183	164
64,000	186	167
65,000	189	170
66,000	191	172
67,000	194	175
68,000	197	177
69,000	200	180
70,000	203	183
71,000	206	185
72,000	209	188
73,000	212	191
74,000	215	193
75,000	218	196
76,000	220	198



OWNER'S TITLE PREMIUM	LENDER'S SIMULT. ISSUE	TOP WITH ATI OWNER'S
137	50	10
140	50	10
144	50	10
148	50	10
152	50	10
156	50	10
160	50	10
164	50	10
168	50	10
172	50	10
176	50	10
179	50	10
183	50	10
187	50	10
191	50	10
195	50	10
199	50	10
203	50	10
207	50	10
211	50	10
215	50	10
219	50	10
222	50	10
226	50	10
230	50	10
234	50	10
238	50	10
242	50	10
246	50	10
250	50	10
254	50	10
257	50	10
261	50	10
265	50	10
269	50	10
273	50	10
277	50	10
281	50	10
285	50	10
289	50	10
293	50	10
298	50	10

N400034

# VIRGINIA- SOUTHERN AREA

LOAN SIZE	ESTIMATED LENDER'S TITLE PREMIUM	TITLE OPTION PLUS ESTIMATE
77,000	223	201
78,000	226	204
79,000	229	206
80,000	232	209
81,000	235	211
82,000	238	214
83,000	241	217
84,000	244	219
85,000	247	222
86,000	249	224
87,000	252	227
88,000	255	230
89,000	258	232
90,000	261	235
91,000	264	238
92,000	267	240
93,000	270	243
94,000	273	246
95,000	276	248
96,000	278	251
97,000	281	253
98,000	284	256
99,000	287	258
100,000	290	261
101,000	292	263
102,000	295	265
103,000	297	267
104,000	300	270
105,000	302	272
106,000	304	274
107,000	307	276
108,000	309	278
109,000	312	280
110,000	314	283
111,000	316	285
112,000	318	287
113,000	321	289
114,000	324	291
115,000	326	293
116,000	328	296
117,000	331	298
118,000	333	300
119,000	336	302
120,000	338	304
121,000	340	306
122,000	343	308
123,000	346	311
124,000	348	313
125,000	350	315
126,000	352	317
127,000	355	319
128,000	357	321
129,000	360	324

OWNER'S TITLE PREMIUM	LENDER'S SIMULT. ISSUE	TOP WITH ATI OWNER'S
300	60	10
304	60	10
308	60	10
312	60	10
316	60	10
320	60	10
324	60	10
328	60	10
332	60	10
336	60	10
339	60	10
343	60	10
347	60	10
351	60	10
355	60	10
359	60	10
363	60	10
367	60	10
371	60	10
374	60	10
378	60	10
382	60	10
386	60	10
390	60	10
394	60	10
398	60	10
402	60	10
406	60	10
410	60	10
413	60	10
417	60	10
421	60	10
425	60	10
429	60	10
433	60	10
437	60	10
441	60	10
445	60	10
449	60	10
452	60	10
456	60	10
460	60	10
464	60	10
468	60	10
472	60	10
476	60	10
480	60	10
484	60	10
488	60	10
491	60	10
495	60	10
499	60	10
503	60	10



**Exhibit 18**

ATI Title Company  
3190 Fairview Park Dr., Suite 140  
Falls Church, Virginia 22044 **ATI TITLE COMPANY**

**OWNER/SELLER AFFIDAVIT**

Case No.: 95650064

RE: LOT 1886, SECTION 2, MONTCLAIR



(hereinafter referred to as the "Property")

THE UNDERSIGNED, HAVING BEEN DULY SWORN, this 22nd day of June, 1995, state(s)

I/we am/are known as: RICHARD O. OSMUN and RHEA D. OSMUN, and state the following:

- a) I/We have been the owner(s) of the Property for at least 123 days prior to this date (or the date of this settlement, whichever last occurred).
- b) All labor and material used in the construction of improvements on the above-described property have been paid for and there are now no unpaid labor or material claims against the improvements or the property upon which same are situated, and I hereby declare that all sums of money due for the erection of improvements have been fully paid and satisfied.
- c) I/We have been in sole possession of the Property and there are no leases or sub-leases of the Property except: \_\_\_\_\_
- d) No one has ever questioned or disputed my/our ownership of the Property. Other than the present sale or refinance, I/We have not entered into any contracts of sale which are pending and which would prohibit my/our transferring title or encumbering the title.
- e) There are no unpaid real property taxes, special assessments, water or sewer charges levied against this property other than: \_\_\_\_\_
- f) If the undersigned is a corporation or partnership, it has not been dissolved or terminated. All necessary documents or certificates have been filed with the appropriate state and/or local governmental authority in the jurisdiction in which this property lies in order to legally convey or finance this property.
- g) No proceedings in bankruptcy have been instituted by or against me/us, and I/We have never made an assignment for the benefit of creditors.
- h) I/We know of no judgment or lien (including State or Federal Tax Liens) which has or may be levied, assessed or filed against me/us or the Property in any state or federal court.
- i) If the Property is a condominium unit or a planned urban development subdivision (PUD), there are no violations of the restrictive covenants (as contained in the Condominium Declaration and By-Laws, as amended) and all assessments due and owing to a (the) Homeowners Association or Condominium Regime are current.
- j) I/We have been residents and domiciled in Virginia for at least 183 days in the last year. If a non-resident, I/We have registered with the Virginia Department of Taxation.

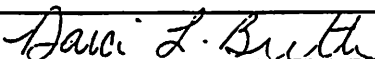
This affidavit is given to induce ATI TITLE COMPANY and STEWART TITLE GUARANTY COMPANY to issue their policy(ies) of title insurance with full knowledge that the Company will rely upon the accuracy of same. I/We hereby affirm and state under penalty of perjury that the statements made herein are true.

  
\_\_\_\_\_  
RICHARD O. OSMUN  
  
\_\_\_\_\_  
RHEA D. OSMUN

State of: VIRGINIA  
County/City of: PRINCE WILLIAM

The foregoing instrument was acknowledged before me this 22nd day of June, 1995,

by RICHARD O. OSMUN AND RHEA D. OSMUN

  
\_\_\_\_\_  
Notary Public

MY COMMISSION EXPIRES: 10/31/96

OWNER/SELLER AFFIDAVIT

Case No. 95650025

RE: Lot 7, Block 7, Section 3, LYNBROOK, Fairfax County, VA  
6823 Floyd Avenue, Springfield, VA 22150  
(hereinafter referred to as the "Property")

THE UNDERSIGNED, HAVING BEEN DULY SWORN, this 24th day of March, 1995, state(s)

I/we am/are known as: LUCAS H. BLEVINS, TRUSTEE and JEAN H. BLEVINS, TRUSTEE

and state the following:

- a) I/We have been the owner(s) of the Property for at least 123 days prior to this date (or the date of this settlement, whichever last occurred).
- b) All labor and material used in the construction of improvements on the above-described property have been paid for and there are now no unpaid labor or material claims against the improvements of the property upon which same are situated, and I hereby declare that all sums of money due for the erection of improvements have been fully paid and satisfied.
- c) I/We have been in sole possession of the Property and there are no leases or sub-leases of the Property except:
- d) No one has ever questioned or disputed my/our ownership of the Property. Other than the present sale or refinance, I/We have not entered into any contracts of sale which are pending and which would prohibit my/our transferring title or encumbering the title.
- e) There are no unpaid real property taxes, special assessments, water or sewer charges levied against this property other than:
- f) If the undersigned is a corporation or partnership, it has not been dissolved or terminated. All necessary documents or certificates have been filed with the appropriate state and/or local governmental authority in the jurisdiction in which this property lies in order to legally convey or finance this property.
- g) No proceedings in bankruptcy have been instituted by or against me/us, and I/We have never made an assignment for the benefit of creditors.
- h) I/We know of no judgment or lien (including State or Federal Tax Liens) which has or may be levied, assessed or filed against me/us or the Property in any state or federal court.
- i) If the Property is a condominium unit or a planned urban development subdivision (PUD), there are no violations of the restrictive covenants (as contained in the Condominium Declaration and By-Laws, as amended) and all assessments due and owing to a (the) Homeowners Association or Condominium Regime are current.
- j) I/We have been residents and domiciled in Virginia for at least 183 days in the last year. If a non-resident, I/We have registered with the Virginia Department of Taxation.

This affidavit is given to induce NORWEST MORTGAGE, INC. to make its loan secured by the property, and to induce ATI TITLE COMPANY to issue its TOP Final Title Condition Certificate, with full knowledge that Norwest and ATI will rely upon the accuracy of same. I/We hereby affirm and state under penalty of perjury that the statements made herein are true.

Lucas H. Blevins Trustee  
LUCAS H. BLEVINS, TRUSTEE

Jean H. Blevins Trustee  
JEAN H. BLEVINS, TRUSTEE

State of Virginia  
~~City~~/County of Fairfax

The foregoing instrument was acknowledged before me this 24th day of March, 1995, by  
LUCAS H. BLEVINS, TRUSTEE and JEAN H. BLEVINS, TRUSTEE

John A. England  
Notary Public

My commission expires: 3-31-98

N200881

ATI Title Company  
1890 Preston White Drive  
Suite 100  
Reston, Va. 22091

ATI TITLE COMPANY  
OWNER/SELLER AFFIDAVIT

Case No.: 94650069

RE: LOT 54, NEIGHBORHOOD 2B, MANCHESTER LAKES, FAIRFAX COUNTY, VIRGINIA

(hereinafter referred to as the "Property")

THE UNDERSIGNED, HAVING BEEN DULY SWORN, this 16th day of September, 1994 state(s)

I/we am/are known as: ALLEN JACHENS FRITZ and ROSEMARY FRITZ MARRIED and state the following:

- a) I/We have been the owner(s) of the Property for at least 123 days prior to this date (or the date of this settlement, whichever last occurred).
- b) All labor and material used in the construction of improvements on the above-described property have been paid for and there are now no unpaid labor or material claims against the improvements or the property upon which same are situated, and I hereby declare that all sums of money due for the erection of improvements have been fully paid and satisfied.
- c) I/We have been in sole possession of the Property and there are no leases or sub-leases of the Property except: \_\_\_\_\_
- d) No one has ever questioned or disputed my/our ownership of the Property. Other than the present sale or refinance, I/We have not entered into any contracts of sale which are pending and which would prohibit my/our transferring title or encumbering the title.
- e) There are no unpaid real property taxes, special assessments, water or sewer charges levied against this property other than: \_\_\_\_\_
- f) If the undersigned is a corporation or partnership, it has not been dissolved or terminated. All necessary documents or certificates have been filed with the appropriate state and/or local governmental authority in the jurisdiction in which this property lies in order to legally convey or finance this property.
- g) No proceedings in bankruptcy have been instituted by or against me/us, and I/We have never made an assignment for the benefit of creditors.
- h) I/We know of no judgment or lien (including State or Federal Tax Liens) which has or may be levied, assessed or filed against me/us or the Property in any state or federal court.
- i) If the Property is a condominium unit or a planned urban development subdivision (PUD), there are no violations of the restrictive covenants (as contained in the Condominium Declaration and By-Laws, as amended) and all assessments due and owing to a (the) Homeowners Association or Condominium Regime are current.
- j) I/We have been residents and domiciled in Virginia for at least 183 days in the last year. If a non-resident, I/We have registered with the Virginia Department of Taxation.

This affidavit is given to induce ATI TITLE COMPANY and to issue their policy(ies) of title insurance with full knowledge that the Company will rely upon the accuracy of same. I/We hereby affirm and state under penalty of perjury that the statements made herein are true.

Allen Jachens Fritz  
Rosemary Fritz

State of: Virginia  
County/City of: Fairfax

The foregoing instrument was acknowledged before me this 16th day of September, 1994

by Allen Jachens Fritz & Rosemary Fritz

[Signature]  
Notary Public

MY COMMISSION EXPIRES: 12/31/98

**Exhibit 19**

**COMMONWEALTH OF VIRGINIA**  
At the relation of the  
**STATE CORPORATION COMMISSION**

v.

**NORWEST CORPORATION**  
**NORWEST MORTGAGE, INC.**  
and  
**AMERICAN LAND TITLE COMPANY, INC.,**  
**Defendants**

**CASE NO. INS950079**

***EVIDENCE OF TOP & TOP PLUS TRANSACTIONS IN THE COMMONWEALTH OF VIRGINIA***

**544**

<b><i>Insured's Name &amp; Address</i></b>	<b><i>TOP Fee</i></b>	<b><i>HUD 1</i></b>	<b><i>Disbursement Worksheet</i></b>	<b><i>ATI Disclaimer/ Disclosure Affidavit</i></b>	<b><i>Notice of Availability of Owner's Title Insurance</i></b>	<b><i>Consumer Title Status Election</i></b>	<b><i>Title Condition Report</i></b>	<b><i>Final Title Certificate</i></b>	<b><i>Owner's Title Policy</i></b>
Anderson, Thomas R. 1940 Hillside Drive Falls Church, VA 22043	\$10.00	N401138-40	N401109-10	N401141	N401061	N401175			\$495.40 N401063-65
Bailey, William H. & Barbara L. 3244 Wood Dale Road Chester, VA 23831	\$641.88	N003232-33	N003213-14				N003193-95		
Barthelson, Peter & Tammy 3508 Winston Place Fairfax, VA 22030	\$612.00	N100560-61	N100528-29	N100562	N401199	N100603	N100495-96	N401181-82	
Burke, Patrick & Heidi 12547 Wilderness Park Drive Fredericksburg, VA 22553	\$10.00	N200952-53	N100971-72	N101015-16 N200954	N200949		N200955-57	N200928-9	\$427.40 N200930

<b><i>Insured's Name &amp; Address</i></b>	<b><i>TOP Fee</i></b>	<b><i>HUD 1</i></b>	<b><i>Disbursement Worksheet</i></b>	<b><i>ATI Disclaimer/ Disclosure Affidavit</i></b>	<b><i>Notice of Availability of Owner's Title Insurance</i></b>	<b><i>Consumer Title Status Election</i></b>	<b><i>Title Condition Report</i></b>	<b><i>Final Title Certificate</i></b>	<b><i>Owner's Title Policy</i></b>
Burke, Robert & Catherine 1505 Hiddenbrook Drive Herndon, VA 22070	\$652.00	N300102-03	N300373-74			N300323-25	N300108-10	N300077-78	
Burns, Dean E. & Jeri Lynn 9031 Arthur Court Glen Allen, VA 23060	\$460.00	N001772-73	N001810-12				N001756-58	N001750-51	
Charles, Cleveland L. 6113 Old Brentford Court Alexandria, VA 22310	\$517.00	N300511-12	N300593-94	N300709	N300508	N300531	N300519-21	N300486-87	
Conner, Michael L. 11213 Ingallston Road Richmond, VA 23233	\$379.35	N002981-82	N002976-77				N002952-54		545
Cooper, Phyllis H. 1675 Cedar Hollow Way Reston, VA 22094	\$662.00	N401324-25	N401388-89	N401421	N401322	N401454	N401358-59	N401305	
Crawford, Troy L. & Elizabeth L. 6248 Lewin Drive Alexandria, VA 22310	\$396.00	N200116-17	N200075-76	N200131	N200129		N200046-47	N200002-03	
Curran, Sally C. & Crawford, Alan P. 4018 Cutshaw Avenue Richmond, VA 23230	\$436.80	N001237-38	N001217-18				N001279-81		

<i><b>Insured's Name &amp; Address</b></i>	<i><b>TOP Fee</b></i>	<i><b>HUD 1</b></i>	<i><b>Disbursement Worksheet</b></i>	<i><b>ATI Disclaimer/ Disclosure Affidavit</b></i>	<i><b>Notice of Availability of Owner's Title Insurance</b></i>	<i><b>Consumer Title Status Election</b></i>	<i><b>Title Condition Report</b></i>	<i><b>Final Title Certificate</b></i>	<i><b>Owner's Title Policy</b></i>
Dibenedetto, Charles & Barbara 425 Beechcroft Road Winchester, VA 22601	\$451.80 N401727						N401728-29	N401700-1	
Doyle, Maureen A. 16 N. Allen Ave Richmond, VA 23220	\$10.00	N002804-05	N002835-36				N002782-84		
Egan, Gregory A. 4706 Kilbane Road Woodbridge, VA 22193	\$441.00	N301732-33		N301729	N301727	N301727	N301737-39	N301705-06	546
Escobar, Sonia & Mercedes 6823 Floyd Ave Springfield, VA 22150	\$10.00	N200882-83	N101125-26	N101163 N200884	N200880		N200919-21	N200864-65	\$575.00 N200860-63
Eves, Robert & Denise 4570 Rincon Place Dumfries, VA 22026	\$10.00	N101563-64	N101533-34		N101461		N101477-79		\$717.60 N101468-71
Figie, Brian D. 6616 Deer Gap Court Alexandria, VA 22310	\$530.00	N300754-55			N300749		N300756-58	N300728-29	
Finch, Raymond L. & Cherie V. 230 Hamilton Avenue Colonial Heights, VA 23834	\$296.77	N001669-70	N001664-66				N001636-38		



<i><b>Insured's Name &amp; Address</b></i>	<i><b>TOP Fee</b></i>	<i><b>HUD 1</b></i>	<i><b>Disbursement Worksheet</b></i>	<i><b>ATI Disclaimer/ Disclosure Affidavit</b></i>	<i><b>Notice of Availability of Owner's Title Insurance</b></i>	<i><b>Consumer Title Status Election</b></i>	<i><b>Title Condition Report</b></i>	<i><b>Final Title Certificate</b></i>	<i><b>Owner's Title Policy</b></i>
Fraser, Christopher J. & Joanne A. 3355 Heathcliff Court Woodbridge, VA 22192	\$406.80	N301921 N302066-67	N302062				N301917-18	N301912-13	
Gillikin, Benjamin L. 10812 Smithers Court Richmond, VA 23233	\$361.08	N002418-19 N002420	N002431-32				N002377-79		
Gonzales, Michael R. 3103 South Grove Street Arlington, VA 22310	\$577.00	N200232-33	N200281-82	N200231	N200228		N200193-94	N200190-91	547
Gutierrez, Richard D. 2229 Lofty Heights Place Reston, VA 22091	\$393.00	N200705-06 N200464	N200425-26				N200708-10 N200357-59	N200680-81	
Haggerty, Pamela S. 119 Waterford Road Winchester, VA 22601	\$10.00				N200983	N201056	N200999-01	N200977-79	\$314.00
Hall, Michael T. 224 Doom Peak Road Linden, VA 22642	\$414.90						N400674-75		N400677-81
Hampton, Michael & Wendy 15 Worthington St. Sterling, VA 20165	\$10.00	N100874-75	N100848-50	N100878	N100759		N100794-95		\$658.60 N100762-66

<i><b>Insured's Name &amp; Address</b></i>	<i><b>TOP Fee</b></i>	<i><b>HUD 1</b></i>	<i><b>Disbursement Worksheet</b></i>	<i><b>ATI Disclaimer/ Disclosure Affidavit</b></i>	<i><b>Notice of Availability of Owner's Title Insurance</b></i>	<i><b>Consumer Title Status Election</b></i>	<i><b>Title Condition Report</b></i>	<i><b>Final Title Certificate</b></i>	<i><b>Owner's Title Policy</b></i>
Heberle, Steven & Rachael 207 Alpine Meadow Road Winchester, VA 22602	\$10.00				N400994	N401051	N401011-12	N400990	\$475.00
James, Lori M. 14926 Lady Madonna Court Centreville, VA 22020	\$470.00	N301034-35	N301149-50	N301243	N301032		N301040-42	N301004-05	
Johnson, Norma Jean & Alfred Rt. 3 Box 5485 Berryville, VA 22611	\$460.00	N200812-13	N400311	N200814			N400293-95	N200797-00	548
Johnson, William & Newbill, Sophia 11113 Dumaine Drive Midlothian, VA 23112	\$353.00	N000882-83	N000833-34				N000806-08	N000804-05	
Kassan, Greg & Smolinski, Sarah 7703 Trevino Lane Falls Church, VA 22043	\$508.32	N100441-42	N100415-16	N100443	N201560				
Klega, John S. 6111 Winterpark Drive Burke, VA 22015	\$271.00	N101420-21 N100459	N101388-89				N101374-76		
Kline, Douglas & Diane 10414 Hunter Ridge Drive Oakton, VA 22124	\$617.00	N300831-32	N300898-99	N300982			N300805-07	N300793-94	

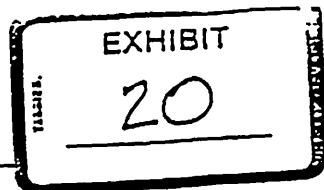
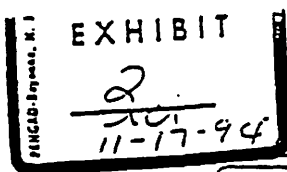
<i><b>Insured's Name &amp; Address</b></i>	<i><b>TOP Fee</b></i>	<i><b>HUD 1</b></i>	<i><b>Disbursement Worksheet</b></i>	<i><b>ATI Disclaimer/ Disclosure Affidavit</b></i>	<i><b>Notice of Availability of Owner's Title Insurance</b></i>	<i><b>Consumer Title Status Election</b></i>	<i><b>Title Condition Report</b></i>	<i><b>Final Title Certificate</b></i>	<i><b>Owner's Title Policy</b></i>
Krauchuanas, Matthew & Victoria 7232 Stover Court Alexandria, VA 22306	\$10.00	N400629-30	N400590-91	N400631	N400527		N400534-35		\$543.00 N400530-33
Lafoon, Sharyn B. 1008 Vickilee Road Richmond, VA 23236	\$288.00	N003053-54 N003067	N003114-16				N003034-36		
Layne, Celeste H. 9111 Craney Island Road Mechanicsville, VA 23111	\$309.00	N000972-73	N001016-17				N000918-20	N000915-16	549
Lenahan, Robert C. 4717 Deer Run Court Alexandria, VA 22306	\$507.60	N201659-60	N201686-87	N201634	N201635		N201637-39		
Madanat, Monther S. & Nicolette 2827 Summerfield Road Falls Church, VA 22042	\$491.00	N301782-83		N301780	N301777		N301827-30	N301759-61	
McGuire, Hugh E. III & Jeannie G Rt. 6 Box 621 Fork Union, VA 23955	\$503.10	N001140-41	N001138-39						
McNelis, James & Christina 46612 Carriage Court Sterling, VA 20165	\$498.00	N300034-35 N300265	N300191-92	N300289	N300033	N300171-72	N300042-44	N300012-13	

<i><b>Insured's Name &amp; Address</b></i>	<i><b>TOP Fee</b></i>	<i><b>HUD 1</b></i>	<i><b>Disbursement Worksheet</b></i>	<i><b>ATI Disclaimer/ Disclosure Affidavit</b></i>	<i><b>Notice of Availability of Owner's Title Insurance</b></i>	<i><b>Consumer Title Status Election</b></i>	<i><b>Title Condition Report</b></i>	<i><b>Final Title Certificate</b></i>	<i><b>Owner's Title Policy</b></i>
Millar, Annie 1221 S. Frederick Street Arlington, VA 22204	\$10.00	N402069-70	N402031-2	N401993	N401996		N402000-01		\$781.00 N402003-6
Morgan, Lewis H. 3102 Countryside Court Mechanicsville, VA 23111	\$10.00	N003503-04	N003542-44	N003529			N003473-75		\$553.80
Murray, Connie F. & McDonald, Kathleen 2906 Riverside Drive Richmond, VA 23225	\$368.91	N002248-49 N002250	N002295-96				N002312-14		550
Paris, Scott D. & Donna S. 3205 Azalea Place Lynchburg, VA 24503	\$516.06		N001097				N001026-28		
Saunders, Franklin P. & Wendy H. 7306 Crestleigh Way Alexandria, VA 22310	\$482.40	N301271-72	N301365-66	N301455	N301293	N301333	N301295-97	N301263-64	
Schick, William P. & Susan D. 4702 Landing Court Richmond, VA 23236	\$400.23	N001888-89	N001930-33				N001861-63		
Sechler, James & Lisa 4632 Star Flower Drive Chantilly, VA 22021	\$575.28	N100193-94	N100145-46	N100205			N100163-65		

<i><b>Insured's Name &amp; Address</b></i>	<i><b>TOP Fee</b></i>	<i><b>HUD 1</b></i>	<i><b>Disbursement Worksheet</b></i>	<i><b>ATI Disclaimer/ Disclosure Affidavit</b></i>	<i><b>Notice of Availability of Owner's Title Insurance</b></i>	<i><b>Consumer Title Status Election</b></i>	<i><b>Title Condition Report</b></i>	<i><b>Final Title Certificate</b></i>	<i><b>Owner's Title Policy</b></i>
Sellmansberger, John R. & Anne C. 6352 12th Place North Arlington, VA 22205	\$547.20	N202008-09	N201991-92	N201969			N201973-75		
Sherry, James F. II & Rose Marie G, 517 Alabama Drive Herndon, VA 22070	\$532.50	N201798-99		N201781			N201783		
Shields, Thomas F. 4024 Walters Court Fairfax, VA 22030	\$476.00	N301505-07	N301585-86	N301693	N301502	N301538	N301483-86	N301508-09	551
Shuler, Robert V. 213 Crest Circle Winchester, VA 22602	\$452.30 N400893 N400894				N400899		N400916-19	N400890-92	
Sundahl, Alan L. & Maisano P. 6858 Lafayette Park Annandale, VA 22003	\$10.00	N200638-39	N200591-92	N200640	N200539				\$692.60
Torres, Elsie L. 5430 Cabot Ridge Court Fairfax, VA 22032	\$10.00	N201897-98	N201866-67	N201917	N201916		N201836-38		\$509.00 N201839-42
Undeland, David & Brenda 219 Audrey's Court Vienna, VA 22180	\$10.00	N401290-91	N401265-66	N401299	N401300		N401227		\$842.20 N401223-25

<i><b>Insured's Name &amp; Address</b></i>	<i><b>TOP Fee</b></i>	<i><b>HUD 1</b></i>	<i><b>Disbursement Worksheet</b></i>	<i><b>ATT Disclaimer/ Disclosure Affidavit</b></i>	<i><b>Notice of Availability of Owner's Title Insurance</b></i>	<i><b>Consumer Title Status Election</b></i>	<i><b>Title Condition Report</b></i>	<i><b>Final Title Certificate</b></i>	<i><b>Owner's Title Policy</b></i>
Wahlmeier, Daniel L & Shelly J. Route 4 Box 3775 Mineral, VA 23117	\$353.25	N002526-27	N002506-07				N002503-05		N002482-87
Wang, Shu & Joanna 3015 Hughsmith Court Herndon, VA 22071	\$10.00	N401879-80	N401829-30	N401793	N401792		N401796-97		\$815.00 N401799-802
Wenger, Elaine B. 46592 Carriage Court Sterling, VA 20164	\$268.00	N100332-33	N100311	N100334			N100298-300		552
Woodson, Bernard & Bragg, Virginia Rt. 637 Box 394 Scottsville, VA 24590	\$358.00	N000780-81	N000795-96				N000722-24	N000719-20	
Worley, Sandra C. 12501 Thornbury Place Richmond, VA 23233	\$438.08	N002712-13	N002706-07				N002678-80		
Yates, Paul & Janet 9408 Park Hunt Court Springfield, VA 22153	\$10.00	N200753-54	N101283-84	N101316	N101234 N200749	N101235 N200752	N200777-79	N200724-25	\$648.40 N200726-29
Zilberfrab, Gregory & Tami 3152 Ramesses Court Herndon, VA 22071	\$600.00	N100650-51	N100629-30	N100652			N100609-11		

**Exhibit 20**



ATI TITLE  
COMPANY  
314 South 19 Street  
Omaha, Nebraska 68102  
Telephone: 402/346-3701  
Fax: 402/346-4672

INTERNAL MEMORANDUM

AUG 17 1993

DATE: AUGUST 12, 1993

TO: LES BILLER  
MARK OMAN  
STEVE MORRISON  
MARK FARIS

CARA HEIDEN  
DAVE BOBERG  
RICHARD MALLOY

FROM: MIKE FAHEY  
MIKE KELLER

RE: NEW PRODUCT CONCEPT FOR TITLE EVIDENCE

~~-CONFIDENTIAL-~~

Please find enclosed, for your review, a copy of our proposal for a new title product. This new product has tremendous income potential for ATI and Norwest.

Norwest is heavily regulated and restricted in its ability to sell title insurance. We believe ATI (Norwest's title insurance subsidiary) has found an unique and profitable approach to expanding a non-insurance product into the first mortgage marketplace.

Our proposed non-insurance product is a low-cost, simpler alternative to traditional title insurance. Consumers benefit from its lower cost and lenders benefit from its efficient and simple design.

With this product, Norwest can profitably expand its title operations throughout the country without the constraints imposed by federal and state insurance regulations.

We are very excited about the opportunities of this new concept and would like to present our recommendations to Senior Management at the next management meeting.

We are anxious for your thoughts, comments, and ideas on how best to move forward. Thank you.



ATI STRATEGIC PLAN UPDATE  
ALTERNATIVE PRODUCT PROPOSAL

DATED AUGUST 12, 1993  
PRELIMINARY AND TENTATIVE

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EXECUTIVE SUMMARY

## INTRODUCTION:

The regulatory environment has been more onerous than originally anticipated. Anti-affiliation and controlled business statutes are interfering with our ability to fully implement our strategic plan. ATI's national strategy is constricted by the myriad of regulations intertwined in the banking and insurance industries.

## O&amp;E REPORTS:

ATI currently provides Owner & Encumbrance Reports (O&E) for second mortgage and home equity lenders. The lenders rely on the O&E reports to assure the validity of their title interests- and in the event of an Agency error can look to the title agency to cure title defects.

## FIRST MORTGAGE MARKET:

Unlike title insurance, O&E reports and warranties have not been subjected to insurance regulation, controlled business or anti-affiliation statutes. Conceivably, ATI could expand, if it desired, throughout the country and pursue the O&E second mortgage market - but ATI is limited in the first mortgage title insurance market.

However, long-term viability and profitability is more assured by focusing on the first mortgage marketplace (as discussed in our strategic plan presented at the beginning of the year).

#### NEW PARADIGM:

Title insurance, widely accepted in the secondary markets, has been critical to the marketability of mortgage loans. O&E warranties have not been accepted, primarily we think, because of tradition rather than any real barriers.

We believe, though, with Norwest's financial resources (equity of three times the entire title industry) and market presence, ATI could introduce a non-insurance O&E warranted product for the first mortgage sector.

The O&E product would be a lower-cost alternative to title insurance. Yet, lenders could rely on the O&E product to assure a first lien to a degree similar to title insurance.

If properly implemented, the entire country and all Norwest loan activity would be open to ATI. Just within the Norwest family ATI projects pre-tax profits in excess of \$22 million.

O&E product availability outside of Norwest affiliates could increase profit potential by fourfold or more. These projections are in addition to ATI's original strategic goals of 375 offices and NOI of \$36.5 million.

The attached strategic plan update outlines ATI's proposal to introduce a product alternative to title insurance.

TRADITIONAL TITLE INSURANCE

## Indemnification of Title Defects

Title insurance indemnifies an insured for any covered loss suffered on account of a pre-existing defect in the insured's property title.

Title insurance protects against title defects and liens existing as of the policy date; whereas property and casualty insurance protects against unforeseen future occurrences causing losses.

Because title insurance protects against 'existing defects' a substantial portion of the premium dollar is utilized for underwriting and risk evaluation. Though traditional property insurance focuses on risk transfer, title insurance focuses on risk elimination.

Comparatively, a small portion of the title insurance premium goes to pay claims. Title insurers expend most of the premium dollar to:

- (1) identify and eliminate title defects prior to issuance of a policy;
- (2) market their product; and
- (3) handle/process the paperwork required of insurance products.

Once an insurer is satisfied there are no title defects a policy will be issued (policies can be issued with certain exclusions and exceptions). The insurer, by issuing a policy, has guaranteed to the insured that should a title defect arise (which existed prior to the policy date) it will be cured by the insurer.

#### Issuance of a Title Policy

There are several steps prior to issuing a title policy. Most of the underwriting activities through policy issuance are performed by the title agency (not necessarily the underwriter or insurer):

##### 1. Risk Identification

The title agency identifies potential risks or potential defects in the title. Public records are searched for judgements, liens, taxes, easements, restrictions, encumbrances, and any other claim, right, or interest.

##### 2. Risk Evaluation

The title company evaluates the discovered information to determine the likelihood of existing defects in the title. Often an attorney examines and evaluates the available data.

### 3. Risk Elimination

Because title insurance focuses on loss elimination, the risk of loss must be eliminated prior to issuance of a policy. The title company may require the satisfaction of judgements before the issuance of a policy or a policy could be issued noting coverage exceptions for listed judgements, liens, easements, restrictions, etc.

### 4. Policy Issuance

A policy will be issued once the title company has eliminated the risk of loss (though future claims can be expected). Policy issuance is an administrative function usually performed by the title agent.

Technically, a policy commitment listing exceptions, coverages, descriptions, judgements etc. is issued prior to a loan closing. Sometime after the loan closing the actual policy is issued once the requirements listed on the closing commitment have been satisfied.

### Title Company Guarantees

After policy issuance, claims are handled by the title insurance company. Though title insurer's are regulated in most states by an insurance commissioner, the insured ultimately relies on the Title Insurance Company's financial wherewithal for satisfaction of any claim.

Reinsurance is less prevalent in the title industry as compared with the Property & Casualty industry primarily because of the principles of risk elimination vs. risk transfer. Thus, the strength and reputation of the title insurance company is paramount to the guarantee standing behind the insurance.

However, regardless of the net worth of the title company underwriting a policy, there has been widespread acceptance of title insurance from the secondary market.

Title insurance has contributed to the growth in investments for mortgage financing. With title insurers standing behind the validity of mortgage liens, the marketability of insured loans is greatly improved.

#### Lender & Owner Policies

A lender's policy protects the lender's interest from losses arising out of title defects. An owner's policy protects the owner's interests from losses arising out of title defects.

Virtually every mortgage traded in the secondary market is covered by a lender's insurance policy.



OWNERS & ENCUMBRANCES REPORT

## Identification of Title Defects

Owners & Encumbrances Reports (O&E's) provide a property summary including ownership interests, legal description, easements, restrictions and other claims. The O&E Report also identifies possible defects in a title.

O&E Reports are often prepared in conjunction with second mortgages and home equity loans. The lending institution will rely on the O&E report to determine the validity and enforceability of their interest in a property's title.

Many times an O&E report will identify a title defect. The lending institution may require satisfaction of this defect before the lending of funds. For instance, a mechanics lien may have to be paid off before the granting of a second mortgage.

Generally, the preparer of an O&E Report (ie. title agency) will represent all information within the report as true and correct. The preparer will often provide a warranty. For instance, TRW's Real Estate Loan Services subsidiary provides a \$30,000 warranty on its O&E Reports.

## Issuance of a Report

There are several steps prior to the issuance of an O&E Report:

• The risk identification, risk evaluation, and risk elimination processes are virtually identical to the processes performed prior to issuance of title insurance.

• There are searches of public records, examinations by attorneys, and identification of title defects.

• The final step is the issuance of an O&E Report.

#### Claims

With an O&E report the originating lender would continue to promise the investor a first lien. That promise, however, would be backed only by the originating lender - title insurance is not present in the O&E scenario.

The originating lender's good first lien determination would be based on the facts warranted by the title agency. Thus, a lender would only originate a loan if an O&E report showed there to be an expectation of 'no risk' from a title related claim.

Keeping in mind title insurance is only written when all apparent risk is eliminated, the O&E report and the title insurance policy are presenting substantially the same facts. If a lender would not originate a loan without a title policy than a lender presumably would not originate a loan without a 'clean' O&E report.

The title agency would warrant the facts presented in its O&E reports. The title agency would then handle any claims made against the warranted facts of its O&E report. When title insurance is involved, claims are handled by the underwriter or title insurance company.

Though claims are handled a little differently, the process of issuing an O&E report remains substantially the same as the process of issuing a Title policy.

TITLE INSURANCE AND O&E REPORT COMPARATIVE

## Work Processes

- The search and examination processes prior to issuance of insurance and O&E reports are very similar (if not identical).
- For the most part, a title insurance commitment and O&E report look very similar in the presentation of the status of the title.

## Level of Commitment

- A title policy is a promise from the title insurer to the lender that the lender has a first lien.
- An O&E report is a promise from the title agency to the lender that the status of the title is as represented in the report. The lender draws its own conclusions from the facts presented as to whether it has a first lien.

## Loss Adjustment

- Title is guaranteed by a Title Insurance Company; claims for a defective title are handled by the insurer.

- Facts presented on an O&E report are warranted by a title agency; claims for misrepresentation of facts are handled and paid by the agency (most title agencies carry errors & omissions insurance to cover these types of mistakes).

#### Revenues

- Title insurance premiums .  
agency and the insurer (70/30)
- O&E fees are retained 100% by

#### Secondary Market

- Using Title insurance, the originating lender promises the investor a first lien. The lender's promise is backed up by a title policy guaranteed by a title insurance company. The original lender is liable to the investor if the title insurer should fail to honor its guarantee (although, to our knowledge no such claim has ever occurred).
- Using an O&E report, the originating lender promises the investor a first lien. The lender's promise is based upon the facts presented in the O&E report and warranted by the title agency. The original lender is liable if it misinterprets the facts. If the title agency misstated the facts, the agency is liable to the extent of its warranty.

STRATEGIC PLAN KEY DRIVERS

In the ATI business plan presented earlier this year, we identified five key drivers for market entrance:

1. Adequate revenue source;
2. Availability of quality personnel;
3. Favorable regulatory environment;
4. Profitable competitive environment;
5. EICP for key managers/closers

We have found four out the five key drivers to be present in each of our markets. However, one driver has substantially hindered our ability to fully execute the strategic plan.

Over the past six months Norwest has been faced with an unfavorable title insurance regulatory environment. We have been severely restricted in our ability to enter new markets and could face limitations in some of our existing markets.

The insurance regulatory environment has been more onerous than originally anticipated. In particular, of concern are:

1. Bank anti-affiliation statutes which prevent us from selling title insurance in certain states;

2. Controlled business statutes which limit the amount of business that can be generated from related entities; and

3. Commission percentage regulations which limit the amount of commission dollars we can receive from the sale of title insurance. This particular disadvantage is being promoted with exuberance by the NAIC and the Title Insurance Underwriters.

These statutes and regulations govern the sale and issuance of title insurance.

Interestingly, these statutes do not currently apply to the preparation of O&E reports.

Strategically, it would appear ATI could choose to enter markets and focus on the second mortgage O&E business (essentially what TRW's REELS does on a nationwide basis) without regulatory constraints or restrictions.

However, the first mortgage marketplace is still the more profitable and viable portion of the title business.

PROPOSED FIRST MORTGAGE TITLE PRODUCT

## O&amp;E Product for First Mortgages

Our strategic plan suggests we focus on title insurance for the first mortgage marketplace. Though this would not prohibit ATI from pursuing the O&E market, presumably ATI should not enter a market unless it has a strategy to enter the first mortgage marketplace.

Typically, O&E reports are utilized for second mortgages and home equity lines. Title insurance is used for first mortgages.

Title insurance is regulated - O&E reports are not.

As we know, there are markets which limit our ability to sell title insurance but do not prohibit the preparation of O&E reports.

Presumably, an O&E report could be prepared for first mortgage lenders just as they are prepared for second mortgage lenders.

In otherwords, we could potentially serve the first mortgage marketplace with an unregulated O&E product instead of using the traditional regulated title insurance product.

## Compatible with Strategic Plan

An O&E product on first mortgages could easily fit within ATI's strategic plan:

• The work processes (searches and examinations) for insurance and O&E's are literally identical;

• The O&E report and title insurance commitment contain virtually the same information; and

• The O&E report provides a warranty of facts from which a lender could easily assure itself of a first lien with virtually the same certainty as with a title policy.

• Tremendous productivity gains due to paperwork and administrative reductions.

• Tremendous profit potential.

#### Issues to Address

Though expanding the O&E products into the first mortgage arena appears compatible with our strategic plan, there are several issues which need to be addressed:

• The secondary markets accepts an originating lender's promise of a first lien if title is guaranteed by title insurance. Will the secondary market accept Norwest's promise of a first lien if backed by ATI's presentation of facts regarding the status of the title?



- Since O&E warranty claims due to an erroneous presentation of facts are paid by the agency, ATI would directly assume the underlying risk of negligence in the discovery/presentation of facts.

Please note, indirectly ATI is currently exposed to exactly the same risk - if a title insurer pays a claim due to 'bad facts presented by ATI' then ATI pays the claim or reimburses the insurer for the claim.

Presently, our current O&E warranties almost mirror our risk when ATI provides title insurance. We are simply proposing expansion of the O&E product into the first mortgage market.

Assuming acceptance of the O&E warranty in the marketplace, ATI would have the ability to grow throughout the country. With the ability to enter markets previously denied to us and with the ability to further expand within existing markets we have a tremendous opportunity to far exceed our original strategic income and revenue projections.

O&E WARRANTY ACCEPTANCE

Factors for Secondary Market Acceptance

1. Solvency of lenders applying to the title agency for the right to use the O&E's.
2. Quality controls at the lenders applying to the title agency for the right to use the O&E's.

Factors for Primary Market Acceptance

(Norwest and other lenders with significant net worth at least equal to a title insurer)

1. Whether O&E reports are as comprehensive as title insurance; and
2. Whether the Report Warranty can be relied upon to protect the lender at least as well as the Title Insurance guarantee.

Delivery of the Above Factors

Generally, the ATI O&E reports are as comprehensive as title insurance. We would anticipate minor

modifications in the O&E report language could address any shortfalls in this area.

Any primary lender with a modicum of quality control should be able to make safe decisions regarding the status of a property's title based on an O&E report. We know this can be done since our own banks and consumer finance company make second mortgage decisions based on an O&E report.

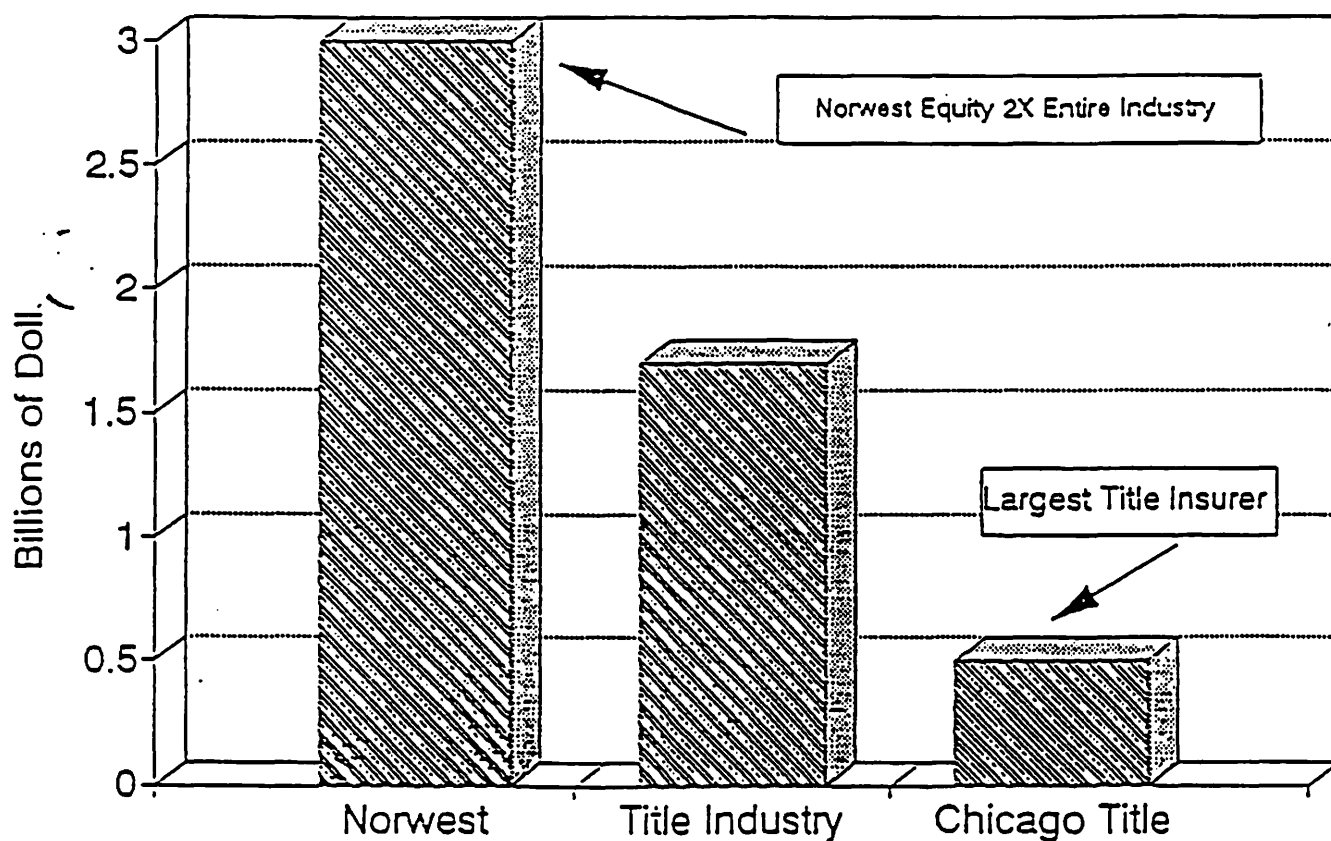
The secondary market relies on the financial stability of individual title insurance companies to back the guarantees of their underlying policies. The title insurance industry as a whole has \$4.3 billion in assets and \$1.7 billion in surplus. The largest title company, Chicago Title, has \$1.3 billion in assets and \$467 million in surplus.

NORWEST IS LARGER THAN ENTIRE TITLE INDUSTRY

However, an O&E warranty provided by ATI could be backed by Norwest's assets of almost \$50 billion dollars (ten times the entire title industry) and over \$3 billion dollars of equity (twice that of the entire title industry and almost seven times that of the largest title company). In otherwords, a warranty provided by ATI would appear to have as much financial assurance as an insurance policy issued by any title insurance company. Norwest's reputation for quality should assure similar quality in our analysis of title status. Lender's with similar reputations and solvency should also meet the secondary market's approval.

# TOTAL STOCKHOLDERS EQUITY

## Norwest vs. Entire Title Industry



CLAIMS

## Industry Averages

The 1992 financial results for the industry show total losses and loss adjustment expenses of 7.4% of premiums. Losses and loss adjustment expenses have averaged 6.4% of premiums since 1968.

A substantial portion of these losses originate from non-title causes including Agency fraud, defalcations, and misappropriation of premiums (the industry does not provide a detailed breakout of each but estimates suggest at least half of the total claims are not caused by title defects).

## ATI's Claims History

ATI's cumulative loss experience is less than one percent of premiums. Though this performance may seem superior, such loss experience is not unusual.

First, a significant portion of claims and losses are generated from non-title related exposures (ie. ATI acquired a Chicago Title agency because of a \$1,000,000+ fraud by an agent). These types of losses are included in the industry experience ratios and thus, distort the actual title losses.

Secondly, costly title defects are more likely to occur in commercial property and new construction. One large commercial loss can have a devastating impact on a loss ratio.

For the most part, ATI has not been active in the commercial market- especially as it regards exposure to multi-million dollar projects.

We are suggesting the O&E product only on residential first and second mortgages - not commercial. For commercial projects we would continue to use title insurance.

Also, credit should certainly be given to ATI's staff and their operating practices. Nevertheless, ATI's loss experience of less than one percent, though excellent, is not all that unreasonable.

#### Expected Claims with O&E Product

A first mortgage O&E product and title insurance would have similar loss characteristics. Accordingly, we would expect similar loss experience over a given period of time.

ATI could minimize its loss exposure by limiting the O&E product coverage to existing residential property.

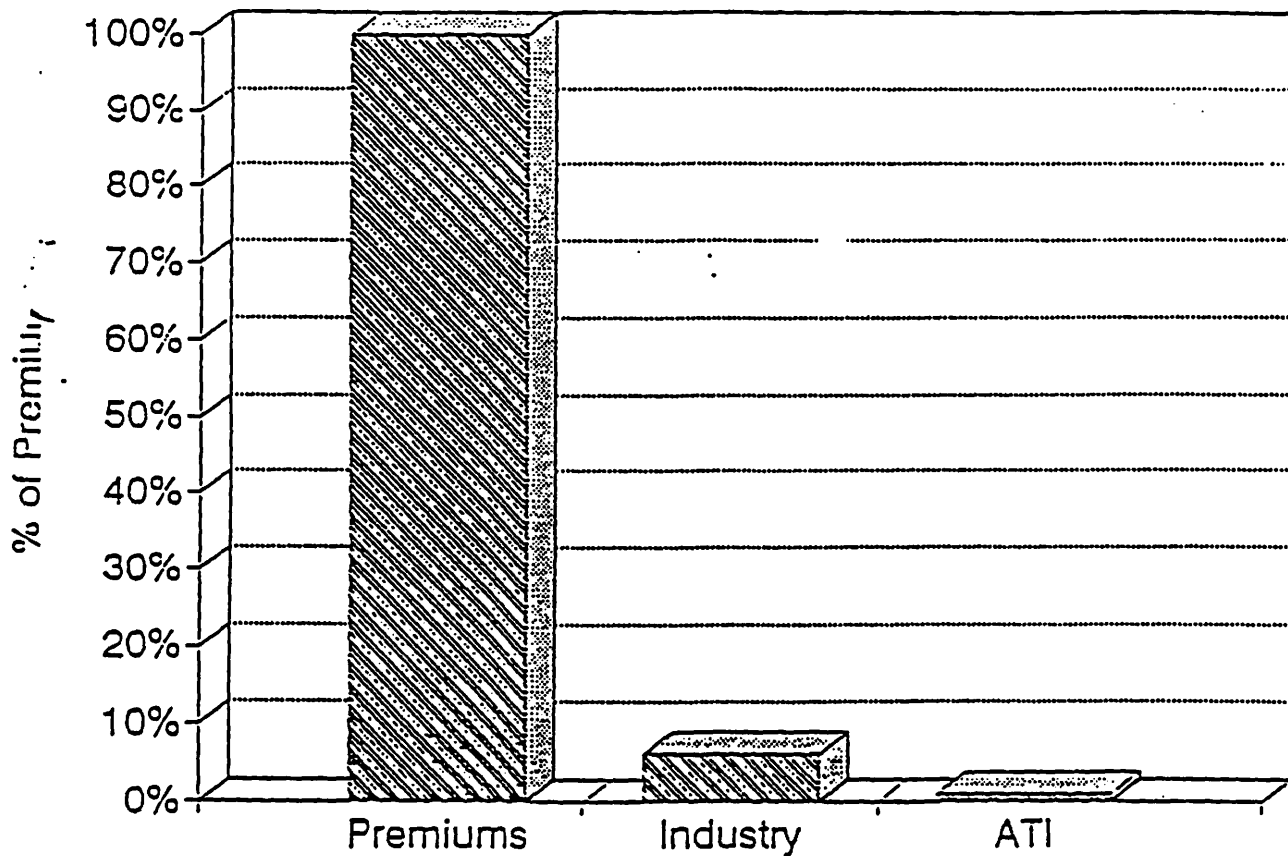
New construction and commercial property could be covered by traditional title insurance. Thus, the greatest loss exposures would be borne by a title insurance company.

It would also be our expectation ATI would make available the First Mortgage O&E warranty to only the highest quality/most solvent lenders. Traditional title insurance would be provided all others where allowed by law.

We would set the O&E pricing to allow for losses and loss adjustment expenses. However, considering ATI's historical loss ratios of less than one percent a provision of ten percent should be more than adequate.

# COMPARATIVE LOSS RATIOS

## ATI and INDUSTRY



OPERATIONS

The process of preparing an O&E report is literally identical to that of issuing title insurance. We would expect operations to continue as outlined in our strategic plan:

- Centralized regional facilities
- Satellite offices
- Off-site abstractors/searches (fee-based or employee status based on activity level)

Centralized Regional Facilities

A central facility would service a multi-state region. The centralized collection and processing of information should enhance quality control, efficiency, and the synergies of combined title production units. Our existing technology would allow us to automate the collection of field information for O&E processing.

Each regional facility would have a number of teams - with each team serving a specific community within the region.



A team (supporting four field searchers/abstractors) would be comprised of the following staff:

- Attorney/Examiner
- Asst. Examiner
- Order Input
- Clerical

In the O&E environment there would not be a need for separate title commitment proofers, policy searchers, or policy typists.

Customers could place an order directly with 'their' community-specific team. The Order Input clerk would notify the searchers of each order (along with date needed).

Searchers could utilize computers or fax machines to transmit information back to the centralized office. From there, the examiners and clerical would prepare the O&E Report. The Order Input clerk would be responsible for assuring its timely delivery to the customer.

The central facility would provide support to its teams in the areas of accounting, computers, management, and administration.

#### Satellite Offices

In those communities where ATI will also provide closing services, satellite closing offices would be established. The model satellite closing office consists of two closers and one assistant closer. Administrative, accounting, and management support are provided through the central regional facility.

In addition to fees for O&E reports, ATI would continue to collect its fees for closing services.

The ATI Strategic Plan presented at the beginning of this year provides an in-depth discussion of the Model Satellite Closing Office concept.

#### Abstractors/Searchers

The abstracting/searching process required for the O&E product is virtually identical to that required for title insurance policies.

Searchers would be located in the various communities in which we will be doing business. The searchers will be located in the field as opposed to being located at the regional office.

Information and communications would be facilitated through our computer network (along with the use of facsimile machines) to assure timely and responsive turnaround for our customers.

Searchers would be hired on either a fee or a salary basis dependent upon projected activity levels within a given area. We would also expect to utilize searchers for recordings, as well.

The ATI Strategic Plan presented at the beginning of this year provides a more detailed discussion of searching activities.

### Claims Facility

Expansion of the O&E product into the first mortgage market will necessitate establishing a claims facility to address any warranty issues.

We would expect one claims facility would be sufficient (ie. Minneapolis, Omaha, or Des Moines) to serve all ATI offices.

Since we would expect ATI's historical low claims frequency experience to continue, claim responsibilities could be absorbed within the Quality Assurance or legal area.

FINANCIAL IMPACT

Our projections for the O&E product are in addition to the original strategic plan calling for a network of 375 offices and pre-tax NOI of \$36.5 million.

However, we should note the unfavorable regulatory environment has slowed the implementation of ATI's original strategic plan.

The introduction of this alternative product to the marketplace could provide ATI a needed catalyst to overcome these onerous regulations.

A non-insurance product could open new markets not previously contemplated in the business plan. The long-term potential income contributions by ATI could exceed the original projections outlined in the strategic plan.

Revenues and Net Income

Just within the Norwest family and assuming reasonable penetration rates, ATI could generate an additional \$46 million in revenues and over \$22 million in net income (before taxes) with the mortgage O&E product.

Combining ATI's closing services, title insurance sales, and O&E products for the first and second mortgage marketplace... total pre-tax income should climb to in excess of \$55 million.

### Customers for O&E Product

For purposes of this strategic plan presentation, we have assumed initial introduction of the first mortgage O&E product would be limited to the Norwest family of companies:

- Norwest Mortgage
- Norwest Financial
- Norwest Banks (Community)
- Norwest Mortgage Wholesale Customers

This product could (should) also be marketed to other financially strong institutions. Acceptance of the product within the marketplace could easily increase revenues fourfold or more.

However, it can be expected the greatest amount of opposition (from Insurance Commissioners and the American Land Title Association) will be generated as the O&E product is marketed outside of the Norwest system.

### Projected Revenues

#### Norwest Mortgage-

ATI estimates average O&E revenues of \$300 per loan. Assuming a 50% penetration rate of the 150,000 Mortgage loans, ATI should generate about \$22,500,000 in revenues.

(150,000 loans X 50% X \$300 per loan = \$22,500,000)

Norwest Financial-

ATI estimates average O&E revenues of \$200 per loan. Based on 882 branches, ten real estate loans per month per branch, and a capture rate of 75%... ATI should provide O&E's on 79,380 loans. Total revenues would be about \$15,876,000.

$$\{882 \text{ branches} \times 10 \text{ per month} \times 12 \text{ months} \times 75\% \times \$200 = \$15,876,000\}$$

Norwest Banks-

ATI estimates average O&E revenues of \$90 per transaction. Based on the ability to process ten loans per month for 410 branches, ATI would provide O&E's on 49,200 loans. Total revenues would be about \$4,428,000.

$$\{410 \text{ branches} \times 10 \text{ per month} \times 12 \text{ months} \times \$90 = \$4,428,000\}$$

Norwest Mortgage Wholesale Customers-

ATI estimates average O&E revenues of \$250 per transaction. Assuming a 30% penetration rate on 50,000 loans, ATI's total revenues would be about \$3,750,000.

$$\{50,000 \text{ loans} \times 30\% \times \$250 = \$3,750,000\}$$

Reasonable projections from an O&E product marketed only to Norwest companies would total:

PROJECTED O&E REVENUES

Norwest Mortgage	\$22,500,000
Norwest Financial	15,876,000
Norwest Banks	4,428,000
Norwest Mortgage Wholesale	<u>3,750,000</u>
Total Revenues	<u>\$46,554,000</u>

Revenues per Team Unit

The Operations Section outlined the team or POD concept to process O&E orders.

Each team (Examiner/Asst. Examiner/Order Input/Clerk) supports four searchers.

A searcher can handle eight cases per eight hour day. Four searchers at eight cases per day over a 250 day work year could process 8000 orders per year.

{4 searchers X 8 cases X 250 days = 8000 orders}

Blending revenues from our various sources, we would expect 8000 cases to generate about \$1,860,000 in revenues:

REVENUES PER TEAM			
4000 @ \$300	=	\$1,200,000	
2000 @ 200	=	400,000	
1500 @ 90	=	135,000	
500 @ 250	=	<u>125,000</u>	
Total Revenues			<u>\$1,860,000</u>

An average team, based on eight cases per day per searcher, should generate about \$1,860,000 in O&E revenues. If we allow for an 80% productivity factor each team would generate \$1,488,000 in revenues.

#### Direct Labor Costs

Each team will have total direct labor costs (salary and benefits) of slightly less than \$300,000 or 19% of gross revenues.

The attached exhibit provides a detail to the expected salary costs for the positions within each team.



ATI STRATEGIC PLAN  
O&E REPORTS

TEAM ANALYSIS

	\$	%
GROSS REVENUES.....	1,488,000	100.0%
OPERATING EXPENSES:		
Direct Labor-		
Attorney/Examiner	50,000	3.4%
Asst Examiner	35,000	2.4%
Order Input	25,000	1.7%
Clerical	20,000	1.3%
Searchers (4 @ \$25K)	100,000	6.7%
	230,000	15.5%
Benefits @ 23%	52,900	3.6%
Total Direct Labor	282,900	19.0%
Indirect Support	108,253	7.3%
Other Operating Expense	293,365	19.7%
Management Charge (5%)	74,400	5.0%
Total Operating Expense.....	758,918	51.0%
Pre-Tax Income	729,082	49.0%

### Indirect Support Costs

Indirect labor includes costs for accounting, computer, management, and other administrative functions. The ratio of indirect labor to labor costs is expected to be similar to that of title insurance sales.

Indirect costs should run a little more than 7% of revenues or \$100,000 per team.

### Other Operating Expense

Other operating expenses include costs for equipment, rent, telephone, supplies, and other operating costs. ATI expects other operating expenses to be incurred on a similar basis as experienced in title insurance sales.

Other operating expenses should run almost \$300,000 per team or 20% of revenues.

ATI has also provided for a management charge of 5% of revenues to recover costs for regional and national management activities.

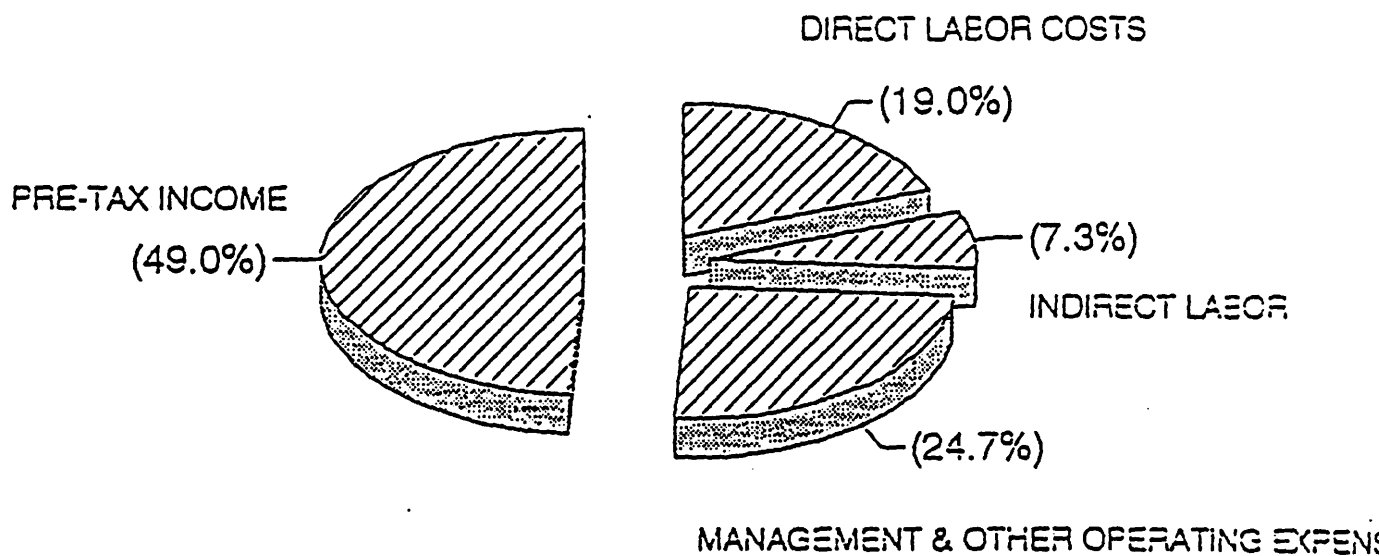
### Pre-Tax Income

Each team should produce pre-tax income of over \$700,000 on revenues of almost \$1.5 million - a 49% return.

Pre-tax income is depicted in the following pie chart.

# ATI STRATEGIC PLAN

## O&E PRODUCT ANALYSIS



#### Total Revenues & Pre-Tax Profit

Based on average revenues of \$1.5 million per team, ATI will require thirty-one teams to handle \$46.5 million in total revenues.

These thirty-one teams would be strategically spread in regional production centers concentrating perhaps five or six teams within each center.

On the O&E product, ATI should be able to attain a 49% return on sales. Achieving targeted revenues of \$46.5 million should yield over \$22 million in pre-tax profits.

Please see the attached market pro forma.

#### Additional Markets - Fourfold Profits

Let us emphasize, these projections are based on offering the first mortgage O&E product to Norwest affiliates only.

Revenues and profits could easily increase fourfold or more if this product were successfully rolled out to other major financial institutions.

ATI STRATEGIC PLAN  
O&E REPORTS

MARKET ANALYSIS

	\$	%
GROSS REVENUES.....	46,554,000	100.0%
OPERATING EXPENSES:		
Direct Labor-		
Attorney/Examiner	1,554,313	3.4%
Asst Examiner	1,095,020	2.4%
Order Input	782,157	1.7%
Clerical	625,725	1.3%
Searchers	3,122,629	6.7%
	7,195,847	15.5%
Benefits @ 23%	1,633,045	3.5%
Total Direct Labor	8,850,892	19.0%
Indirect Support	3,386,821	7.3%
Other Operating Expense	9,178,295	19.7%
Management Charge (5%)	2,327,700	5.0%
Total Operating Expense.....	23,743,698	51.0%
Pre-Tax Income	22,810,302	49.0%

OPPORTUNITIES

The introduction of an O&E Product for the first mortgage marketplace offers several opportunities:

- Ability to enter markets without regard to onerous regulations
- Opportunity to increase margin by managing product pricing, productivity, and loss related expenses
- Opportunity to increase overall profit contribution by entering markets not previously contemplated in the business plan (because of insurance regulations)
- Increased customer loyalty- slightly lower priced, less paper intensive product only available to the best lenders
- Increased market share as consumer demand should shift to slightly lower priced and simpler ATI product
- Opportunity to increase Norwest loan origination activity by offering less expensive and less complicated alternative to title insurance
- Positive public response towards Norwest for developing an improved product

RISKS

We have identified several risks with the development of the O&E Product for the first mortgage marketplace:

- Secondary market hesitation to accept a lender's warranty of a first lien based on an O&E warranty rather than a title policy.
- Insurance commissioners may attempt to construe product as insurance even though they have not done so to date. Insurance commissioners may seek legislation to allow regulation of this product even though it is not 'title insurance.'

NOTE: We have checked with Norwest Corporate Legal and have been advised an O&E first mortgage product does not present any legal risks or regulatory risks other than the insurance commissioner risk identified above.

RECOMMENDATIONS

ATI believes it has the basis to introduce a new non-insurance first mortgage product into the marketplace.

We recommend:

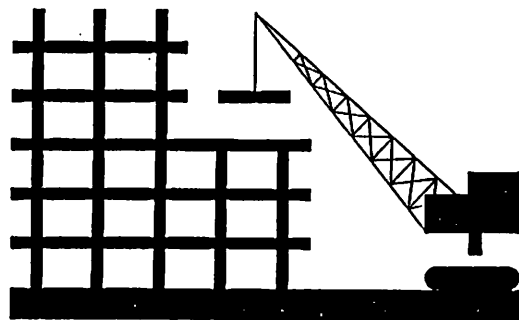
- Expand O&E reports to include first mortgages;
- Review and revise, as necessary, the O&E product language; and
- Seek acceptance from the secondary markets as an alternative to title insurance for Norwest and other large net worth, high quality lenders;

It would appear ATI could minimize the now existing regulatory constraints, expand into desired markets, enhance profitability and market share, and offer an improved product to the consumer by introducing the O&E product as an alternative to title insurance.

From an operational point-of-view, the work processes to produce an O&E report are almost identical to that of issuing a title insurance policy. With only slight modification in SOPs, ATI would be positioned to begin immediately offering this new product.



**Exhibit 21**



brochure under construction...

Title Option Plus (TOP) is a new, exclusive product available only through Norwest Mortgage and ATI Title Company.

These questions and answers will help you learn more about Title Option Plus

### Norwest Mortgage Locations:

3190 Fairview Park Drive  
Suite 120  
Falls Church, VA 22042  
(703) 641-9300

3130 Golansky Blvd.  
Suite 101  
Woodbridge, VA 22192  
(703) 551-0120

1801 Reston Parkway  
Suite 202  
Reston, VA 22090  
(703) 707-9022

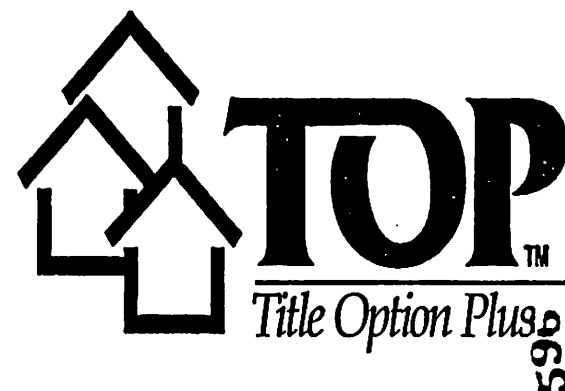
### ATI Locations:

3190 Fairview Park Drive  
Suite 140  
Falls Church, VA 22042  
(703) 641-5900

3102 Golansky Blvd.  
Suite 102  
Woodbridge, VA 22192  
(703) 551-1115

Additional Settlement  
Facilities in Reston  
(703) 758-9800

N400016



- Reduces Title Fee Costs
- Speeds Up Loan Closings
- Available on a Wide Variety of Norwest Products
- Sets you, the Realtor,<sup>®</sup> Apart from the Competition
- Another Norwest First



THIS PRODUCT IS SO NEW  
WE HAVEN'T FINISHED  
OUR BROCHURES YET?

As a real estate professional, you are always looking for new products which help you sell more homes and which save your customer money. TOP may be the right option for your customers!

**Q: What is TOP?**

A: TOP or Title Option Plus is a lower cost means of fulfilling Norwest's requirement for determining that it has a sufficient first lien. TOP is available only for single family, resale or refinancing transactions when financed by certain Norwest loan products. While TOP does not provide direct protection to the borrower, it is an efficient and less costly means of meeting the lender's title evidence requirements.

**Q: What are the benefits of TOP for refinancing and purchase borrowers?**

- A:
- ◆ Saves cash out of pocket
  - ◆ Satisfies Norwest's requirement for lender's title determination
  - ◆ Is simple... and efficient!

**Q: How can TOP save me cash out of pocket?**

A: TOP is at least 10% less than the cost of lender's title insurance, which can mean a savings of \$50 to \$500 or more when TOP is selected. Additionally, TOP does not require a property survey. This can mean *even greater* savings. If you are looking for cash saving options, TOP may be the right alternative for you.

**Q: What is title insurance?**

A: The two most common forms of title insurance typically associated with the sale or refinancing of a home are:

**Lender's Title Insurance:** This is typically required by lenders on first mortgage loans. It insures the lender that it has a first lien position and provides protection to the lender only. It does not provide protection to the borrower.

**Owner's Title Insurance:** This is not required by lenders or by law. This insurance policy insures the owner that he/she has a clear title. It provides protection to the owner against losses and defense expenses arising from defects in title pursuant to the terms and conditions of the policy.

**Q: What protection does an owner get from a lender's title insurance policy or from TOP?**

A: None directly. The lender's title insurance policy and TOP both meet only the lender's (i.e. Norwest's) need. They do not directly protect the interests of the buyer.

**Q: Is TOP insurance?**

A: No. Norwest assumes its own risk, and there is no title insurance underwriting company involved, nor is a policy issued.

**Q: Does TOP satisfy Norwest's requirement for title determination?**

A: Absolutely! When you select TOP, not only do you save cash out of pocket, but our requirement for our title determination is also satisfied.

**TOP compared to title insurance**

	TOP	Lender's Title Insurance	Owner's Title Insurance
Norwest exclusive	yes	no	no
Satisfies Norwest's requirements	yes	yes	N/A
Provide protection to owner	no	no	yes
Search of public records & liens	yes	yes	yes
Survey required	no	sometimes (added cost)	no
Endorsements required	no	yes*	N/A

*\*Many markets require endorsements be obtained. Endorsements may not be required in all markets.*

N400017

**Exhibit 22**

So how does TOP compare to title insurance?

	TOP	Lender's Title Insurance	Owner's Title Insurance
Is exclusive to Norwest	YES	NO	NO
Satisfies Norwest's requirements	YES	YES	N/A
Provides protection to owner	NO	NO	YES
Includes search of public records and liens	YES	YES	YES
Requires survey	NO	YES (added cost)	YES (added cost)
Requires endorsements	NO	YES	N/A

Many markets require endorsements be obtained. Endorsements may not be required in all markets.

MARKETING  
INFORMATION  
BROCHURE FOR  
CONSUMERS &  
REAL ESTATE  
PROFESSIONALS



N400018

NMFL #0954 11/94

Want to  
save money at  
closing?  
Why Not  
Get On TOP?

Title Option Plus (TOP)  
That Is!



599

*Buying your dream home, or refinancing? You are most likely thinking of ways to spend less cash on the closing costs. The lower the closing costs, the more house you can afford! At Norwest Mortgage, we are committed to meeting your financing needs by providing you with options that reduce your closing costs. Title Option Plus (TOP) is a cash saving alternative to lender's title insurance and is offered only at Norwest. It just may be the right option for you.*



## What is TOP?

TOP (or Title Option Plus) is a lower cost means of fulfilling Norwest's requirement for determining that it has a sufficient first lien. TOP is available only for single family, resale or refinance transactions when financed by certain Norwest loan products. While TOP does not provide protection to the borrower, it is an efficient and less costly means of meeting the lender's title evidence requirements.

## What are the benefits of TOP for refinancing and purchase borrowers?

*Saves cash out of pocket  
Satisfies Norwest's requirement for lender's title determination  
Is simple and efficient!*

## How can TOP save me cash out of pocket?

TOP is at least 10% less than the cost of lender's title insurance, which can mean a savings of \$50 to \$500 or more for you if you choose TOP. Additionally, TOP does not require a property survey. This can mean even greater savings. If you are looking for cash saving options, TOP may be the right alternative for you.

## What is title insurance?

The two most common forms of title insurance typically associated with the sale or refinance of a home are:

**Lender's Title Insurance:** This is typically required by lenders on first mortgage loans. It ensures that the lender has a first lien position and provides protection to the lender only. It does not provide protection to the borrower.

**Owner's Title Insurance:** This is not required by law. This optional insurance policy ensures the owner that he/she has a clear title. It provides protection to the owner against losses arising through defects in title and expenses in defense of the title pursuant to the terms and conditions of the policy.

## What are title endorsements?

Endorsements are written changes to the title insurance policy which provide additional coverages at an additional cost.

## Do I need an owner's title insurance policy?

The decision as to whether or not a borrower needs an owner's title insurance policy is an individual choice. This policy is designed to protect your equity investment. Owner's title policies may contain exceptions or exclusions - items which will not be covered. If a property title claim arises that was not excluded from coverage under the policy, the title insurance company would defend the owner's title. (Examples of exceptions or exclusions may include encroachments or boundary line disputes, even if detected by a survey; mechanics liens not of record; and easements not shown in public records.)

## What protection does an owner get from a lender's title insurance policy or from TOP?

None directly. The lender's title insurance policy and TOP both meet only the lender's need. They do not directly protect the interests of the buyer. However, both the lender's policy and TOP offer some indirect protection to an owner since the lender will clear up major title defects to protect itself. This would also clear up the defect for the owner.

## Borrowers' Commonly Asked Questions

*I purchased a home and paid for owner's insurance and am now refinancing. Do I need a new owner's title insurance policy?*

**No.** You do not need to purchase another owner's title insurance policy. Your current policy will cover you for as long as you own the property. TOP works very well for refinances. It satisfies Norwest's requirements and is less expensive.

*Does TOP satisfy Norwest's requirement for title protection?*

**Absolutely!** When you select TOP, not only do you save cash out of pocket but you also satisfy our requirement for title determination.

*Is TOP insurance?*

**No.** Norwest assumes its own risk. There is no title insurance underwriting company involved, and a policy is not issued.

*Do I need a survey?*

The TOP product does not require a survey. You may want to consider a survey if you are concerned that structures such as fences, retaining walls, pools, etc. are not within your or your neighbor's property lines. This is your decision.

**COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION**

**COMMONWEALTH OF VIRGINIA**

**At the relation of the**

**STATE CORPORATION COMMISSION**

**v.**

**CASE NO. INS950079**

**NORWEST CORPORATION,  
NORWEST MORTGAGE, INC.**

**and**

**AMERICAN LAND TITLE COMPANY, INC.,**

**Defendants**

**SUPPLEMENT TO JOINT STIPULATIONS OF FACT**

The State Corporation Commission, Bureau of Insurance, Defendants, Norwest Corporation, Norwest Mortgage, Inc. and American Land Title Company, Inc., Complainant, Lawyers Title Insurance Corporation, and Intervenor, Virginia Land Title Association, hereby stipulate that, in addition to the documents identified in Paragraph 7 of the Joint Stipulations of Fact filed with the Commission on October 19, 1995, the following documents, attached hereto as numbered exhibits, also are admissible into evidence in this proceeding:

(23) Pages I.18 and I.19 (Section 34) of the Master Agreement dated February 25, 1994, between Norwest Mortgage, Inc. and the Federal Home Loan Mortgage Corporation.

(24) The Norwest Corporation Guarantee Agreement dated March 1, 1994, between the Federal Home Loan Mortgage Corporation and Norwest Corporation.

(25) Specimen copy of ALTA OWNER'S POLICY - 10-17-92 and attached Homeowner's Inflation Endorsement as an example of the owner's title insurance policy that is issued by Stewart Title Guaranty Company through ALTC to a purchaser of residential real estate in Virginia. ALTA OWNERS POLICY - 10-17-92 is the form of owner's title insurance policy most commonly used in Virginia by title insurance companies to effect owner's title insurance on residential real estate.

(26) Specimen copy of ALTA LOAN POLICY - 10-17-92 and attached ALTA Endorsement Form 8.1 - Environmental Protection Lien as an example of the loan title policy that is issued by Stewart Title Guaranty Company through ALTC to a lender making a first mortgage loan secured by residential real estate in Virginia and as an example of the form of loan title insurance policy most commonly used in Virginia by title insurance companies to effect loan title insurance in connection with such loans. ALTA LOAN POLICY - 10-17-92 is accepted by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Corporation as meeting their respective title insurance requirements for purchasing loans made in Virginia secured by first mortgage liens on residential real estate, when those requirements are applicable.

Respectfully submitted,

State Corporation Commission  
Bureau of Insurance

By: MD Thomas  
Counsel

Peter B. Smith, Senior Counsel  
Michael D. Thomas, Associate General Counsel  
State Corporation Commission  
Office of General Counsel  
P.O. Box 1197  
Richmond, Virginia 23218  
Telephone: (804) 371-9671  
Dated: November \_\_, 1995

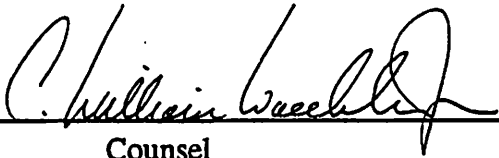
Norwest Corporation  
Norwest Mortgage, Inc.  
American Land Title Company, Inc.

By: David F. Peters  
Counsel

David F. Peters, Esquire  
Louanna Godwin, Esquire  
Hunton & Williams  
Riverfront Plaza, East Tower  
951 East Byrd Street  
Richmond, Virginia 23219-4074  
Telephone: (804) 788-8291  
Dated: November 9, 1995



Lawyers Title Insurance Corporation  
Virginia Land Title Association

By:   
Counsel

Ralph L. "Bill" Axselle, Jr., Esquire  
C. William Waechter, Jr., Esquire  
Charles E. Wall, Esquire  
Williams, Mullen, Christian & Dobbins  
P.O. Box 1320  
Richmond, Virginia 23210-1320  
Telephone: (804) 643-1991  
Dated: November 9, 1995

1946-1947

1. The first part of the report is a summary of the work done during the year.

### Exhibit 23

1. The first part of the report is a summary of the work done during the year.

1946-1947

CASE NO. INS950079

TAB NUMBER 23 WITHIN EXHIBIT NUMBER JFS-1 IS A CONFIDENTIAL  
DOCUMENT, IN THE CUSTODY OF THE CLERK OF THE COMMISSION

CASE NO. INS950079

SPONSOR STAFF

EXHIBIT NO. JFS-1

WITNESS NONE

BAILIFF DEBORAH P. BEASLEY

THE UNITED STATES OF AMERICA  
vs.  
JOHN EDGAR HOOVER  
Defendant

**Exhibit 24**

JOHN EDGAR HOOVER  
Defendant

JOHN EDGAR HOOVER  
Defendant

CASE NO. INS950079

TAB NUMBER 24 WITHIN EXHIBIT NUMBER JFS-1 IS A CONFIDENTIAL  
DOCUMENT, IN THE CUSTODY OF THE CLERK OF THE COMMISSION

CASE NO. INS950079

SPONSOR STAFF

EXHIBIT NO. JFS-1

WITNESS NONE

BAILIFF DEBORAH P. BEASLEY

## Exhibit 25

POLICY OF TITLE INSURANCE ISSUED BY

# STEWART TITLE


## GUARANTY COMPANY

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, STEWART TITLE GUARANTY COMPANY, a Texas corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title;
4. Lack of a right of access to and from the land.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.


IN WITNESS WHEREOF, Stewart Title Guaranty Company has caused this policy to be signed and sealed by its duly authorized officers as of the date of Policy shown in Schedule A.

  
Chairman of the Board

STEWART TITLE  
GUARANTY COMPANY

  
President

Countersigned:

  
Authorized Signatory  
ATI Title Company  
3190 Fairview Park Dr. #14G  
Falls Church, VA 22042



City, State

### EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
  - (a) created, suffered, assumed or agreed to by the insured claimant;
  - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
  - (c) resulting in no loss or damage to the insured claimant;
  - (d) attaching or created subsequent to Date of Policy; or
  - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the Insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
  - (a) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
  - (b) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
    - (i) to timely record the instrument of transfer; or
    - (ii) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

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## CONDITIONS AND STIPULATIONS

### 1. DEFINITION OF TERMS.

The following terms when used in this policy mean:

(a) "insured": the insured named in Schedule A, and, subject to any rights or defenses the Company would have had against the named insured, those who succeed to the interest of the named insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate or fiduciary successors.

(b) "insured claimant": an insured claiming loss or damage.

(c) "knowledge" or "known": actual knowledge, not constructive knowledge or notice which may be imputed to an insured by reason of the public records as defined in this policy or any other records which impart constructive notice of matters affecting the land.

(d) "land": the land described or referred to in Schedule A, and improvements affixed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to in Schedule A, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which a right of access to and from the land is insured by this policy.

(e) "mortgage": mortgage, deed of trust, trust deed, or other security instrument

(f) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge. With respect to Section 1(a)(iv) of the Exclusions From Coverage, "public records" shall also include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the land is located.

(g) "unmarketability of the title": an alleged or apparent matter affecting the title to the land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title.

### 2. CONTINUATION OF INSURANCE AFTER CONVEYANCE OF TITLE.

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness 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 covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. 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 indebtedness 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 4(a) below, (ii) in case knowledge shall come to an insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if title to the estate or interest, as insured, is rejected as unmarketable. If prompt notice shall not be given to the Company, then as to the insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

### 4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE.

(a) Upon written request by the insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the insured in the defense of those causes of action which allege matters not insured against by this policy.

(b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest, as insured, or to prevent or reduce loss or damage to the insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(c) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly

reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for this purpose. Whenever requested by the Company, the insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest as insured. If the Company is prejudiced by the failure of the insured to furnish the required cooperation, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

### 5. PROOF OF LOSS OR DAMAGE.

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien or encumbrance on the title, or other matter insured against by this policy which 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. If the Company is prejudiced by the failure of the insured claimant to provide the required proof of loss or damage, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the insured claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the insured claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the insured claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the insured claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph shall terminate any liability of the Company under this policy as to that claim.

### 6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY.

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.

To pay or tender payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations to the insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an insured claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(ii) to pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

610 Upon the exercise by the Company of either of the options provided for in paragraphs (b)(i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.



**CONDITIONS AND STIPULATIONS Continued**  
(continued and concluded from reverse side of Policy Face)

**7. DETERMINATION, EXTENT OF LIABILITY AND COINSURANCE.**

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

(a) The liability of the Company under this policy shall not exceed the least of:

(i) the Amount of Insurance stated in Schedule A; or,  
(ii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien or encumbrance insured against by this policy.

(b) In the event the Amount of Insurance stated in Schedule A at the Date of Policy is less than 80 percent of the value of the insured estate or interest or the full consideration paid for the land, whichever is less, or if subsequent to the Date of Policy and improvement is erected on the land which increases the value of the insured estate or interest by at least 20 percent over the Amount of Insurance stated in Schedule A, then this Policy is subject to the following:

(i) where no subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that the amount of insurance at Date of Policy bears to the total value of the insured estate or interest at Date of Policy; or

(ii) where a subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that 120 percent of the Amount of Insurance stated in Schedule A bears to the sum of the Amount of Insurance stated in Schedule A and the amount expended for the improvement.

The provisions of this paragraph shall not apply to costs, attorneys' fees and expenses for which the Company is liable under this policy, and shall only apply to that portion of any loss which exceeds, in the aggregate, 10 percent of the Amount of Insurance stated in Schedule A.

(c) The Company will pay only those costs, attorney's fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

**8. APPORTIONMENT.**

If the land described in Schedule A consists of two or more parcels which are not used as a single site, and a loss is established affecting one or more of the parcels but not all, the loss shall be computed and settled on a pro rata basis as if the amount of insurance under this policy was divided pro rata as to the value on Date of Policy of each separate parcel to the whole, exclusive of any improvements made subsequent to Date of Policy, unless a liability or value has otherwise been agreed upon as to each parcel by the Company and the insured at the time of the issuance of this policy and shown by an express statement or by an endorsement attached to this policy.

**9. LIMITATION OF LIABILITY.**

(a) If the Company establishes the title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the land, or cures the claim of unmarketability of title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title as insured.

(c) The Company shall not be liable for loss or damage to any insured for liability voluntarily assumed by the insured in settling any claim or suit without the prior written consent of the Company.

**10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.**

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro tanto.

**11. LIABILITY NONCUMULATIVE.**

It is expressly understood that the amount of insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule B or to which the insured has agreed, assumed, or taken subject, or which is hereafter executed by an insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy to the insured owner.

**12. PAYMENT OF LOSS.**

(a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.

(b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

**13. SUBROGATION UPON PAYMENT OR SETTLEMENT.**

(a) The Company's Right of Subrogation.

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant.

The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The insured claimant shall permit the Company to sue, compromise or settle in the name of the insured claimant and to use the name of the insured claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the insured claimant, the Company shall be subrogated to these rights and remedies in the proportion which the Company's payment bears to the whole amount of the loss.

If loss should result from any act of the insured claimant, as stated above, that act shall not void this policy, but the Company, in that event, shall be required to pay only that part of any losses insured against by this policy which shall exceed the amount, if any, lost to the Company by reason of the impairment by the insured claimant of the Company's right of subrogation.

(b) The Company's Rights Against Non-Insured Obligors.

The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the insured to indemnities, guaranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this policy.

**14. ARBITRATION**

Unless prohibited by applicable law, either the Company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters, when the Amount of Insurance is \$1,000,000 or less shall be arbitrated at the option of either the Company or the insured. All arbitrable matters when the Amount of Insurance is in excess of \$1,000,000 shall be arbitrated only when agreed to by both the Company and the insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

**15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.**

(a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest covered hereby or by any action asserting such claim, shall be restricted to this policy.

(c) No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

**16. SEVERABILITY.**

In the event any provision of the policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

**17. NOTICES, WHERE SENT.**

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company at P. O. Box 2029, Houston, Texas 77252-2029.

**VALID ONLY IF SCHEDULES A & B ARE  
ATTACHED TO ALTA OWNER'S POLICY**

***SCHEDULE A***

**POLICY NO: O**

**CASE NO: SAMPLE at**

**DATE OF POLICY:**

**AMOUNT OF POLICY: \$**

**NAME OF INSURED:**

- 1. The estate or interest in the land described or identified herein and which is covered by this policy is*
- 2. Title to the estate or interest in the land is vested in the insured.*
- 3. The land referred to in this policy is situated in Virginia and is described as follows:*

## **SCHEDULE B**

**POLICY NO: O**

**CASE NO: SAMPLE**

*This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:*

- 1. Any discrepancies, conflicts, or shortages in area or boundary lines, or any encroachments or any overlapping of improvements or other boundary or location disputes.*
- 2. Rights or claims of parties in possession, and not of record in the public records; liens for labor, services or materials or claims to same which are not of record in said records.*
- 3. Any roadway or easement, similar or dissimilar, on, under, over, or across said property, or any part thereof and not of record in said records.*
- 4. Community property, survivorship, dower, curtesy or homestead rights, if any, of any spouse of any individual insured.*
- 5. Any titles or rights asserted by anyone, including but not limited to persons, corporations, governments, or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or gulf, or lands beyond the line of the harbor or bulkhead lines as established or changed by the United States Government or riparian rights, if any.*

**ENDORSEMENT**  
**Attached to and forming a part of**  
**Policy No: O**

**Issued by**

**STEWART TITLE GUARANTY COMPANY**

**HOMEOWNER'S INFLATION ENDORSEMENT**

The Company recognizing the current effect of inflation on real property valuation and intending to provide additional monetary protection to the Insured Owner named in said Policy, hereby modifies said Policy, as follows:

1. Notwithstanding anything contained in said Policy to the contrary, the amount of insurance provided by said policy, as stated in Schedule A thereof, is subject to cumulative annual upward adjustments in the manner and to the extent hereinafter specified.
2. "Adjustment date" is defined, for the purpose of this Endorsement, to be 12:01 a.m. on the first January 1 which occurs more than six months after the Date of Policy, as shown in Schedule A of the Policy to which this Endorsement is attached, and on each succeeding January 1.
3. An upward adjustment will be made on each of the Adjustment Dates, as defined above, by increasing the maximum amount of insurance provided by said Policy (as said amount may have been increased theretofore under the terms of this Endorsement) by the same percentage, if any, by which the United States Department of Commerce Composite Construction Cost Index (based period 1967) for the month of September immediately preceding exceeds such Index for the month of September one year earlier; provided, however, that the maximum amount of insurance in force shall never exceed 150% of the amount of insurance stated in Schedule A of said Policy, less the amount of any claim paid under said Policy which, under the terms of the Conditions and Stipulations, reduces the amount of insurance in force. There shall be no annual adjustment in the amount of insurance for years in which there is no increase in said Construction Cost Index.
4. In the settlement of any claim against the Company under said Policy, the amount of insurance in force shall be deemed to the amount which is in force as of the date on which the insured claimant first learned of the assertion or possible assertion of such claim, or as of the date of receipt by the Company of the first notice of such claim, which shall first occur.

**PROVIDED, HOWEVER,** this endorsement shall be effective only if one of the following conditions exists at Date of Policy:

- a. The land described in this Policy is parcel on which there is only a one-to-four family residential structure, including all improvements on the land related to residential use, in which the Insure/Owner resides or intends to reside; or,
- b. The Land consists of a residential condominium unit, together with the common elements appurtenant thereto and related to residential use thereof, in which the Insured Owner resides or intends to reside.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

Dated:

**STEWART TITLE GUARANTY COMPANY**

Countersigned by:

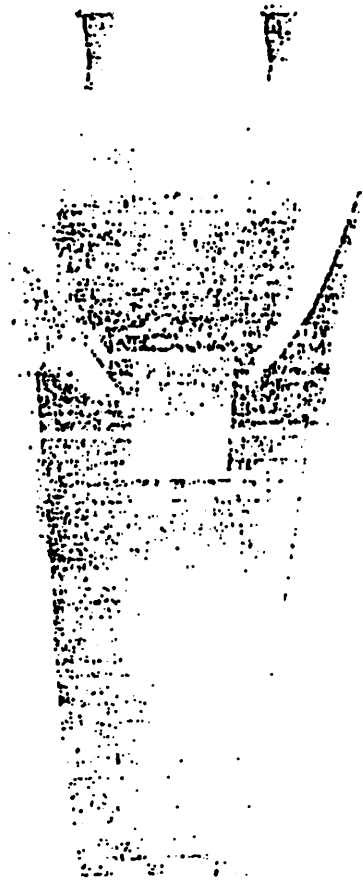
\_\_\_\_\_  
Authorized Signatory

**STEWART TITLE**  
GUARANTY COMPANY

ESTABLISHED 1893  
INCORPORATED 1908

A NAME  
RECOGNIZED NATIONALLY  
AS BEING  
SYNONYMOUS WITH

**QUALITY**



*Surety of Contract*

**STEWART TITLE**  
GUARANTY COMPANY

P.O. Box 2029  
Houston, Texas 77252

**POLICY  
OF  
TITLE  
INSURANCE**

**615**

## **Exhibit 26**

POLICY OF TITLE INSURANCE ISSUED BY

# STEWART TITLE

## GUARANTY COMPANY

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, STEWART TITLE GUARANTY COMPANY, a Texas corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title;
4. Lack of a right of access to and from the land;
5. The invalidity or unenforceability of the lien of the insured mortgage upon the title;
6. The priority of any lien or encumbrance over the lien of the insured mortgage;
7. Lack of priority of the lien of the insured mortgage over any statutory lien for services, labor or material:
  - (a) arising from an improvement or work related to the land which is contracted for or commenced prior to Date of Policy; or
  - (b) arising from an improvement or work related to the land which is contracted for or commenced subsequent to Date of Policy and which is financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance;
8. 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.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title or the lien of the insured mortgage, as insured, but only to the extent provided in the Conditions and Stipulations.

In witness whereof, Stewart Title Guaranty Company has caused this policy to be signed and sealed by its duly authorized officers as of Date of Policy shown in Schedule A.

STEWART TITLE  
GUARANTY COMPANY

*Stewart Morris Jr.*  
Chairman of the Board

Countersigned by:

*SPECIMEN*  
Authorized Signatory

ATI Title Company  
Company 190 Fairview Park Dr #140  
Falls Church, VA 22042

City, State

*Malcolm S. Morris*  
President



### EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

## EXCLUSIONS FROM COVERAGE Continued

3. Defects, liens, encumbrances, adverse claims or other matters:
  - (a) created, suffered, assumed or agreed to by the insured claimant;
  - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by insured claimant prior to the date the insured claimant became an insured under this policy;
  - (c) resulting in no loss or damage to the insured claimant;
  - (d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material); or
  - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
  - (a) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
  - (b) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
  - (c) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
    - (i) to timely record the instrument of transfer; or
    - (ii) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

## CONDITIONS AND STIPULATIONS

### 1. DEFINITION OF TERMS

The following terms when used in this policy mean:

(a) "insured": the insured named in Schedule A. The term "insured" also includes

(i) the owner of the indebtedness secured by the insured mortgage and each successor in ownership of the indebtedness except a successor who is an obligor under the provisions of Section 12(c) of these Conditions and Stipulations (reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor insured, unless the successor acquired the indebtedness as a purchaser for value without knowledge of the asserted defect, lien, encumbrance, adverse claim or other matter insured against by this policy as affecting title to the estate or interest in the land);

(ii) any governmental agency or governmental instrumentality which is an insurer or guarantor under an insurance contract or guaranty insuring or guaranteeing the indebtedness secured by the insured mortgage, or any part thereof, whether named as an insured herein or not;

(iii) the parties designated in Section 2(a) of these Conditions and Stipulations.

(b) "insured claimant": an insured claiming loss or damage.

(c) "knowledge" or "known": actual knowledge, not constructive knowledge or notice which may be imputed to an insured by reason of the public records as defined in this policy or any other records which impart constructive notice of matters affecting the land.

(d) "land": the land described or referred to in Schedule A, and improvements affixed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to in Schedule A, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which a right of access to and from the land is insured by this policy.

(e) "mortgage": mortgage, deed of trust, trust deed, or other security instrument.

(f) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge. With respect to Section 1(a)(iv) of the Exclusions From Coverage, "public records" shall also include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the land is located.

(g) "unmarketability of the title": an alleged or apparent matter affecting the title to the land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A or the insured mortgage to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title.

### 2. CONTINUATION OF INSURANCE

estate or interest in the land by foreclosure, trustee's sale, conveyance in lieu of foreclosure, or other legal manner which discharges the lien of the insured mortgage; (ii) a transferee of the estate or interest so acquired from an insured corporation, provided the transferee is the parent or wholly owned subsidiary of the insured corporation, and their corporate successors by operation of law and not by purchase; and (iii) any governmental agency or governmental instrumentality which acquires all or any part of the estate or interest pursuant to a contract of insurance guaranty insuring or guaranteeing the indebtedness secured by the insured mortgage.

(b) After Conveyance of Title. The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness 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 covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. 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 indebtedness secured by a purchase money mortgage given by the insured.

(c) Amount of Insurance: The amount of insurance after the acquisition of the estate or interest shall in neither event exceed the least of:

(i) the Amount of Insurance stated in Schedule A;

(ii) the amount of the principal of the indebtedness secured by the insured mortgage as of Date of Policy, interest thereon, expenses of foreclosure, amount advanced pursuant to the insured mortgage to assure compliance with laws or protect the lien of the insured mortgage prior to the time of acquisition of the estate or interest in the land and secured thereby and reasonable amounts expended to prevent deterioration of improvements, but reduced by the amount of all payments made; or

(iii) the amount paid by any governmental agency or governmental instrumentality, if the agency or instrumentality is the insured claimant, in the acquisition of the estate or interest in satisfaction of its insurance contract or guaranty.

### 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 4(a) below, (ii) in case knowledge shall come to the insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest or the lien of the insured mortgage, as insured, and which may cause loss or damage for which the Company may be liable by virtue of this policy or (iii) if title to the estate or interest or the lien of the insured mortgage, as insured, is rejected as unmarketable. If prompt notice shall not be given to the Company then as to the insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any insured under this



**4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE.**

(a) Upon written request by the insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the insured in the defense of those causes of action which allege matters not insured against by this policy.

(b) The Company shall have the right, at its own costs, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest or the lien of the insured mortgage, as insured, or to prevent or reduce loss or damage to the insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(c) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for this purpose. Whenever requested by the Company, the insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest or the lien of the insured mortgage, as insured. If the Company is prejudiced by the failure of the insured to furnish the required cooperation, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

**5. PROOF OF LOSS OR DAMAGE.**

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien or encumbrance on the title, or other matter insured against by this policy which 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. If the Company is prejudiced by the failure of the insured claimant to provide the required proof of loss or damage, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the insured claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the insured claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the insured claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the insured claimant to submit for examination under oath, produce other reasonably requested information or grant permission

paragraph, unless prohibited by law or governmental regulation, shall terminate liability of the Company under this policy as to that claim.

**6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY.**

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance or to Purchase the Indebtedness.

(i) to pay or tender payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay; or

(ii) to purchase the indebtedness secured by the insured mortgage for the amount owing thereon together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of purchase and which the Company is obligated to pay.

If the Company offers to purchase the indebtedness as herein provided, the owner of the indebtedness shall transfer, assign, and convey the indebtedness to the insured mortgage, together with any collateral security, to the Company upon payment therefor.

Upon the exercise by the Company of either of the options provided for in paragraphs a(i) or (ii), all liability and obligations to the insured under this policy, other than to make the payment required in those paragraphs, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of the insured claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(ii) to pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs b(i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

**7. DETERMINATION AND EXTENT OF LIABILITY.**

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent hereinafter described.

(a) The liability of the Company under this policy shall not exceed the least of:

(i) the Amount of Insurance stated in Schedule A, or, if applicable, the amount of insurance as defined in Section 2(c) of these Conditions and Stipulations;

(ii) the amount of the unpaid principal indebtedness secured by the insured mortgage as limited or provided under Section 8 of these Conditions and Stipulations or as reduced under Section 9 of these Conditions and Stipulations, at the time the loss or damage insured against by this policy occurs, together with interest thereon; or

(iii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien or encumbrance insured against by this policy.

(b) In the event the insured has acquired the estate or interest in the matter described in Section 2(a) of these Conditions and Stipulations or has conveyed the title, then the liability of the Company shall continue as set forth in Section 7(a) of these Conditions and Stipulations.

(c) The company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

**8. LIMITATION OF LIABILITY.**

(a) If the Company establishes the title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the land, or cures the claim of unmarketability of title, or otherwise establishes the lien of the insured mortgage, all claims incurred in a reasonably direct manner shall be limited to the

conditions and stipulations continued and concluded

litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title or to the lien of the insured mortgage, as insured.

(c) The Company shall not be liable for loss or damage to any insured for liability voluntarily assumed by the insured in settling any claim or suit without the prior written consent of the Company.

(d) The Company shall not be liable for: (i) any indebtedness created subsequent to Date of Policy except for advances made to protect the lien of the insured mortgage and secured thereby and reasonable amounts expended to prevent deterioration of improvements; or (ii) construction loan advances made subsequent to Date of Policy, except construction loan advances made subsequent to Date of Policy for the purpose of financing in whole or in part the construction of an improvement to the land which at Date of Policy were secured by the insured mortgage and which the insured was and continued to be obligated to advance at and after Date of Policy.

#### 9. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.

(a) All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro tanto. However, any payments made prior to the acquisition of title to the estate or interest as provided in Section 2(a) of these Conditions and Stipulations shall not reduce pro tanto the amount of the insurance afforded under this policy except to the extent that the payments reduce the amount of the indebtedness secured by the insured mortgage.

(b) Payment in part by any person of the principal of the indebtedness, or any other obligation secured by the insured mortgage, or any voluntary partial satisfaction or release of the insured mortgage, to the extent of the payment, satisfaction or release, shall reduce the amount of insurance pro tanto. The amount of insurance may thereafter be increased by accruing interest and advances made to protect the lien of the insured mortgage and secured thereby, with interest thereon, provided in no event shall the amount of insurance be greater than the Amount of Insurance stated in Schedule A.

(c) Payment in full by any person of the voluntary satisfaction or release of the insured mortgage shall terminate all liability of the Company except as provided in Section 2(a) of these Conditions and Stipulations.

#### 10. LIABILITY NONCUMULATIVE.

If the insured acquires title to the estate or interest in satisfaction of the indebtedness secured by the insured mortgage, or any part thereof, it is expressly understood that the amount of insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule B or to which the insured has agreed, assumed, or taken subject, or which is hereafter executed by an insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy.

#### 11. PAYMENT OF LOSS.

(a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.

(b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

#### 12. SUBROGATION UPON PAYMENT OR SETTLEMENT.

##### (a) The Company's Right of Subrogation.

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant.

The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The insured claimant shall permit the Company to sue, compromise or settle in the name of the insured claimant and to use the name of the insured claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the insured claimant, the Company shall be subrogated to all rights and remedies of the insured claimant after the insured claimant shall have recovered its principal, interest, costs of collection.

##### (b) The Insured's Rights and Limitations.

Notwithstanding the foregoing, the owner of the indebtedness secured by insured mortgage, provided the priority of the lien of the insured mortgage or enforceability is not affected, may release or substitute the personal liability of debtor or guarantor, or extend or otherwise modify the terms of payment, or release a portion of the estate or interest from the lien of the insured mortgage, or release any collateral security for the indebtedness.

When the permitted acts of the insured claimant occur and the insured knowledge of any claim of title or interest adverse to the title to the estate or interest or the priority or enforceability of the lien of the insured mortgage, as insured, Company shall be required to pay only that part of any losses insured against by policy which shall exceed the amount, if any, lost to the Company by reason of impairment by the insured claimant of the Company's right of subrogation.

##### (c) The Company's Rights Against Non-Insured Obligor.

The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the insured to indemnities, guarantees, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of policy.

The Company's right of subrogation shall not be avoided by acquisition of insured mortgage by an obligor (except an obligor described in Section 1(a)(ii) of these Conditions and Stipulations) who acquires the insured mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond and the obligor will be an insured under this policy, notwithstanding Section 1(a)(i) of these Conditions and Stipulations.

#### 13. ARBITRATION

Unless prohibited by applicable law, either the Company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, a controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or breach of a policy provision or other obligation. All arbitrable matters when the Amount of Insurance is \$1,000,000 or less shall be arbitrated at the option of either the Company or the insured. All arbitrable matters when the Amount of Insurance in excess of \$1,000,000 shall be arbitrated only when agreed to by both the Company and the insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

#### 14. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.

(a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the insured and the Company. Interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the lien of the insured mortgage or of the title to the estate or interest covered hereby or by any action asserting such claim, shall be restricted to this policy.

(c) No amendment of or endorsement to this policy can be made except by writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

#### 15. SEVERABILITY.

In the event any provision of this policy is held invalid or unenforceable under the applicable law, the policy shall be deemed not to include that provision and other provisions shall remain in full force and effect.

#### 16. NOTICES, WHERE SENT.

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company, P.O. Box 2020, Houston, Texas 77252-0200.

**VALID ONLY IF SCHEDULES A & B ARE  
ATTACHED TO ALTA LOAN POLICY**

**SCHEDULE A**

**POLICY NO: M**

**CASE NO: SAMPLE at**

**DATE OF POLICY:**

**AMOUNT OF POLICY: \$**

**NAME OF INSURED:**

- 1. The estate or interest in the land described or identified herein and which is covered by this policy is*
- 2. Title to the estate or interest in the land is vested in:*
- 3. The Security Instrument, herein referred to as the insured Security Instrument, and the assignments thereof, if any, are described as follows:*
- 4. The land referred to in this policy is situated in Virginia and is described as follows:*

**SCHEDULE B**

**POLICY NO:**

**CASE NO: SAMPLE**

*This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:*

**ENDORSEMENT**  
Attached to and forming a part of  
Policy No: M

Issued by

**STEWART TITLE GUARANTY COMPANY**

**ALTA ENDORSEMENT FORM 8.1 - ENVIRONMENTAL PROTECTION LIEN**

The insurance afforded by this endorsement is only effective if the land is used or is to be used primarily for residential purposes.

The Company insures the insured against loss or damage sustained by reason of lack of priority of the lien of the insured mortgage over:

- (a) any environmental protection lien which, at Date of Policy is recorded in those records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge, or filed in the records of the clerk of the United States district court for the district in which the land is located, except as set forth in Schedule B; or
- (b) any environmental protection lien provided for by any state statute in effect at Date of Policy; except environmental protection liens provided for by the following state statutes:

None

For the purposes of this paragraph (b), a statute shall be deemed a "state statute" only insofar as it provides for an environmental protection lien arising or created by reason of matters other than those listed under "Excluded Matters" below.

**Excluded Matters**

- (i) plant diseases, pests, or rodents;
- (ii) water drainage or flood control, mining reclamation, weed abatement, or unfit buildings (where the applicable statutory provisions do not expressly relate to pollution or to hazardous or toxic wastes or substances);
- (iii) snow or ice removal;
- (iv) charges, taxes or assessments authorized by any state statute to be imposed by local political subdivisions or districts of the state (except where such charges, taxes or assessments, by express provisions of the applicable statute, relate to pollution or to hazardous or toxic wastes or substances).

This endorsement is made a part of the policy and is subject to all the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

Dated:

**STEWART TITLE GUARANTY COMPANY**

Countersigned by:

\_\_\_\_\_  
Authorized Signatory

**623**

NOTE: This endorsement shall not be valid or binding until signed by an authorized signatory.