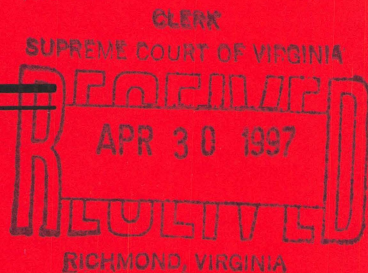
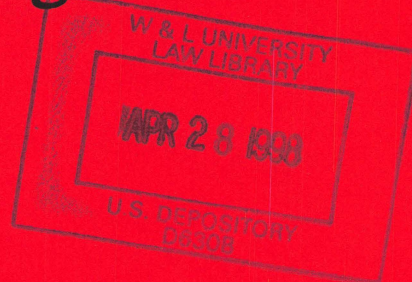


254 VA 388



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 III**

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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

August 31, 1994

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

Case No. INS950079
Sponsor Staff
Exhibit No. MMB-2
Witness Mary M. Bannister
Bailliff Deborah P. Beasley

RE: Title Option Plus
Letter from Lawyers Title Insurance
Corporation dated August 22, 1994

Dear Commissioner Foster:

While I hesitate to waste your time any further on this matter, it is important to clear up a number of false and misleading statements contained in the above-referenced letter to you which was also copied to several other people.

To start with, as Lawyers Title admits on the middle of page 3 of their letter, the TOP product is plainly and simply a title search performed by competent abstractors and attorneys employed by ATI Title Company ("ATI"). It is untrue, however, that a "truncated" search is performed. ATI uses the same standards of care that ATI uses when it issues title insurance. ATI then certifies the status of record title to its corporate parent Norwest Mortgage, Inc. ("NMI"). NMI has decided that it is willing to rely on this certification rather than lenders title insurance or a third party attorney's title opinion when it makes the standard representation and warranty (required from all lenders) to the secondary marketing agencies when it sells the loan on the secondary market.

NMI made this decision based on its belief in the quality of the search performed by ATI. The TOP product is available only to NMI.

We are convinced that TOP is most definitely not insurance. It is a method of title determination under which the lender determines the state of the records and assumes the risk any outside-the-record defects pose to its own loan (the same risks that lenders assume when they use third party attorney opinions). Like a lender's title insurance policy or an attorney's opinion, it offers no direct protection to the borrower. It offers the same amount of "indirect" protection to a borrower as does a lender's title insurance policy or an attorney's opinion (i.e. the "cold" comfort that the lender is willing to put out the lion's share of the cash based on its determination that title is satisfactory to it). The borrower is clearly informed that there is no direct protection to him/her with either TOP or a lender's policy and the borrower elects after full disclosure whether to use TOP or a title insurance system.

NMI sales representatives provide a consumer disclosure to borrowers in connection with their election whether or not to use the TOP product (copies attached). This is in addition to the required (VA Section 38.2-4616) notice that the settlement agent provides. It is totally self serving for Lawyers Title to claim that the consumer does not know what he/she is doing if he/she elects not to spend the extra money for an owner's policy after receipt of all this disclosure.

We disagree that we "must convince borrowers that TOP is all they need or they have no product." We believe that anyone who refinances is a clear winner using TOP over lenders title protection and we hope that TOP will be used on most NMI refinances where the service is offered. We further believe that TOP may be logically selected when a buyer has little or no equity at risk because in many states an owner's policy is much more expensive than only a lenders policy. Given the illustration used on page 3 of the letter, the consumer has the option to pay \$617 for an owners and mortgage protection plus any add on costs of endorsements, or he/she can buy TOP for \$361 and have no owner's protection. TOP is a legitimate competitive alternative. In many places consumers frequently elect not to spend the extra money required to buy an owner's policy.

Quite frankly, the desperation felt by Lawyers Title is evident in their specious analogy to credit insurance, and their reference to the Grand Rent A Car case. In both of these instances, the customer has been promised direct protection, which is an essential element of insurance. The TOP product makes it very clear that the customer gets no direct title protection from ATI, NMI or anyone else.

The legal arguments made by Lawyers Title on page 4 of their letter (when viewed in light of the true facts) actually proves the falsity of their premise. ATI does not agree to cure defects in title for the customer or for NMI, or anyone else. There is simply no promise by ATI to anyone to pay money "upon the destruction or injury of something in which the other party has an interest" (other than based on its implied duty to not commit negligence in its search). All risks of potential loss (whether disclosed in the search or which are outside the official record) to NMI are assumed totally by NMI.

Lawyers Title's attempt to imply a RESPA violation also shows their ignorance of both the facts and the law. NMI does offer incentives to its sales representatives (the "Top Hat Contest") which is perfectly legal under the existing Regulation X. The fact that some of the people want the Regulation to be revised does not and cannot make current actions under the Regulation illegal.

The fundamental flaw in ALTA and Lawyers Title's arguments against TOP is that NMI (and any other or all lenders) could very easily under currently existing laws and investor guidelines, never buy another lenders title policy by simply relying on attorneys' title opinions. The only difference with TOP is that NMI uses its wholly owned subsidiary, ATI Title, to perform the title search function instead of a third party attorney and NMI makes its own determination as to the adequacy of title revealed by that search. There is not one scintilla of difference between the protection a borrower would receive based on a third party attorney's opinion issued to the lender [i.e. absolutely none] and the protection a borrower receives based on a TOP search. Lack of borrower protection is simply not a real issue. It is a red herring dangled by ALTA and Lawyers Title to prevent fair and honest competition with their product.

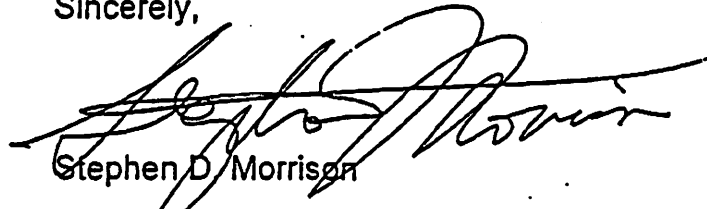
The additional comment that NMI's (not ATI's) materials suggest a refinancing borrower should look to his/her original owner's policy, if one was obtained when the property was purchased, is entirely proper. Lawyers Title's apparent position that the original owner's policy somehow does not last for the term of the consumer's ownership ought to be a matter of significant concern to the Commissioner, since it directly contravenes the terms of title protection promised by the underwriter in the owner's policy itself.

NMI is convinced that it is offering a legitimate option to borrowers at a competitive price with full disclosure. We are, however, willing to further expand the disclosure we provide if there are reasonable concerns as to its adequacy. We expect to compete on a fair and honest basis.

The Honorable Steven T. Foster
August 31, 1994
Page 4

I appreciate your time and understanding of this matter. If you have any questions, please do not hesitate to call or write.

Sincerely,



Stephen D. Morrison

SDM/dg

cc: Deputy Insurance Commissioner, Mary Bannister
The Honorable Nelson A. Diaz, General Counsel HUD
The Honorable James S. Gilmore, III, Attorney General
James R. Maher, ALTA
Janet Alpert, Lawyers Title
Greg Merkle
Michael J. Keller
Michael G. Fahey

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

628

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 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.

Selection

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

629

Borrower's Signature

Date

Borrower's Signature

Date

Norwest Mortgage, Regulator Tussle Over Title Product

BY STEVE JORDON
WORLD-HERALD BUSINESS EDITOR

A dispute over a new land title product offered by Norwest Mortgage Corp. went to court Monday after Nebraska's insurance director ordered the company to stop selling the product.

By the end of the day, the Nebraska Insurance Department said it would withdraw its order but hold a hearing next week on the issue. An attorney for Norwest Mortgage of Des Moines said the issue may go to a judge.

And a national title insurance group said Norwest Mortgage's "Title Option Plus" misleads home buyers and doesn't protect consumers.

James R. Maher, executive vice president of the American Land Title Association in Washington, D.C., said Norwest's marketing "will distort public understanding" of title insurance.

That's incorrect, said Steve Morrison, senior vice president, secretary and general counsel for Norwest Mortgage and its ATI Title subsidiary.

"They're afraid of the competition," Morrison said. "It's a turf battle."

At the core of the dispute is whether Title Option Plus is insurance. The State Insurance Department says it is and that Norwest Mortgage, a division of Norwest Corp. of Minneapolis, and ATI would need licenses to sell it.

Norwest Mortgage says the product is not insurance but rather a title search system to protect mortgage lenders.

Also in dispute is when home buyers need to buy title insurance.

Robert G. Lange, acting insurance director for Nebraska, issued an order Friday saying Norwest and ATI must stop any insurance business in the state and show at a hearing Sept. 7 why the ban should not be permanent.

Kris Thomas, attorney for insurance department, said Title Option Plus is insurance because the borrower chooses the program and Norwest guarantees the claim on the property to the Federal Home Loan Mortgage Corp.

She said Norwest Mortgage markets Title Option Plus in 12 other states, including Iowa. Each state would examine Title Option Plus in light of its own title insurance laws, she said.

The Nebraska department also has questions about how the product is marketed to consumers, she said.

The American Land Title Association, the trade group, said Title Option Plus does not protect consumers and confuses home buyers.

The association's Maher said that

Norwest Mortgage markets Title Option Plus as a substitute for lender's title insurance but that Total Option Plus is based on a more limited search of title records. He said Norwest also suggests that buyers don't need title insurance.

He said the price advantage offered by Title Option Plus is "minimal" and "is more than offset by the absence of any protection for consumers, compounded by the confusion generated by Norwest's marketing efforts."

Morrison, the Norwest Mortgage attorney, said the company filed a lawsuit in Lancaster County District Court Monday asking a judge to stop enforcement of Lange's order.

In light of the lawsuit, Ms. Thomas said, Lange is to revise his order when he returns to the state Thursday, removing the order halting sale of the product. The Sept. 7 hearing and the issues in dispute remain, she said.

Morrison said Lange does not have the authority to call a hearing on the issue but rather would have to ask the State Attorney General to bring court action.

"We probably will force him to do that," Morrison said. "We'd rather get before a judge."

Norwest Mortgage and ATI have been selling Total Option Plus since July, Morrison said. He said the land title insurance association "has really been rattling people's cages."

No other states have issued orders similar to Lange's, Morrison said.

"It's clearly not insurance," Morrison said. "It is very simply a title search done by qualified abstractors and attorneys."

The Federal Home Loan Mortgage Corp. and other agencies that handle mortgages require that lenders guarantee that the loan carries the primary claim on a house, Morrison said.

For 20 years most lenders have backed their guarantees with title insurance, he said, but before that guarantees were backed by opinions based on title searches like Title Option Plus.

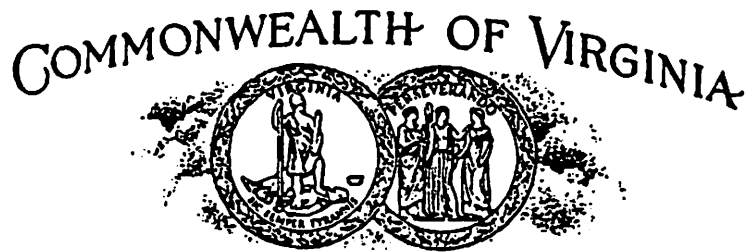
The program is about 10 percent cheaper than lender's title insurance, Morrison said.

He said Norwest does not compare Title Option Plus to borrower's insurance. He said the company fully informs borrowers about the product, including risks and costs.

Morrison said he would buy title insurance if he was making a big down payment and purchasing a home through a new mortgage. If he was refinancing, he said, "there is no reason in the world to buy an owner's policy, if you already have one from the first (mortgage)."



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

September 1, 1994




Mr. Stephen D. Morrison
Senior Vice President
Secretary and General Counsel
Norwest Mortgage, Inc.
405 S. W. 5th Street
Des Moines, Iowa 50309-4626

Re: Title Option Plus
Letter from Lawyers Title Insurance Corporation

Dear Mr. Morrison:

This will acknowledge receipt of your faxed letter dated August 31 concerning Lawyers Title Insurance Corporation's August 22 letter to the Bureau. I have asked my staff to review this matter and will include your letter as part of our file. We will be back in touch with you once our review has been completed.

Sincerely yours,


Steven T. Foster
Commissioner of Insurance

STF/kjc

cc: Mary Bannister

*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*

August 31, 1994

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

RE: Title Option Plus
Letter from Lawyers Title Insurance
Corporation dated August 22, 1994

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The Honorable Steven T. Foster
August 31, 1994
Page 2

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The Honorable Steven T. Foster
August 31, 1994
Page 3

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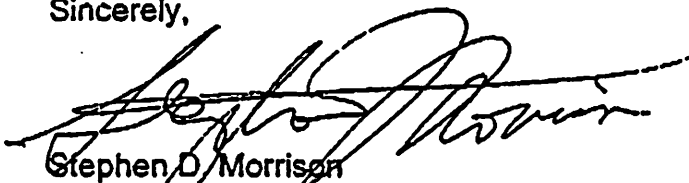
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The Honorable Steven T. Foster
August 31, 1994
Page 4

I appreciate your time and understanding of this matter. If you have any questions, please do not hesitate to call or write.

Sincerely,



Stephen D. Morrison

SDM/dg

cc: Deputy Insurance Commissioner, Mary Bannister
The Honorable Nelson A. Diaz, General Counsel HUD
The Honorable James S. Gilmore, III, Attorney General
James R. Maher, ALTA
Janet Alpert, Lawyers Title
Greg Merkle
Michael J. Keller
Michael G. Fahey

**NORWEST MORTGAGE, INC:
STEPHEN MORRISON - LEGAL DEPARTMENT
405 S.W. 5TH STREET
DES MOINES, IA 50309**

PHONE: (515) 221-7520

FAX: (515) 221-5192

Please deliver to:

NAME	TELECOPY
The Honorable Steven T. Foster Commissioner of Insurance	(804) 371-9873
Mary Bannister Deputy Insurance Commissioner	(804) 371-9396
The Honorable Nelson A. Diaz General Counsel - HUD	(202) 619-8155
The Honorable James S. Gilmore, III Attorney General	(804) 786-1991
Greg Merkle ATI Regional Manager	(410) 337-7723
James R. Maher ALTA	(202) 223-5843
Janet Alpert Lawyers Title	(804) 282-5453
Michael G. Fahey President, ATI	(402) 346-3181



Norwest Mortgage, Inc.
405 S.W. 5th Street
Des Moines, IA 50309-4626
515/221-4762
Fax 515/221-5192

Legal Department

September 1, 1994

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



RE: Title Option Plus (TOP)

Dear Mr. Foster:

This is a follow-up to Stephen Morrison's letter of August 31, 1994. I am sending this letter to others who have asked about TOP and I want you to have it also.

Enclosed please find a copy of Norwest Mortgage, Inc's ("NMI") internal proprietary manual on TOP. The manual contains samples of the documents presently used by "ATI" in connection with TOP. I would also like to give you our analysis of TOP. TOP is available exclusively to NMI.

BACKGROUND

American Land Title Association (ALTA), the title insurance underwriters trade association, believes TOP is a threat to their stronghold on the business of selling title insurance in our nation. Consequently, ALTA has orchestrated a campaign against TOP that involves contacting state insurance departments, legislators, and the media.

ALTA's campaign seems to be two-pronged. First, it alleges that TOP is somehow the "business of title insurance" and, therefore, it is subject to your regulation and violates your law. Our response is that TOP is most definitely not, for the reasons explained below, title insurance, and violates none of your laws.

Second, ALTA puts on a self serving consumer protection hat and claims that TOP is a disservice to the consumer and is being marketed in a misleading manner. Our response: (1) TOP is a clear benefit to consumers who are refinancing their homes, and (2) TOP is a less expensive alternative to lender's title insurance in the "purchase of a home" context and these cost savings must be weighed by the consumer against the absence of an owner's title insurance policy. We believe the consumer should be

given full disclosure of all available alternatives and be allowed to choose whether or not to save money and assume some risk.

EXPLANATION OF TOP

TOP is a search of the real estate records by "ATI," a title insurance agent which is a wholly-owned subsidiary of Norwest Mortgage, Inc. ("NMI"). The scope of the search is the same as ATI uses when it issues title insurance. This type of search is available to any customer of ATI. It is the use of this report by NMI that makes it unique.

TOP is a method of title determination used by NMI that allows it to sell first lien loans in the secondary market without having its warranty of "first lien status" backed by a lender's/mortgagee's title insurance policy.

The secondary market agencies (FNMA, FHLMC and GNMA) buy first lien loans. They require each of their sellers to warrant that each of the loans is secured by a valid first lien. Every seller, including NMI, makes this warranty. FNMA and FHLMC have traditionally required that the warranty of first lien status of each loan be supported by an acceptable lender's/mortgagee's title insurance policy or an attorney's opinion or certificate (title insurance is not required). The cost of this policy/opinion/certificate is borne by the consumer. GNMA defers to FHA and VA requirements; neither FHA or VA require a lender's/mortgagee's title insurance policy nor an attorney's opinion or certificate when the loan is made.

Notwithstanding FNMA's and FHLMC's traditional requirement of title insurance or an attorney's opinion/certificate, these agencies enforce only the seller's warranty. They do not depend directly on the title insurance policy. They look to the title insurance company only if the seller fails to perform, and a seller's failure to perform would also mean that it could no longer sell to that agency. Therefore, as a practical matter the agencies do not look to the title insurance policy or opinion.

The lender's/mortgagee's policy and the attorney's opinion/certificate afford no direct title protection to the owner of the home; the policy/opinion/certificate protects only the lender/mortgagee. No secondary market agency or state law requires that the buyer of a home buy an owner's title insurance policy or an attorney's opinion protecting the owner. The buyer, of course, is free to incur the additional expense of owner's protection or his/her own attorney's opinion.

FHLMC has agreed that NMI need not obtain a lender's/mortgagee's policy or attorney's opinion/certificate on loans it sells to FHLMC (except that title insurance or an attorney's opinion/certificate is required on new construction and condominium

loans). Instead, NMI obtains an owner and encumbrance ("O&E") report from ATI and uses it to determine what needs to be done at closing in order to be in a position to be able to warrant first lien status to FHLMC. If a claim involving title issues arises that could impair FHLMC's first lien position or the value of the property, then NMI must protect FHLMC's interest and, if requested, repurchase the loan. FHLMC required that Norwest Corporation, NMI's ultimate parent, guarantee NMI's performance of its obligations in this regard, and that the use of the TOP product, when used in lieu of a lender's/mortgagee's policy, reduce the consumer's title-related costs and charges.

When a consumer applies for a loan at NMI, TOP and title insurance (attorney's opinions in Iowa) are explained. The consumer is informed that the use of TOP is not a condition of the making of the loan by NMI. The customer then freely chooses TOP or title insurance.

IS TOP TITLE INSURANCE?

For TOP to be title insurance, it must first be insurance. Most definitions of insurance require that a concept contain each of the following elements in order for it to be insurance:

- a. The insured possesses an interest of some kind susceptible of pecuniary estimation known as an insurable interest; and
- b. the insured is subject to a risk of loss through the destruction or impairment of that interest by the happening of a designated peril; and
- c. The insurer assumes that risk of loss; and
- d. That such assumption is part of a general scheme to distribute actual losses among a large group of persons bearing somewhat similar risks; and
- e. As consideration for the insurer's promise, the insured makes a rateable contribution, or a premium to a general insurance fund.

For TOP to be insurance, each of these elements must be present at some step in the process. The first step is the preparation and issuing of the O&E report to NMI. In this search for "insurance" using the above definition, the "insured" would be NMI, the "insurer" would be ATI, the "interest" would be the holding of an actual first lien, regardless of what the records show. The O&E report represents title status only as to the state of the records; it tells NMI what must be done in order to obtain a first lien of record; it makes no representation as to whether satisfaction of the

conditions will give NMI an actual first lien. Therefore, ATI is not assuming the risk of loss, since a loss can occur only when a lien is actually other than a first lien, regardless of what the records show. Furthermore, ATI makes no agreement to indemnify NMI if it (ATI) accurately presents the state of the record, but NMI's lien becomes subject to an off the record challenge. If ATI fails to find and report a recorded lien, NMI's remedy is to sue ATI at common law for negligence or malpractice; there is no contract of indemnity to sue on. Its legal significance is the same as that of an attorney's title opinion. This type of report is commonly issued by title agencies and has never been considered to be insurance; it is sometimes called a "tract search" or a "lot book search" and is often used by consumer finance and home equity (second mortgage) lenders who choose not to buy title insurance.

The second step in the process is the issuing, after the loan is closed, of a certificate as to the first lien status of record of NMI's lien. Again, it is simply a certificate as to the state of the record. An attempt to construe it to be insurance fails for the same reasons as explained above.

The third step in the process is NMI's sale of the loan in the secondary market. In order to sell a loan in the secondary market, NMI (and all other lenders) must warrant to its buyer that the loan is secured by a valid first lien. Therefore, if making this warranty puts NMI in the "business of insurance," then the same is true of every other seller of mortgage loans in the secondary market.

The fact that the warranty applies to hundreds of loans does not convert a warranty into "insurance." A holding that this is insurance would mean that a manufacturer's (read NMI) warranty to a buyer (read secondary market buyer) of hundreds of widgets (read loans) that the widgets (loans) have certain characteristics (read are secured by a first lien) is also insurance, a position totally without support in the law.

Analysis of this warranty under the definition set forth above starts with identifying the parties: NMI would be the "insurer" and the secondary market buyer would be the "insured" since the warranty is a part of the contract between NMI and the secondary market buyer (the borrower is not a party to this contract). The only person under this contract who bears a risk is NMI. NMI does not make a similar warranty on behalf of any other lender, therefore it is not distributing losses among others bearing similar risks. Furthermore, the insured is not paying a premium to the insurer. Therefore, the search for "insurance" fails again.

The final step in the process at which it has been suggested that "insurance" might be involved is the guaranty by Norwest Corporation of performance by NMI of its obligations to a secondary market buyer with respect to its first lien warranty. In this analysis, Norwest Corporation would be the "insurer" and NMI would be the

"insured." Again, the analysis fails to find insurance since there is no distribution of losses and no payment of a premium. Instead, there is a garden-variety parent's guarantee of a subsidiary's performance.

To summarize, we believe that for the reasons stated above, neither TOP nor NMI's warranty nor Norwest Corporation's guaranty is "insurance."

TOP AND THE CONSUMER

The cost of a lender's title status determination, whether it be through title insurance, an attorney's opinion or a record search, is traditionally passed to the borrower. TOP is cheaper than title insurance. The borrower gets no direct title protection from any form of lender's title determination, therefore, all other things being equal, TOP is clearly the best choice for the consumer.

The consumer receives some indirect benefit from the lender's obligation to its secondary market buyer. The indirect benefit is that if a defect arises that affects the lender's lien position, the lender must cure the defect, which also cures it so far as the consumer is concerned. This indirect benefit is the same regardless of the type of title determination used. Therefore, a consumer who does not buy owner's title protection is money ahead to pay for TOP in lieu of lender's title insurance, and there is no downside to the consumer.

The consumer, of course, can buy personal title protection, either in the form of an owner's title insurance policy or an attorney's opinion. If the consumer so elects, then we do not allow him/her to elect TOP, since the total cost of TOP and a owner's policy would be greater than the total cost of a lender's title insurance policy and the owners policy (one policy or the other is typically discounted when both are issued simultaneously). We also require lender's title insurance on new construction where the consumer could potentially have mechanic's lien risks.

We make disclosures to the consumers that show them the cost of the various forms of title determination. We believe these disclosures are clear. In fact, we believe that the consumers are getting better disclosures now than when TOP was not available. Nevertheless, we are open to expanding our disclosures. The customer, under TOP, has an opportunity to elect whether to buy personal title protection or forego it in favor of cost savings. It is simply a matter of risk analysis. It is certainly possible that a consumer can reasonably elect against buying an owner's policy; many, in fact, make such an election every day.

This issue of consumer protection is, in our view one of adequate disclosure. It is not related to the question of whether TOP is insurance.

The Honorable Steven T. Foster
September 1, 1994
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As an aside, we believe that the risk to the title insurance company of ultimately bearing a loss under an owner's policy on a single family, existing construction home, is quite small. The company's agreement with its agent typically holds the agent responsible for losses due to agent negligence and agent defalcation. Therefore, any "fraud" or "negligence" losses paid by the insurance company are paid voluntarily and should not be considered a "loss" in the rate-setting context.

The fundamental flaw in ALTA's arguments against TOP is that NMI (and any other or all lenders) could very easily under currently existing laws and investor guidelines, never buy another lender's title policy by simply relying on attorneys' title opinions. The only difference with TOP is that NMI uses its wholly owned subsidiary, ATI, to perform the title search function instead of a third party attorney. There is not one scintilla of difference between the protection a borrower would receive based on a third party attorney's opinion issued to the lender [i.e. absolutely none] and the protection a borrower receives based on a TOP search. Lack of borrower protection is simply not a real issue. It is a red herring intended by ALTA to prevent fair and honest competition with their product.

NMI is convinced that it is offering a legitimate option to borrowers at a competitive price with full disclosure. We are, however, willing to further expand the disclosure we provide if there are reasonable concerns as to its adequacy. We expect to compete on a fair and honest basis.

I hope this adequately addresses your questions about TOP. If not, please call or write.

Sincerely,



Harry N. Sandstrom
Deputy General Counsel

HNS/dg

OVERNIGHT

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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EXECUTIVE SUMMARY

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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ATI TITLE OPTION PLUS (TOP)
Norwest Mortgage Branch Sales & Support Manual

TOP OVERVIEW

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.

ALLOWABLE PROPERTY TYPES	1-4 units
INELIGIBLE PROPERTY TYPES	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
ALLOWABLE LOAN PRODUCTS	A & B (FHA/VA), 1, F, L, N, O, T, 2, 3, 5; M,X,Y (Blended Loans)
ALLOWABLE TRANSACTIONS	Purchase and Refinance
BROKER TRANSACTIONS	Not allowed
NORWEST 90	Allowed. Refer to CLS/4155/VA Handbook and Norwest Product Catalog for 90 details for a specific product.

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FEATURES AND BENEFITS

THE BORROWER

FEATURE	BENEFIT
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

FEATURES AND BENEFITS

THE REALTOR®

FEATURE	BENEFIT
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

FEATURES AND BENEFITS

THE NORWEST BRANCH

FEATURE	BENEFIT
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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RATE 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.

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.

ATI TITLE OPTION PLUS (TOP)
Norwest Mortgage Branch Sales & Support Manual

TOP STEPS

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.

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.

SETTLEMENT/CLOSING SERVICES

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:

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

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:

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!

THE PLUSES OF TOP

- 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!!

IMPORTANT NOTICE: *Questions from the media, regulatory officials or similar parties should be directed to Sue Bince (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.*

AUDIENCE: REALTORS AND BORROWERS

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

QUESTION	ANSWER
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. <i>(NOTE: 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?	<p>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</p> <ul style="list-style-type: none"> (i) title to the property being vested other than as stated in the policy (ii) any defect in or lien or encumbrance on the title (iii) unmarketability of the title (iv) lack of a right of access to and from the land. <p>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).</p>

ATI TITLE OPTION PLUS (TOP)

Norwest Mortgage Branch Sales & Support Manual

QUESTION

ANSWER

5. What type of "exceptions" are typically not covered by owner's title insurance?
- 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 | 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. |

ATI TITLE OPTION PLUS (TOP)

Norwest Mortgage Branch Sales & Support Manual.

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?
- 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**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 not 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

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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EXHIBITS

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**

Estimated Cost Comparison \$ _____ (Proposed Loan Amount)

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

682



Controlled Business Arrangement Disclosure

Buyer or Seller

Property:

om:

Date:

NOTICE

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.

ted below is the estimated charge or range of charges for the following services:

_____ : \$ _____

_____ : \$ _____

_____ : \$ _____

u 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 vices at a lower rate by shopping with other settlement service providers.

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

_____ Date Borrower _____ Date

_____ 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".

- "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.

**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: _____

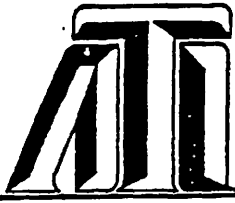
Note: *If property is rural, or description is lengthy, attach a property description, if available, to ensure accuracy and to speed up the title searching process.*

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: () _____
	685	Fax #: () _____



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

*

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.

- . 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 are 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.

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____.

690

Notary Public

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

TOP CONTEST RULES

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. Norwest Mortgage sales representatives and office staff who work on qualified loan files are eligible for one of the two TOP grand prizes. Entire Norwest 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 Norwest Mortgage employees are eligible to enter the contest. Winners of the trips must be employed by Norwest Mortgage at the time of the trip in order to collect the prize.

ATI TITLE OPTION PLUS (TOP)

Norwest Mortgage Branch Sales & Support Manual

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:

- * Nairobi
- * Amboseli National Park at the Foot of
Majestic Mount Kilimanjaro
- * Aberdare National Park - Lush Forests at an
altitude of 7,500 feet

- * Samburu National Reserve - Dry Bush
Country
- * Mount Kenya Safari Club
- * Masai Mara - A magnificent National
Reserve
- * Balloon Ride over the splendor of Kenya

*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:

- * 3 nights at the Huntington Hotel
- * 3 nights at the Meadowood in Napa Valley
- * 3 nights at the Highlands Inn, Carmel
- * Luxury Car Rental
- * San Francisco Limo Transfer & Sightseeing
tour

- * NAPA Valley
One round of golf per person
Champagne balloon ride
Antique Car Tour of Wine Country
Health spa admission and massage

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:

- * 2 nights at the Paris Hilton overlooking the
Eiffel Tower
- * Paris Sightseeing
- * 6 nights cruise aboard a luxury European
barge

- * Cruising along the winding Seine from the
bountiful vineyards of Burgundy to the
splendid chateau of the Ile De France
- * Ballooning over the French Countryside

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:

- * Rail transportation within Switzerland aboard
the Glacier Express
- * Zurich
- * Liechtenstein - the last remaining vestige of
the Holy Roman Empire
- * St. Moritz - a mountainous resort area
- * Historic Geneva

- * Lugano - the Swiss city with Italian flavor
- * Zermatt - a picturesque mountain village with
the majestic Matterhorn as a backdrop
- * Montreaux - a fashionable resort at the
Eastern end of Lake Geneva
- * Lausanne and Lucerne

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

ATI TITLE OPTION PLUS (TOP)
Norwest Mortgage Branch Sales & Support Manual

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 _____

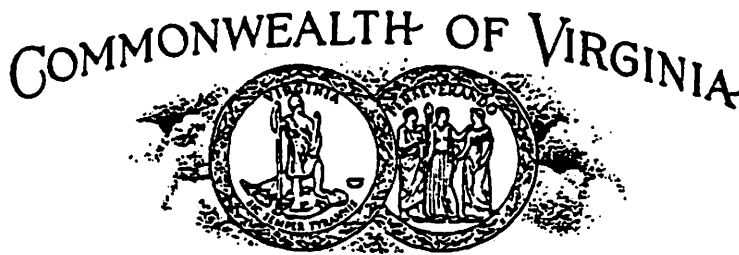
Approval: (Branch Manager initial here) _____

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

BRANCH ENTRY

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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

October 4, 1994

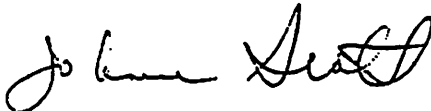
Mr. Harry N. Sandstrom
Deputy General Counsel
Norwest Mortgage, Inc.
405 S. W. 5th Street
Des Moines, Iowa 50309-4626

Re: Title Option Plus

Dear Mr. Sandstrom:

Thank you for the information on the Title Option Plus program. We are still researching this issue and would like to know how the cost of this program, paid for by the borrower, is recorded on the HUD-1 form. Please send us a copy of a completed HUD -1 form on a closed transaction. Thank you for your cooperation.

Sincerely,



JoAnne Scott, CPCU, AIE, ARP
Principal Insurance Analyst
Property and Casualty Division

JS:dw



94 OCT 17 AM 10:33

Norwest Mortgage, Inc.
405 S.W. 5th Street
Des Moines, IA 50309-4626
515/221-4762
Fax 515/221-5192

Legal Department

October 13, 1994

Ms. JoAnne Scott
Principal Insurance Analyst
Property and Casualty Division
State Corporation Commission
Bureau of Insurance
Box 1157
Richmond, VA 23209

Dear Ms. Scott:

As you requested in your letter dated October 4, 1994, enclosed please find a HUD-1 on a transaction where TOP was paid for by the borrower. If I can provide more information or answer any questions, please call on me.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Harry N. Sandstrom'.

Harry N. Sandstrom
Deputy General Counsel

HNS/sf

Enclosure

A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		B. TYPE OF LOAN	
See HUD attachment(s) for "I" items		1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FNMA 3. <input type="checkbox"/> CONV. UNITS.	
		4. <input type="checkbox"/> JVA 5. <input type="checkbox"/> CONV. INS.	
		6. FILE NUMBER: 94630093	7. LOAN NUMBER: 1875019
		8. WTB. INS. CASE NO.:	
C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked ("p.o.c.") were paid outside the closing; they are shown here for information purposes and are not included in the total.			
D. NAME OF BORROWER: DOUGLAS C. KLINE, DIANE L. KLINE			
ADDRESS: 10616 HUNTER RIDGE DRIVE, DAKTON, VIRGINIA 22124			
E. NAME OF SELLER:			
ADDRESS: SELLER TIN:			
F. NAME OF LENDER: NORTHWEST MORTGAGE, INC. 1801 RESTON PARKWAY, #202 RESTON, VIRGINIA 22090			
G. PROPERTY LOCATION: Lot 12, DAKTON WOODS 10616 HUNTER RIDGE, DAKTON, VIRGINIA 22124			
H. SETTLEMENT AGENT: ATI TITLE COMPANY ADDRESS: 1890 PRESTON WHITE DRIVE RESTON, VA. 22091 SETTLEMENT AGENT TIN: 47-0604365			
PLACE OF SETTLEMENT: ATI TITLE COMPANY ADDRESS: 1890 PRESTON WHITE DRIVE RESTON, VA. 22091		I. SETTLEMENT DATE Closing date: 10/03/94 Proration date: 10/03/94	
J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price		401. Contract sales price	
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	5,602.88	403.	
104.		404.	
105. Payoff EMPIRE OF AMERICA	23,968.15	405.	
Adjustments for items paid by seller in advance:		Adjustments for items paid for seller in advance:	
106. City/town taxes	to	406. City/town taxes	to
107. County taxes	to	407. County taxes	to
108. Assessments	to	408. Assessments	to
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. GROSS AMOUNT DUE FROM BORROWER:	29,571.03	420. GROSS AMOUNT DUE TO SELLER:	
200. AMOUNTS PAID BY OR IN REHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money		501. Errata depositing instructions	
202. Principal amount of new loan(s)	202,000.00	502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207. INTEREST CREDIT	290.52	507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller:		Adjustments for items unpaid by seller:	
210. City/town taxes	to	510. City/town taxes	to
211. County taxes	to	511. County taxes	to
212. Assessments	to	512. Assessments	to
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
230. TOTAL PAID BY/FOR BORROWER:	202,290.52	520. TOTAL REDUCTION IN AMOUNT:	
300. CASH AT SETTLEMENT FROM/TO BORROWER:		600. CASH AT SETTLEMENT TO/FROM SELLER:	
301. Gross amount due from borrower (line 120)	29,571.03	601. Gross amount due to seller (line 420)	
302. Less amounts paid by/far borrower (line 220)	202,290.52	602. Less total reductions in amount due seller (line 520)	
303. CASH FROM/TO BORROWER:	172,719.49	603. CASH TO/F FROM SELLER:	0.00

SUBSTITUTE FORM 1099 SELLER STATEMENT-The information contained in Blocks F, G, H and I and on line 401 (or, if line 401 is assimilated, lines 403 and 404) is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

SELLER INSTRUCTION-If this real estate was your principal residence, file Form 2119, Sale or Exchange of Principal Residence, for any gain, with your income tax return; for other transactions, complete the applicable parts of Form 4797, Form 6252 and/or Schedule D (Form 1040).

You are required by law to provide ATI TITLE COMPANY with your correct taxpayer identification number.

If you do not provide ATI TITLE COMPANY with your correct taxpayer identification number, you may be subject to civil or criminal penalties.

Under penalties of perjury, I certify that the number shown on this statement is my correct taxpayer identification number.

Seller

699

File #4630093		L. SETTLEMENT CHARGES		PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
700. TOTAL SALES/BROKER'S COMMISSION Based on \$					
Division of Commission (line 700) as follows:					
701. \$					
702. \$					
703. Commission paid at settlement					
704.					
800. ITEMS PAYABLE IN CONNECTION WITH LOAN.					
801. Loan Origination fee	1.00000	%	NORWEST MORTGAGE, INC.	2,020.00	
802. Loan Discount		%			
803. Appraisal fee		to	HARRY SINGH	-POCB 300.00	
804. Credit Report		to	CRI	-POCB 58.00	
805. Lender's inspection fee		to			
806. Mortgage Insurance application fee		to			
807. Assumption Fee		to			
808. Tps. Service Fee		to	NORWEST MORTGAGE, INC.	75.00	
809. Document Preparation fee		to	NORWEST MORTGAGE, INC.	225.00	
810.		to			
811.		to			
812.		to			
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE.					
901. Interest from		to	Q3	/day	
902. Mortgage Insurance premium for		mo. to			
903. Hazard Insurance premium for	1	YR. to	USAA	-POCB 488.00	
904.		YR. to			
905.					
1000. RESERVES DEPOSITED WITH LENDER					
1001. Hazard Insurance	8 mo. @ \$	40.67	per mo.	325.36	
1002. Mortgage Insurance	mo. @ \$		per mo.		
1003. City property taxes	mn. @ \$		per mo.		
1004. County property taxes	mo. @ \$		per mo.		
1005. Annual assessments (Maint.)	mo. @ \$		per mo.		
1006.	mo. @ \$		per mo.		
1007.	mo. @ \$		per mo.		
1008.	mo. @ \$		per mo.		
1100. TITLE CHARGES:					
1101. Settlement or closing fee		to	ATI TITLE COMPANY	250.00	
1102. Abstract or title search		to			
1103. Title examination		to			
1104. Title Insurance binder		to			
1105. Document preparation	SUBORDIN	to	ATI TITLE COMPANY	50.00	
1106. Money fee		to			
1107. Attorney's fee to		to			
(includes above items No.:					
1108. Title Insurance		to			
(includes above items No.:					
1109. Lender's coverage	\$				
1110. Owner's coverage	\$				
1111. TOP FEE		to	ATI TITLE COMPANY	617.00	
1112. Courier fee		to	ATI TITLE COMPANY	48.00	
1113. Prep and Procure Mtg Release		to	ATI TITLE COMPANY	50.00	
1114. WIRE TRANSFER FEE		to	ATI TITLE COMPANY	10.00	
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES					
1201. Recording fees:	Deed \$	Mtg \$	15.00	Rel. \$	15.00
1202. City/county tax/ramps:	Deed \$	Mtg \$	101.00		101.00
1203. State tax/ramps:	Deed \$	Mtg \$	303.00		303.00
1204.		to			
1205. Record Release(s)		to	CLERK OF COURT	13.00	
1206. RECORD SUBORDINATION AGREEMENT		to	CLERK OF THE COURT	13.00	
1300. ADDITIONAL SETTLEMENT CHARGES					
1301. Survey		to			
1302. Pest inspection		to			
1303. Express Mail (PAYOFF)		to	ATI TITLE COMPANY	15.00	
1304. 2ND HALF COUNTY TAXES		to	COUNTY OF FAIRFAX	1,446.52	
1305. RECORD POA & AFFIDAVIT		to	CLERK OF THE COURT	26.00	
1400. TOTAL SETTLEMENT CHARGES (entered on lines 103, Section 1 and 502, Section 4)				5,602.88	

CERTIFICATION: 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 receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of HUD-1 Settlement Statement.

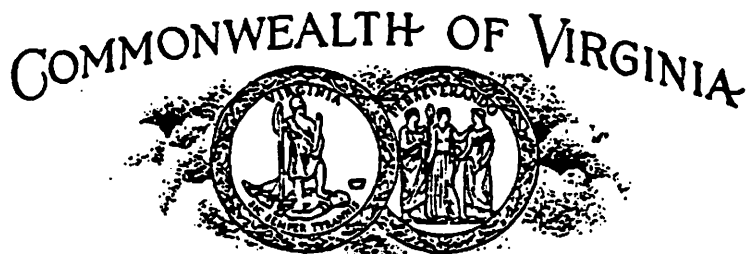
Deane L. Klein
Deane L. Klein By his attorney
Deane L. Klein

Borrower: The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed to accordance with this statement.
 Settlement Agent: *Deane L. Klein*
 Date: *Dec 3, 1994*

WARNING: It is a crime to knowingly make false statements to the United States on this or any instrument. For details see: Title 18: U.S. Code Section 1001 and Section 1010.

700

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

May 8, 1995

VIA FACSIMILE

Mr. Stephen D. Morrison
Senior Vice President
Secretary and General Counsel
Norwest Mortgage
405 S.W. 5th Street
Des Moines, Iowa 50309-4626

Re: TOP Program

Dear Mr. Morrison:

As you are aware, we are reviewing the TOP Program to determine if it is insurance and we need an answer to the following question:

After Norwest sells a loan to a buyer in the secondary market and there is found to be a superior title (1) will Norwest repurchase the loan and (2) will Norwest pursue a remedy against the borrower?

We appreciate your prompt response.

Sincerely,

Mary M. Bannister
Deputy Commissioner
Property and Casualty Division

MMB:dw

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 515/221-5100

May 8, 1995

Ms. Mary M. Bannister
Deputy Commissioner
Property and Casualty Division
Virginia Bureau of Insurance
Box 1157
Richmond, VA 23209



RE: TOP

I am not sure I understand the exact question you posed in your letter of May 8, 1995. I assume you are asking what Norwest Mortgage will do if it turns out that the selling warranty it made has been breached because the loan it sold is not in fact secured by a first mortgage. This is a risk the secondary market purchaser never assumed because it was retained by Norwest Mortgage as the seller of the loan. We would be obligated under our sales contract (this applies to all secondary market sales regardless of whether TOP, an attorney's opinion or a lender's title insurance policy exist with respect to that loan) to cure the defect or repurchase the loan.

With respect to the second part of your question, the borrower borrowed money and will be expected to repay it whether or not the loan is fully secured. Again, this is the same result that would occur regardless of whether TOP, an attorney's opinion or a lender's title insurance policy exist with respect to that loan. As a practical matter however, we realize that it is often impossible to collect an unsecured loan.

Just for the record, the "TOP product" is not sold to consumers. TOP is simply a title status report that ATI sells to the lender NMI. The lender does require the borrower to pay for his/her choice of title status determination methods (e.g. lender's title insurance, an attorney's opinion or TOP), but the "product" is not intended for, nor does it accrue to the benefit of, the borrower.

NMI gives a warranty that every loan it sells on the secondary market is a loan secured by a first mortgage as does every other seller of a first mortgage loan in the secondary market and Norwest Corporation guarantees the performance of NMI's obligations in connection with that sale. The distinctions between the

contractual arrangements involved here and insurance contracts are well settled.

Your source of negative information about TOP comes from our competitors in the American Land Title Association (ALTA). In a desperate attempt to protect its turf, ALTA attempts to convert the sales warranties into an insurance contract by pointing out selected attributes that sales warranties and insurance contracts have in common and concluding that sales warranties therefore are insurance contracts. This is a logical fallacy of the undistributed middle term, i.e.:

Sales warranties protect buyers from loss due to title defects.
Title insurance contracts protect buyers from loss due to title defects.
Therefore, sales warranties are title insurance contracts.

The fallacy is committed when two things that are both members of the same larger class -- in this case the class of contracts that protect buyers from loss -- are claimed to be the same in all respects. A classic example is:

All cats are mammals.
All dogs are mammals.
Therefore, all cats are dogs.

Cats and dogs are alike in that they both belong to the class of mammals. They are unlike, however, in that one meows and the other barks. The distinction involved here is between a sales warranty contract and an insurance contract.

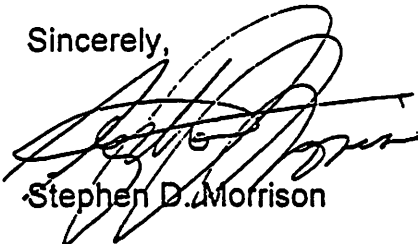
NMI's basic title related undertakings in the Master Agreement are a warranty that the loans it sells to Freddie Mac are secured by first mortgages and an undertaking to repurchase loans that are not. Making good on these undertakings of course provides Freddie Mac some economic protection that would be provided to it by a lender's title insurance policy. This warranty protection is provided to purchasers by virtually all sellers of any property. Absent an effective disclaimer, this protection is provided in every transaction involving the sale of goods in the State of Virginia. (Uniform Commercial Code §2-312.) This protection is provided by all sellers of mortgages to purchasers in the secondary market and is the same whether the seller verifies title by purchasing a title insurance policy, obtaining an attorney's title opinion or obtaining a title report.

Ms. Mary Bannister
May 8, 1995
Page 3

Apparently, ALTA agrees that a title warranty in a sales transaction is not insurance if the seller (lender) also requires the borrower to buy a lender's title insurance policy. Such warranties have been made by mortgage companies for years without objection from the title insurance industry. Yet, if the borrower elects to provide the seller (lender) with title report, this same warranty somehow changes into insurance. The process that would change the same warranty from a sales warranty into an insurance policy depending on the type of title verification the borrower elects to provide the seller (lender) for its own internal purposes is not logic. It is magic.

The distinction between a sales warranty and an insurance policy is simple and universally recognized. A sales warranty is made by an owner of property to a purchaser of the property with respect to the quality of the property sold. It is a contractual statement by an owner confirming that the property sold is what it purports to be. An insurance contract, on the other hand, is made by a stranger to the underlying sales transaction. Both may protect the buyer against loss arising from a title defect or other defect in the quality of the product sold, but they are not both insurance. It would come as a great surprise to the members of the commercial bar that represent manufacturers, wholesalers and retailers to learn that in ALTA's view the sellers they represent are insurance companies.

Sincerely,



Stephen D. Morrison

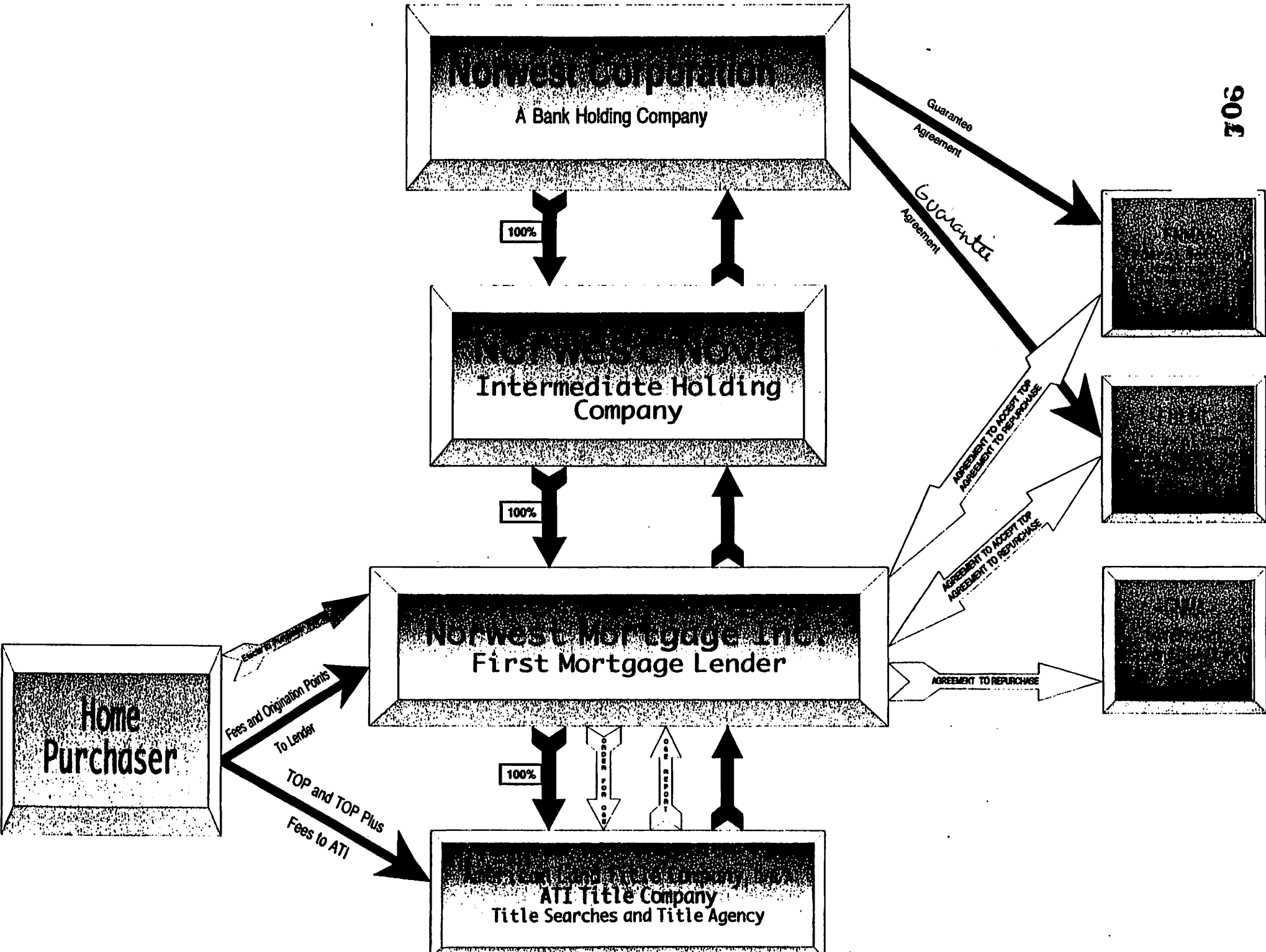
SDM/dg

cc: Mike Keller
Mike Fahey
Dan Segersin

OVERNIGHT

Case No. INS 950079
Sponsor Staff
Exhibit No. MMB-3
Witness Mary M. Bannister
Bailliff Deborah P. Bensley

DOUGHERTY COURT
1995 NOV 21 PM 3:25



Administrative Letter 1982-10

MOTOR VEHICLE SERVICE CONTRACTS

Not Dated

The purpose of this letter is to address the area of "motor vehicle service contracts," "extended automobile warranties," "extended service contracts," "limited service agreements," and similar instruments indemnifying consumers for mechanical breakdown of motor vehicles.

There appears to be some confusion in the minds of consumers, insurers, providers of motor vehicle service contracts, and other interested parties as to the legal status of such contracts. Additionally, there has been considerable regulatory interest in these contracts on the part of a number of states in light of the insolvency of North American Dealer Group, a major provider of motor vehicle service contracts.

Under section 38.1-21 of the Code of Virginia, motor vehicle and aircraft insurance is defined to include, among other things, loss or damage resulting from any cause to motor vehicles. Pursuant to this section, the Bureau of Insurance has approved "mechanical breakdown insurance" policy forms filed for use in the Commonwealth of Virginia by several licensed motor vehicle insurers. Typically, these policies provide coverage for the cost of repair or replacement of specified parts of a motor vehicle resulting from mechanical breakdown. Mechanical breakdown is usually defined as the inability of a part to perform the function for which it was designed.

It has come to the Bureau's attention that numerous other entities, including motor vehicle manufacturers, motor vehicle dealers, and independent third parties are offering for sale, selling, or providing within the Commonwealth contracts called "motor vehicle service contracts" or some similar name, which contracts are virtually identical in coverage to mechanical breakdown insurance policies offered by licensed motor vehicle insurers. Some motor vehicle service contracts do differ from mechanical breakdown insurance policies in that they contain provisions that would not be permitted if the contracts were filed for approval as insurance policies. Notwithstanding such differences, the Bureau, after a careful examination of numerous motor vehicle service contract forms, is unable to perceive any substantive difference between motor vehicle service contracts and mechanical breakdown insurance policies.

Case No. INS950079
Sponsor Defendant
Exhibit No. MMB-4

453

Witness Mary M. Bannister
Bailliff Deborah P. Beasley

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492

707

100-21-113-25

VIRGINIA ADMINISTRATIVE LETTERS

In light of the substantial identity of motor vehicle service contracts and mechanical breakdown insurance, it is the opinion of the Bureau of Insurance that such contracts, by whatever name called, are policies of mechanical breakdown insurance if offered by a person other than the manufacturer or seller of the covered motor vehicle.

Accordingly, the Bureau of Insurance is of the opinion that the offer to sell, the sale, or the providing of such contracts within the Commonwealth of Virginia by a person other than the manufacturer or seller of the covered vehicle constitutes the transacting of an insurance business, and that persons transacting such business must be licensed as insurers under applicable provisions of Title 38.1 of the Code of Virginia.

The Bureau is of the opinion that contracts offered by the manufacturer or seller of the covered motor vehicle are more in the nature of warranties than of insurance. The primary risk of loss under such contracts must remain with and be borne by the manufacturer or seller, or the contract will be deemed to be an insurance policy.

The Bureau is also aware that some dealers are issuing motor vehicle service contracts and then purchasing contractual liability or reimbursement insurance policies to cover or back up their losses under the contracts. The Bureau regulates these back up policies as contractual liability insurance and there is no objection by the Bureau to this arrangement.

The Bureau of Insurance hopes that this administrative letter eliminates the confusion regarding the legal status of motor vehicle service contracts and similar arrangements. The Bureau suggests that all parties issuing, selling, or providing such contracts familiarize themselves as quickly as possible with the applicable provisions of the Virginia insurance laws, as the Bureau intends to enforce all applicable laws dealing with the sale of this type of insurance.

James M. Thomson
COMMISSIONER OF INSURANCE

Case No. INS 950079
Sponsor Detendant
Exhibit No. MMB-5

Witness Mary M Bannister
Bailliff Deborah P Beasley

RECEIVED
1005 JUL 21 PM 3:25

COMMONWEALTH OF VIRGINIA



STEVEN T. FOSTER
COMMISSIONER OF INSURANCE

BOX 1157
RICHMOND, VIRGINIA 23269
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9286

STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

September 11, 1995

Administrative Letter 1995-10

TO: All Insurers, Health Maintenance Organizations, and Interested Parties

RE: Capitated Administrative Services Only (ASO) Agreements are insurance and may subject both the provider and administrator to the provisions of Title 38.2 of the Code of Virginia.

The State Corporation Commission's Bureau of Insurance (the "Bureau") has received several inquiries regarding capitated Administrative Services Only (ASO) agreements. A capitated ASO contract is an arrangement that purports to provide only administrative services to a self-funded health plan, but which, in fact, involves a transfer of all or part of the risk of loss for health care claims through capitation, i.e. through a fixed charge per time unit (e.g. month) per member (or other unit) enjoying health care coverage.

It has come to the Bureau's attention that certain insurers, health maintenance organizations, health services plans, third party administrators, health care providers, or other entities may have entered into capitated ASO agreements with several employer groups and others in Virginia. Capitated ASO agreements are insurance and, under such agreements, the health care providers as well as the health plan administrators may be subject to the provisions of Title 38.2 of the Code of Virginia.

An employer may self-fund health benefits for its employees and contract with an administrator in an ASO agreement to process claims and provide access to a network of providers. In such cases, the employer bears the ultimate risk of loss for all health care claims incurred by its employees. Furthermore, the employer may self-fund to cover its entire risk of loss, or it may self-fund to a certain dollar cap and purchase stop-loss insurance to cover any health care claims that exceed an individual or aggregate cap.

However, with a capitated ASO agreement, the employer, for a fixed fee per employee, transfers all or a portion of its risk of loss for health care claims of its employees to an administrator, health care provider or other entity. This type of agreement constitutes a contract of insurance under Virginia law. Such contracts are subject to the appropriate provisions of Title 38.2 of the Code of Virginia, including provisions relating

Administrative Letter 1995-10
September 11, 1995
Page 2

to licensing, contract and benefit requirements, taxes, and assessment for maintenance of the Bureau of Insurance.

No insurer, health maintenance organization, health services plan, third party administrator, health care provider, or other entity should enter into a capitated ASO agreement in Virginia unless the contract as well as the entity are in compliance with all the requirements of Title 38.2 of the Code of Virginia. Furthermore, any capitated ASO agreements currently in effect in Virginia should not be renewed. The Bureau will continue to monitor capitated health care arrangements in the Commonwealth, and will take appropriate regulatory action when it finds violations of Title 38.2 of the Code of Virginia.

Questions concerning this Administrative Letter shall be directed to:

Victoria I. Savoy, CPA
Chief Financial Auditor
Financial Regulation Division
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23209
(804) 371-9869

Sincerely,



Steven T. Foster
Commissioner of Insurance

COMMONWEALTH OF VIRGINIA



STEVEN T. FOSTER
COMMISSIONER OF INSURANCE

Act 1157
RICHMOND, VA 23209
TELEPHONE: (804) 786-3741
TDD/VOICE: (804) 225-3896

STATE CORPORATION COMMISSION
BUREAU OF INSURANCE
October 29, 1992

RECEIVED

NOV - 3 '92

CNB - BY: SSJ
JK

Chesapeake National Bank
P.O. Box 1419
Kilmarnock, VA 22482

Att: Douglas D. Monroe, Jr.
Chairman and Chief Executive Officer

Re: Debt Cancellation Contracts

Dear Mr. Monroe:

Thank you for your patience while we reviewed the questions raised in your September 16, 1992 letter addressed to Commissioner Foster.

Bureau staff, counsel, and Commissioner Foster have now completed their review. It is our belief that debt cancellation contracts are not insurance contracts regulated by Title 38.2 of the Code of Virginia, as amended. This being the case, regulatory oversight of such contracts would not fall within the purview of the Bureau of Insurance.

I trust the foregoing will adequately respond to your inquiry. If we may be of further assistance, please feel free to contact us again.

Very truly yours,

Gerald A. Milsky, J.D., CIE, ACS
Deputy Commissioner
Life and Health Division
Telephone No. (804) 786-9074

GAM/dwr

cc: Steven T. Foster
correspondence #1992-93
Peter B. Smith
William F. Schutt

Case No. INS 950079
Sponsor Defendant
Exhibit No. GAM-6

Witness Gerald A. Milsky
Bailliff Deborah P. Bensley

1992 NOV 21 PM 3:25

HUNTON & WILLIAMS

ATLANTA, GEORGIA
BRUSSELS, BELGIUM
FAIRFAX, VIRGINIA
KNOXVILLE, TENNESSEE
NEW YORK, NEW YORK

DAVID F. PETERS

RIVERFRONT PLAZA, EAST TOWER
951 EAST BYRD STREET
RICHMOND, VIRGINIA 23219-4074
TELEPHONE (804) 788-8200
FACSIMILE (804) 788-8218

NORFOLK, VIRGINIA
RALEIGH, NORTH CAROLINA
VIRGINIA BEACH, VIRGINIA
WARSAW, POLAND
WASHINGTON, D. C.
FILE No.: 47018.000002
DIRECT DIAL: (804) 788-8291

December 23, 1992

Mr. Gerald A. Milsky
Deputy Commissioner
Virginia Bureau of Insurance
P. O. Box 1157
Richmond, VA 23209

Debt Cancellation Contracts

Dear Mr. Milsky:

It has recently come to my attention that your office has concluded that debt cancellation contracts under which a creditor, for a fee, agrees to cancel a debt in the event of the death of the debtor, are not insurance contracts regulated by Title 38.2 of the Code of Virginia. I assume your staff's conclusion is applicable as well in the context of automobile finance contracts where the selling dealer is contractually committed to cancel or satisfy the customer's debt in the event of death or total disability. If I am incorrect in my assumption, I would appreciate your advising me.

With kind regards.

Sincerely yours,


David F. Peters

DFP/rsh

Case No. INS950079
Sponsor Defendant
Exhibit No. GAM-7

Witness Gerald A. Milsky
Bailliff Deborah P. Beasley

105 07 21 PM 3:25

105 07 21 PM 3:25

COMMONWEALTH OF VIRGINIA



STEVEN T. FOSTER
COMMISSIONER OF INSURANCE

Box 1157
RICHMOND, VA 23209
TELEPHONE: (804) 786-3741
TDD/VOICE: (804) 225-3806

STATE CORPORATION COMMISSION

BUREAU OF INSURANCE

December 24, 1992

David F. Peters, Esquire
Hunton & Williams
951 East Byrd Street
Richmond, VA 23219-4074

Re: Debt Cancellation Contracts

Dear Mr. Peters:

This will acknowledge and thank you for your letter dated December 23, 1992 concerning the above-referenced.

Your information regarding the Bureau's position that debt cancellation contracts are not insurance contracts regulated by Title 38.2 of the Code of Virginia, as amended, is correct.

I have no personal knowledge of the automobile finance contracts to which you refer in your letter. If, however, they are contracts whereby for a definite consideration the creditor waives any claims against the debtor or his estate upon the inability of the debtor to repay the indebtedness due to an agreed upon event such as death or disability, and wherein no third party is involved in assuming the risk of the party contracting to waive his rights, i.e., the creditor, it would appear that the Bureau's position would be applicable to such contracts.

If I may be of further assistance, please feel free to contact me.

Very truly yours,

Gerald A. Milsky, J.D., CIE, ACS
Deputy Commissioner
Life and Health Division
Telephone No. (804) 786-9074

GAM/dwr

Case No. INS950079
Sponsor Defendant
Exhibit No. GAM-8

Witness Gerald A. Milsky
Balliff Deborah P. Beasley

1992 DEC 21 PM 3:25

1992 DEC 21 PM 3:25

See HUD attachment(s) for "A" items

1. [] FHA 2. [] FHA 3. [] CONV. UNINS.
 4. [] VA 5. [] CONV. INS.
 6. FILE NUMBER: 94650104 7. LOAN NUMBER: 1902686
 8. MTG. INS. CASE NO.: VA #72-6 0690512

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

D. NAME OF BORROWER: THOMAS F. SHIELDS

ADDRESS:

E. NAME OF SELLER: KATHLEEN CAMPBELL

ADDRESS: 1104 S. TRAVIS, SHERMAN, TEXAS 75090

SELLER TIN:

F. NAME OF LENDER: HOMETOWN MORTGAGE, INC.

3190 FAIRVIEW PARK DRIVE, #120

ADDRESS: FALLS CHURCH, VIRGINIA 22042

G. PROPERTY LOCATION: Lot 38A, SINGING PINES

4024 WALTERS COURT, FAIRFAX, VIRGINIA 22030

H. SETTLEMENT AGENT: ATI TITLE COMPANY

ADDRESS: 3190 FAIRVIEW PARK DR, #140

FALLS CHURCH, VA. 22042

SETTLEMENT AGENT TIN: 47-0604365

PLACE OF SETTLEMENT: ATI TITLE COMPANY

ADDRESS: 3190 FAIRVIEW PARK DR, #140

FALLS CHURCH, VA 22042

I. SETTLEMENT DATE

Closing date: 11/22/94

Proration date: 11/22/94

J. SUMMARY OF BORROWER'S TRANSACTION

K. SUMMARY OF SELLER'S TRANSACTION

100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price	133,000.00	401. Contract sales price	133,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower(line 1400)	3,209.75	403.	
104. Payoff HOUSEHOLD	2,000.00	404.	
105.		405.	
Adjustments for items paid by seller in advance:		Adjustments for items paid for seller in advance:	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. GROSS AMOUNT DUE FROM BORROWER:	138,209.75	420. GROSS AMOUNT DUE TO SELLER:	133,000.00
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money	1,000.00	501. Excess deposit(see instructions)	
202. Principal amount of new loan(s)	133,000.00	502. Settlement charges to seller(line 1400)	9,684.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan KETHOR	37,450.56
205.		505. Payoff of second mortgage loan APPLE FED.	7,115.36
206.		506. See HUD attachment	921.83*
207.		507.	
208. 2ND NOTE	2,000.00	508. 2ND NOTE	2,000.00
209.		509.	
Adjustments for items unpaid by seller:		Adjustments for items unpaid by seller:	
210. City/town taxes 07/01/94 to 11/22/94	503.72	510. City/town taxes 07/01/94 to 11/22/94	503.72
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218. Closing cost credit	2,600.00	518. Closing cost credit	2,600.00
219.		519.	
220. TOTAL PAID BY/FOR BORROWER:	139,103.72	520. TOTAL REDUCTION IN AMOUNT:	60,275.47
300. CASH AT SETTLEMENT FROM/TO BORROWER:		600. CASH AT SETTLEMENT TO/FROM SELLER:	
301. Gross amount due from borrower(line 120)	138,209.75	601. Gross amount due to seller(line 420)	133,000.00
302. Less amounts paid by/for borrower(line 220)	139,103.72	602. Less total reductions in amount due seller(line 520)	60,275.47
303. CASH FROM/ TO BORROWER:	893.97	603. CASH FROM/ TO SELLER:	72,724.53

SUBSTITUTE FORM 1099 SELLER STATEMENT-The information contained in Blocks E,G,H and I and on line 401 (or, if line 401 is asterisked, lines 403 and 404) is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

SELLER INSTRUCTION-If this real estate was your principal residence, file Form 2119, Sale or Exchange of Principal Residence, for any gain, with your income tax return; for other transactions, complete the applicable parts of Form 4797, Form 6252 and/or Schedule D (Form 1040).

You are required by law to provide ATI TITLE COMPANY with your correct taxpayer identification number.

If you do not provide ATI TITLE COMPANY with your correct taxpayer identification number, you may be subject to civil or criminal penalties.

Under penalties of perjury, I certify that the number shown on this statement is my correct taxpayer identification number.

- Seller

Case No. NS450079
 Sponsor Staff
 Exhibit No. MTB-9

N301505

715

Witness Michael T. Beavers
 Bailiff Dedrick P. Brinkley

L. SETTLEMENT CHARGES

See HUD attachment(s) for item

PAID FROM BORROWER'S FUNDS AT SETTLEMENT				PAID FROM SELLER'S FUNDS AT SETTLEMENT	
700. TOTAL SALES/BROKER'S COMMISSION Based on \$	133,000.00 @	6.00 % =	7,980.00		
Division of Commission (line 700) as follows:					
701. \$3,990.00	to	WEICHERT REALTORS			
702. \$3,990.00	to	WEICHERT REALTORS			
703. Commission paid at settlement					7,980.00
704.					
800. ITEMS PAYABLE IN CONNECTION WITH LOAN.					
801. Loan Origination fee	0.75000 %	NORWEST MORTGAGE, INC.		997.50	
802. Loan Discount	%				
803. Appraisal fee	to	NORWEST MORTGAGE, INC.	-POCB 300.00		
804. Credit Report	to	NORWEST MORTGAGE, INC.	-POCB 55.00		
805. Lender's inspection fee	to				
806. Mortgage Insurance application fee	to				
807. Assumption Fee	to				
808. Tax Service Fee	to	NORWEST MORTGAGE, INC.			75.00
809. Document Preparation Fee	to	NORWEST MORTGAGE, INC.			295.00
810.	to				
811.	to				
812.	to				
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE.					
901. Interest from	11/22/94 to 12/01/94	@ \$ 32.70000 /day 9 days		295.11	
902. Mortgage insurance premium for	mo. to				
903. Hazard insurance premium for	1 yrs. to	MERRIMACK	-POCB 200.00		
904.	yr. to				
905.					
1000. RESERVES DEPOSITED WITH LENDER					
1001. Hazard insurance	2 mo. @ \$	16.67 per mo.		33.34	
1002. Mortgage insurance	mo. @ \$	per mo.			
1003. City property taxes	1 mo. @ \$	106.40 per mo.		106.40	
1004. County property taxes	mo. @ \$	per mo.			
1005. Annual assessments (Maint.)	mo. @ \$	per mo.			
1006.	mo. @ \$	per mo.			
1007.	mo. @ \$	per mo.			
1008.	mo. @ \$	per mo.			
1100. TITLE CHARGES:					
1101. Settlement or closing fee	to	ATI TITLE COMPANY			200.00
1102. Abstract or title search	to				
1103. Title examination	to	ATI TITLE COMPANY		99.00	
1104. Title insurance binder	to				
1105. Document preparation	DEED/POA	to	ATI TITLE COMPANY		75.00
1106. Notary fee	to				
1107. Attorney's fee to	to				
(includes above items No.:					
1108. Title insurance	to				
(includes above items No.:					
1109. Lender's coverage	\$				
1110. Owner's coverage	\$				
1111.	to				
1112. Disbursement of Bills	to	ATI TITLE COMPANY			20.00
1113. Prep and Procure Mtg Release	to	ATI TITLE COMPANY			100.00
1114. TOP Fee	to	ATI TITLE COMPANY		476.00	
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES					
1201. Recording fees:	Deed \$ 14.00	Mtg \$ 18.00	Rel. \$	32.00	
1202. City/county tax/stamps:	Deed \$ 66.50	Mtg \$ 66.50		133.00	
1203. State tax/stamps:	Deed \$ 199.50	Mtg \$ 199.50		399.00	
1204. Grantor tax	to	CLERK OF THE COURT			133.00
1205. Record Release(s)	to	CLERK OF COURT			26.00
1206.	to				
1300. ADDITIONAL SETTLEMENT CHARGES					
1301. Survey	to				
1302. Pest inspection	to	TRIPLE "S"			750.00
1303. Express Mail AIRBORNE	to	ATI TITLE COMPANY			30.00
1304.	to				
1305. 2ND 1/2 TAXES	to	CITY OF FAIRFAX		638.40	
1400. TOTAL SETTLEMENT CHARGES (continued on lines 109, 509, 509, Section 5)				3,209.75	7,684.00

CERTIFICATION: 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 receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of HUD-1 Settlement Statement.

[Signature]

Kathleen Campbell by Neil W. Hany
in fact *Gail V. Bush*

Borrowers

The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement.

Settlement Agent

Sellers

[Signature]
Date 11/62/94

WARNING: It is a crime to knowingly make false statements to the United States or any other similar form. Penalties upon conviction can include a fine and imprisonment. For details see: Title 18, U.S. Code Section 1001 and Section 1010.

HUD-1 Settlement Statement Attachment, Page 1

File Number....: 94650104
 Buyer(s).....: THOMAS F. SHIELDS
 Seller(s).....: KATHLEEN CAMPBELL
 Lender.....: NORWEST MORTGAGE, INC. Loan Number: 1902686

Continued From HUD Form Page 1

Borrower's Adjustments

Seller's Adjustments

PAID BY OR IN BEHALF OF BORROWER

REDUCTIONS IN AMOUNT DUE TO SELLER

-206-

-506-

BRADY'S HOME REPAIR	
Seller amount	475.00
AMERICAN ELECTIC SERV	
Seller amount	77.12
BRADYS HOME REPAIR	
Seller amount	175.00
NELSON ELECTRIC SERV	
Seller amount	156.00
VIRGINIA POWER	
Seller amount	17.08
CITY OF FAIRFAX	
Seller amount	21.63

Total for HUD line 506: 921.83

COUNTY	CUST NUMBER	DATE DEPOSIT	EMPLOYEE ID	NO.
--------	-------------	--------------	-------------	-----

File Number: 94650104

Disbursement Worksheet
23-Nov-94 10:30 AM

Page: 1

Buyer/Borrower: THOMAS F. SHIELDS
 Seller: KATHLEEN CAMPBELL
 Property: 4024 WALTERS COURT FAIRFAX, VIRGINIA 22030
 Bank ID: FNB
 Escrow unit: 65

Closing date: 11/22/1994

R E C E I P T S

Date	Reference #	Item #	Description	Amount
11/23/1994	94650104W	(01)	NORWEST MORTGAGE, INC.	
		0301001	Principal amount of new loan	133,000.00
		1201001	Loan origination fee	997.50-
		1209001	Document Preparation Fee	295.00-
		1301001	Interest adjustment new loan	295.11-
			(To be withheld from 0301001)	
			TOTAL:	131,412.39

R E C E I P T TOTAL: 131,412.39

D I S B U R S E M E N T S

Date	Reference #	Item #	Description	Amount
11/23/1994	65-00032486	(01)	ATI TITLE COMPANY	
		1705001	Title examination (1103)	99.00
		1711001	Prep and Procure Mtg Re (1113)	100.00
		1716001	TOP Fee	476.00
		1903001	Express Mail - AIRBORNE (1303)	30.00
		1703001	Settlement or closing f (1101)	200.00
		1707001	Document preparation - (1105)	75.00
		1714001	Disbursement of Bills (1112)	20.00
			TOTAL:	1,000.00
11/23/1994	65-00032487	(02)	AMERICAN ELECTRIC SERV. CO	
		1007002	AMERICAN ELECTIC SERV	77.12
11/23/1994	65-00032488	(03)	APPLE FEDERAL CREDIT UNION	
		1002001	Payoff second mortgage - APPLE	7,115.36
11/23/1994	65-00032489	(04)	BRADY'S HOME REPAIR SERVICE	
		1007001	BRADY'S HOME REPAIR	475.00
11/23/1994	65-00032490	(05)	BRADYS HOME REPAIR	
		1007003	BRADYS HOME REPAIR	175.00
11/23/1994	65-00032491	(06)	CITY OF FAIRFAX	
		1906001	2ND 1/2 TAXES	638.40
11/23/1994	65-00032492	(07)	CITY OF FAIRFAX	
		1007006	CITY OF FAIRFAX	21.63
		(08)	CLERK OF COURT	
		1806001	Record Release (s)	26.00
11/23/1994	65-00032485	(09)	CLERK OF THE COURT	
		1801001	Recording fee	32.00
		1802001	City/county tax/stamps	133.00
		1803001	State tax/stamps	399.00
		1804001	Grantor tax	133.00
			TOTAL:	697.00

Case No. INS950079
 Sponsor Staff
 Exhibit No. MTB-10

Witness Michael T. Beavers
 Bailiff Deborah P. Beasley

N301585

D I S B U R S E M E N T S (continued)

Date	Reference #	Item #	Description	Amount
11/23/1994	65-00032493	(10) 1004001	HOUSEHOLD Payoff Mortgage - HOUSEHOLD	2,000.00
11/23/1994	65-00032494	(11) 1001001	METMOR FINANCIAL INC Payoff first mortgage - METMOR	37,450.56
11/23/1994	65-00032495	(12) 1007004	NELSON ELECTRICAL SERVICE NELSON ELECTRIC SERV	156.00
11/23/1994	65-00032496	(13) 1902001	TRIPLE "S" Pest inspection	750.00
11/23/1994	65-00032497	(14) 1007005	VIRGINIA POWER VIRGINIA POWER	17.08
11/23/1994	65-00032498	(15) 1102001	WEICHERT REALTORS Selling Broker Commission	3,990.00
		0701001	Earnest money/deposit from bu (To be withheld from 1102001)	1,000.00-
			TOTAL:	2,990.00
11/23/1994	65-00032499	(16) 1101001	WEICHERT REALTORS Listing broker commission	3,990.00
		(17) BUYPROC	THOMAS F. SHIELDS Refund due buyer/borrower	893.97
		(18) 1501001	NORWEST MORTGAGE, INC. Hazard insurance	33.34
		1503001	City property taxes	106.40
			TOTAL:	139.74
		(19) 1208001	NORWEST MORTGAGE, INC. Tax Service Fee	75.00
		(20) SELPROC	KATHLEEN CAMPBELL Net proceed due seller	72,724.53
			D I S B U R S E M E N T TOTAL:	131,412.39

Escrow Officer

** Posted through maintenance.

EXHIBIT



ATI TITLE COMPANY
CLERK OF COURT
1800 PRESTON WHITE DR.
SUITE 100
RESTON, VA 22091

FIRST NATIONAL BANK OF MARYLAND
ACCOUNT CENTER
BALTIMORE, MARYLAND

7-11-820

65-00032486

94650104

65032486

For One thousand and 00/100 dollars

TO THE
ORDER OF
ATI TITLE COMPANY
3190 FAIRVIEW PARK DR, #140
FALLS CHURCH, VA 22042

DATE

11/23/1994

AMOUNT

**1,000.00

NOT NEGOTIABLE

65032486 052000113 180-9732 2

ATI TITLE COMPANY

65032486

11/23/94

File # 94650104

**1,000.00

65-00032486

SELLER: CAMPBELL

BUYER: SHIELDS

ADDRESS: 4024 WALTERS COURT FAIRFAX, VIRGINIA 22030

LEGAL: Lot 38A SINGING PINES

TITLE EXAMINATION \$99.00;

PREP AND PROCURE MTB RELEASE (SELLER) \$100.00; TOP FEE \$476.00;

EXPRESS MAIL - AIRBORNE \$30.00; SEDOCUMENT PREPARATION - DEED/POA \$75.00

N301592

720

2003 11 13

02 8 11 17 11 000

11/23/94

Case No. INS 950079
Sponsor Staff
Exhibit No. MTB-11

Witness Michael T. Bowers
Bailiff Deborah P. Bowers

Case No. INS950079
Sponsor Staff
Exhibit No. MTB-12

Witness Michael T. Beavers
Bailliff Deborah P. Beasley

DOCUMENT CONTROL
1995 07 21 PM 3:26

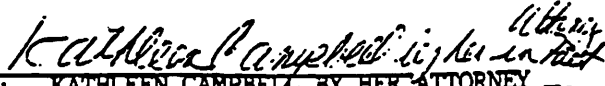
ATI DISCLOSURE AFFIDAVIT

SETTLEMENT DATE: NOVEMBER 22, 1994, 1994File No.: 94650104

1. **PAYOFF INFORMATION:** ATI Title Company, (the Settlement Agent) has calculated the balances for Trusts, Judgments, Liens, payments of interests, insurance, escrow, etc. shown on the Settlement Sheet with information furnished by holders of the notes or banks, appropriate creditors or other third party(ies) and are not guaranteed (but are believed to be) accurate. You shall be responsible to adjust any required future funds if any of these figures are in fact incorrect. The sole responsibility of the Settlement Agent shall be to recalculate and reprint the (revised) Settlement Sheet.
2. **TAX INFORMATION:** The Settlement Agent has calculated the tax escrow's and balances using the information currently available from the appropriate governmental taxing authority. You shall be responsible to adjust any required future proration if any of these figures are in fact incorrect. The sole responsibility of the Settlement Agent shall be to recalculate and reprint the (revised) Settlement Sheet.
3. **DISBURSEMENT:** The Borrower(s) understand that if the Settlement Agent does not receive both the loan funds from the Lender and the funds required of the Borrower(s) in the form of cash, wired funds, certified check, or check issued by a political subdivision of the Commonwealth of Virginia, that recording and disbursement will not occur until all checks are collected and credited to the Settlement Account of the Settlement Agent. It is further understood that any such delay may cause changes in interest charges due from the Seller and Settlement Agent is authorized to make such adjustments.
4. **TITLE SEARCH and TITLE INSURANCE:** The Settlement Agent has ordered and obtained a record title search for the subject Property from an independent title examiner approved by the title insurance underwriter. It has prepared the Settlement Sheet (and title commitment/binder, if one was required by the Lender) based upon information contained in the title report. The Settlement Agent has a financial interest in a title agency that is licensed to issue title insurance through several title underwriters. Title insurance rates are set by the underwriters and are approved by the State. In the event of a defect in title unknown to the Settlement Agent, the sole remedy of the Purchaser(s) shall be against your former Seller(s) and/or title insurance underwriter, if owner's title insurance is (or has been) obtained. The Borrower(s) hereby certify that the difference between owner's and lender's title insurance was explained at settlement and (unless otherwise indicated on the settlement sheet) that he/she/they hereby decline to purchase owner's title insurance coverage.
5. **SETTLEMENT ACCOUNT FUNDS & MISC.:** The Settlement Agent will deposit all money received in an interest-bearing bank account it uses for settlement disbursements. The interest earned by this account will be retained by the Settlement Agent, however, all disbursements will be made to the proper parties in a timely manner without intentional delay. The Settlement Agent may also charge or earn fees or reimbursement for costs and handling other settlements items such as surveys, hazard insurance, messengers, express delivery, etc.
6. **ROLE OF SETTLEMENT AGENT:** Settlement Agent is not a law firm; neither the Settlement Agent or any of its employees is acting as lawyer for any party to this transaction or providing legal advice. The Parties have had the opportunity to seek independent counsel of their own choice.
7. **HOLD HARMLESS, WALK THROUGH & SETTLEMENT ESCROW'S:** The Settlement Agent is not responsible for the condition of the Property, its inspection or repair. All escrow's (if any) held in conjunction with this refinance settlement shall be governed by the new lender's written instructions.
8. **CORRECTION AGREEMENT - LIMITED POWER OR ATTORNEY:** Borrower(s) and Seller(s) hereby appoint ATI Title Company as their Attorney-in-Fact to correct any typographical and/or clerical errors discovered in any or all of the closing documents presented at settlement and to place our initials on documents where changes are made. In the event this procedure is utilized, the party involved shall be notified and receive a corrected copy of the changed document.


Borrower THOMAS F. SHIELDS

Borrower


Seller KATHLEEN CAMPBELL BY HER ATTORNEY
IN FACT GAIL V. RICH

Seller
722

N301693

ATI TITLE COMPANY
NOTICE OF AVAILABILITY
OF OWNER'S TITLE INSURANCE

DATE: NOVEMBER 22, 1994

TO: THOMAS F. SHIELDS

BUYING PROPERTY IDENTIFIED AS: 4024 WALTERS COURT
FAIRFAX, VA 22030

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 \$133,000.00 is \$ 250.66, 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 \$ N/A 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.

1994 NOV 21 PM 3:26

Date: 11/22/94

Buyer THOMAS F. SHIELDS

Buyer 

Form TOP/NOAT (8/94)

Case No. INS950079
 Sponsor Staff
 Exhibit No. MTB-13

Witness Michael T. Beavers
 Bailiff Deborah P. Beasley

723

N301502



Consumer Title Status Election First Lien Options - PURCHASE

Estimated Cost Comparison

\$ 136,950.00 / VA.
(Proposed Loan Amount)

\$ 133,000
(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	819	1,002	467	352	535

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

10/17/94

Borrower's Signature

Date

10/25/94 2:21 PM 3:26

NMFLO 4177 F94

Case No. INS950079
 Sponsor Staff
 Exhibit No. MTB-14

724

Witness Michael T. Beavers.
 Bailiff Deborah P. Beasley

N301538

ATI**ATI TITLE
COMPANY**

3190 Fairview Park Drive, Suite 140
 Falls Church, Virginia 22042
 Office: (703) 641-5900
 Fax: (703) 641-5909

DATE: October 25, 1994

TO: NORWEST MORTGAGE, INC.
 3190 FAIRVIEW PARK DRIVE, #120
 FALLS CHURCH, VIRGINIA 22042

ATTN: CLOSING DEPARTMENT

CASE #: 94650104

RE: THOMAS F. SHIELDS

RECEIVED CONTROL
 1995 NOV 21 PM 3:26

In connection with the above, we are enclosing the following:

(XX) ATI Title Condition Report

****NOTE TO CAROL (FOR PUD PURPOSES): RESTRICTIVE COVENANTS RECORDED
 IN DEED BOOK 730 AT PAGE 331, IN DEED BOOK 735 AT PAGE 296 AND IN
 DEED BOOK 1125 AT PAGE 223.****

It is a pleasure to be of service to you. Please do not hesitate to call
 you should have any questions.

Very Truly yours,

ATI TITLE COMPANY



Valerie K. McPherson

Case No. INS950079
 Sponsor Staff
 Exhibit No. MTB-15

Witness Michael T. Beavers
 Bailiff Deborah P. Beasley

ATI TITLE COMPANY
TITLE CONDITION REPORT

DATE: October 17, 1994

Report No.: 94650104

Report fee: \$476.10

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 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.

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

A. Record titleholder(s):

KATHLEEN CAMPBELL

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

THOMAS F. SHIELDS

C. Unsatisfied mortgages and other liens of record:

Deed of Trust from Kathryn M. Anderson, unmarried, to First Financial Service Company, Inc., Trustee, securing Washington-Lee Savings and Loan Association in the principal sum of \$46,800.00, dated March 15, 1979 and recorded March 16, 1979 in Deed Book 5131 at Page 158.

Deed of Trust from Kathleen Latimer, single, to H. A. Johnson and Jose E. Aunon, Trustees, securing Fairfax School Employees Federal Credit Union in the principal sum of \$10,000.00, dated July 10, 1987 and recorded July 13, 1987 in Deed Book 6789 at Page 335.

D. Unpaid taxes and assessments of record:

Taxes subsequent to June 30, 1994. Taxes for the second half of the year 1994 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: 

ATI

7511 2 0077

ATI TITLE COMPANY

3190 Fairview Park Dr., Suite 140

Falls Church, Va. 22042

Office: (703) 641-5900

Fax: (703) 641-5909

DATE: November 30, 1994

TO: NORWEST MORTGAGE, INC.
1200 MIDWEST PLAZA WEST
801 NICOLLET MALL
MINNEAPOLIS, MINNESOTA 55402

ATTN: FINAL DOCUMENTS

CASE #: 94650104

RE: THOMAS F. SHIELDS

In connection with the above, we are enclosing the following:

(XX) ATI FINAL TITLE CONDITION CERTIFICATE

It is a pleasure to be of service to you. Please do not
hesitate to call us if you should have any questions.

Very Truly yours,

ATI TITLE COMPANY



Valerie K. McPherson

DOCUMENT CONTROL
1995 NOV 21 PM 3:26

Case No. INS950079
Sponsor Staff
Exhibit No. MTB-16
Witness Michael T. Beavers
Bailiff Deborah P. Beasley

ATI TITLE COMPANY

FINAL TITLE CONDITION CERTIFICATE

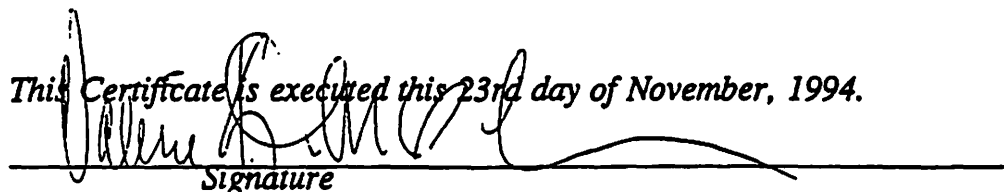
The undersigned hereby certifies unto: NORWEST MORTGAGE, INC. that according to the records of said county the security instrument recorded on the 23rd day of November in the year 1994, in Book 9297 at Page 58 (or instrument #94-257327, of the land records of Fairfax County, State of Virginia, evidences 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

Case No. INS950079
Sponsor Intervenor
Exhibit No. JG-17

Witness John Goode
Bailliff Deborah P. Beasley

DOCUMENT CONTROL
1995 JUL 21 PM 3:26

There are many title troubles that can arise to cause the loss of your home—or your business property—or your mortgage investment.

Title troubles not disclosed by the most careful search of the public records—called hidden hazards—are the most dangerous. Because of them, your abstract may be perfect, but your title worthless. Your attorney's examination may be the finest that skill, experience and legal knowledge can produce, but your title may be fatally defective.

Owner's title insurance protects you as well as your heirs from financial loss caused by title troubles. And the title insurer, without expense to you, will defend you against any attack on the title to your property as insured. The one-time premium is small. The protection is great.

Before buying real estate, give one of our offices a call. Ask how simple it is to fully protect yourself against title loss.

Here are thirty-five title troubles that frequently occur. You may not discover them when you buy real estate—but months or years later, they can result in the loss of your property or an expensive lawsuit.

35 Title Troubles.

1. False personation of the true owner of the land.
2. Forged deeds, releases, etc.
3. Instruments executed under fabricated or expired power of attorney.
4. Deeds delivered after death of grantor or grantee, or without consent of grantor.
5. Deeds to or from defunct corporations.
6. Undisclosed or missing heirs.
7. Misinterpretation of wills.
8. Deeds by persons of unsound mind.
9. Deeds by minors.
10. Deeds by aliens.
11. Deeds by persons supposedly single but secretly married.
12. Birth or adoption of children after date of will.

13. Surviving children omitted from a will.
14. Mistakes in recording legal documents.
15. Want of jurisdiction of persons in judicial proceedings.
16. Discovery of will of apparent intestate.
17. Errors in indexing.
18. Falsification of records.
19. Capacity of foreign fiduciaries.
20. Claims of creditors against property sold by heirs or devisees.
21. Deeds in lieu of foreclosure given under duress.
22. Ultra vires deed given under false corporate resolution.
23. Easements by prescription not discovered by a survey.
24. Deed of community property recited to be separate property.
25. Errors in tax records. (For example, listing payment against wrong property.)
26. Deed from a bigamous couple.
27. Defective acknowledgements.
28. Federal condemnation without filing of notice.
29. Descriptions apparently, but not actually, adequate.
30. Corporation franchise taxes, a lien on all corporate assets.
31. Erroneous reports furnished by tax officials.
32. Administration of estates of persons absent but not deceased.
33. Undisclosed divorce of spouse who conveys as consort's heir.
34. Marital rights of spouse purportedly, but not legally, divorced.
35. Duress in execution of instruments.

Lawyers Title
Insurance Corporation

The security of your
home is no better than
the title to the property.



**Lawyers Title
Insurance Corporation**

AND ITS WEST COAST SUBSIDIARY
CONTINENTAL LAWYERS TITLE COMPANY



SP-105

Case No. INS950079
Sponsor Complainant
Exhibit No. MJK-18

Witness Michael J. Keller
Balliff Deborah P. Beasley

RECEIVED
JUL 21 PM 3:25

A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT See HUD attachment(s) for *** items		B. TYPE OF LOAN 1. () FHA 2. () FARM 3. () CONV. UNINS. 4. (X) VA 5. () CONV. INS. 6. FILE NUMBER: 94650065 7. LOAN NUMBER: 1847068 8. MTG. INS. CASE NO.:	
C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked ("p.o.c.") were paid outside the closing; they are shown here for information purposes and are not included in the totals.			
D. NAME OF BORROWER: ROBERT B. BURKE, CATHERINE SKELOON BURKE ADDRESS:			
E. NAME OF SELLER: SEYED M. R. GHASEMIAN, GILDA A. GHASEMIAN ADDRESS: SELLER TIN:			
F. NAME OF LENDER: NORVEST MORTGAGE, INC. 1801 RESTON PARKWAY, #202 ADDRESS: RESTON, VIRGINIA 22090		Certified to be a true and correct copy of the original ATI Title Company	
G. PROPERTY LOCATION: Lot 2, HIDDENBROOK Sec 1 1505 HIDDEN BROOK DRIVE, HERNDON, VIRGINIA 22070		by <i>[Signature]</i>	
H. SETTLEMENT AGENT: ATI TITLE COMPANY ADDRESS: 1890 PRESTON WHITE DRIVE RESTON, VA. 22091		SETTLEMENT AGENT TIN: 47-0604365	
PLACE OF SETTLEMENT: ATI TITLE COMPANY ADDRESS: 1890 PRESTON WHITE DRIVE RESTON, VA. 22091		I. SETTLEMENT DATE Closing date: 09/20/94 Proration date: 09/20/94	
J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price	187,000.00	401. Contract sales price	187,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	8,441.46	403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance:		Adjustments for items paid for seller in advance:	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110. Homeowner Assoc. 09/20/94 to 12/31/94	15.37	410. Homeowner Assoc. 09/20/94 to 12/31/94	15.37
111. Rent 09/16/94 to 09/20/94	157.81	411. Rent 09/16/94 to 09/20/94	157.81
112.		412.	
120. GROSS AMOUNT DUE FROM BORROWER:	195,614.64	420. GROSS AMOUNT DUE TO SELLER:	187,173.18
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money	5,000.00	501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	184,000.00	502. Settlement charges to seller (line 1400)	12,366.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	161,376.33
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller:		Adjustments for items unpaid by seller:	
210. City/town taxes to		510. City/town taxes to	
211. County taxes 07/01/94 to 09/20/94	437.38	511. County taxes 07/01/94 to 09/20/94	437.38
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218. SELLER CREDIT	300.00	518. SELLER CREDIT	300.00
219.		519.	
220. TOTAL PAID BY/FOR BORROWER:	189,737.38	520. TOTAL REDUCTION IN AMOUNT:	174,479.71
300. CASH AT SETTLEMENT FROM/TO BORROWER:		600. CASH AT SETTLEMENT TO/FROM SELLER:	
301. Gross amount due from borrower (line 120)	195,614.64	601. Gross amount due to seller (line 420)	187,173.18
302. Less amounts paid by/f for borrower (line 220)	189,737.38	602. Less total reductions in amount due seller (line 520)	174,479.71
303. CASH X FROM () TO BORROWER:	5,877.26	603. CASH X TO () FROM SELLER:	12,693.47

SUBSTITUTE FORM 1099 SELLER STATEMENT-The information contained in Blocks E, G, H and I and on line 401 (or, if line 401 is asterisked, lines 403 and 404) is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

SELLER INSTRUCTION-If this real estate was your principal residence, file Form 2119, Sale or Exchange of Principal Residence, for any gain, with your income tax return; for other transactions, complete the applicable parts of Form 4797, Form 6252 and/or Schedule D (Form 1040).

You are required by law to provide ATI TITLE COMPANY with your correct taxpayer identification number.

If you do not provide ATI TITLE COMPANY with your correct taxpayer identification number, you may be subject to civil or criminal penalties.

Under penalties of perjury, I certify that the number shown on this statement is my correct taxpayer identification number.

[Signature]
 Seller

File 94650068		L. SETTLEMENT CHARGES		PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
700. TOTAL SALES/BROKER'S COMMISSION Based on \$	187,000.00 @ 6.00 % =	11,220.00			
Division of Commission (line 700) as follows:					
701. \$5,610.00	to PRUDENTIAL PREFERRED PROP.				
702. \$5,610.00	to PRUDENTIAL PREFERRED PROP.				
703. Commission paid at settlement					11,220.00
704.					
800. ITEMS PAYABLE IN CONNECTION WITH LOAN.					
801. Loan Origination fee	1.00000 % NORWEST MORTGAGE, INC.		1,840.00		
802. Loan Discount	%				
803. Appraisal fee	to NORWEST MORTGAGE, INC. -POCB 300.00				
804. Credit Report	to NORWEST MORTGAGE, INC. -POCB 58.00				
805. Lender's inspection fee	to NORWEST MORTGAGE, INC.		50.00		
806. Mortgage Insurance application fee	to				
807. Assumption Fee	to				
808. Tax Service Fee	to NORWEST MORTGAGE, INC.				75.00
809. Document Preparation Fee	to NORWEST MORTGAGE, INC.				225.00
810. VA FUNDING FEE	to NORWEST MORTGAGE, INC.		3,680.00		
811.	to				
812.	to				
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE.					
901. Interest from	09/20/94 to 10/01/94 @ \$ 34.66000 /day 11 days		381.26		
902. Mortgage insurance premium for	mo. to				
903. Hazard insurance premium for	1 yrs. to USAA -POCB 270.00				
904.	yrs. to				
905.					
1000. RESERVES DEPOSITED WITH LENDER					
1001. Hazard Insurance	2 mo. @ \$ 22.50 per mo.		45.00		
1002. Mortgage insurance	mo. @ \$ per mo.				
1003. City property taxes	mo. @ \$ per mo.				
1004. County property taxes	5 mo. @ \$ 164.24 per mo.		821.20		
1005. Annual assessments (Maint.)	mo. @ \$ per mo.				
1006.	mo. @ \$ per mo.				
1007.	mo. @ \$ per mo.				
1008.	mo. @ \$ per mo.				
1100. TITLE CHARGES:					
1101. Settlement or closing fee	to ATI TITLE COMPANY				175.00
1102. Abstract or title search	to				
1103. Title examination	to ATI TITLE COMPANY		150.00		
1104. Title insurance binder	to				
1105. Document preparation	to ATI TITLE COMPANY				50.00
1106. Notary fee	to				
1107. Attorney's fee to	to				
(includes above items No.:					
1108. Title insurance	to				
(includes above items No.:					
1109. Lender's coverage	\$				
1110. Owner's coverage	\$				
1111.	to				
1112. Courier Fee	to ATI TITLE COMPANY		48.00		
1113. Prep and Procure Mtg Release	to ATI TITLE COMPANY				50.00
1114. TOP FEE	to ATI TITLE COMPANY		652.00		
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES					
1201. Recording fees: Deed \$ 14.00 Mng \$ 18.00 Rel. \$			32.00		
1202. City/county tax/stamps: Deed \$ 93.50 Mng \$ 92.00			185.50		
1203. State tax/stamps: Deed \$ 280.50 Mng \$ 276.00			556.50		
1204. Grantor tax	to CLERK OF THE COURT				187.00
1205. Record Release(s)	to CLERK OF COURT				13.00
1206. POA & AFFIDAVITS	to CLERK OF THE COURT				26.00
1300. ADDITIONAL SETTLEMENT CHARGES					
1301. Survey	to				
1302. Pest inspection	to				
1303. Express Mail	to ATI TITLE COMPANY				15.00
1304. NOW	to AMERICAN HOME SHIELD				330.00
1305.	to				
1400. TOTAL SETTLEMENT CHARGES (entered on lines 103, Section J and 502, Section K)			8,441.46		12,366.00

CERTIFICATION: 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 receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of HUD-1 Settlement Statement.

[Signature]
Borrowers
The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with the statement.
[Signature]
Settlement Agent

[Signature]
Sellers
Date 9/20/94

WARNING: It is a crime to knowingly make false statements to the United States on this or any other 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.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		B. TYPE OF LOAN	
See HUD attachment(s) for "A" items		1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FMHA 3. <input type="checkbox"/> CONV. UNINS.	
		4. <input type="checkbox"/> JVA 5. <input type="checkbox"/> CONV. INS.	
		6. FILE NUMBER: 95850060	7. LOAN NUMBER:
		8. HTG. INS. CASE NO.:	
C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked ("p.o.c.") were paid outside the closing; they are shown here for information purposes and are not included in the totals.			
D. NAME OF BORROWER: Dean E. Burns, Jerri Lynn Burns ADDRESS: 5300 Glenside Drive, Richmond, VA 23230			
E. NAME OF SELLER: Richard D. Galan, Marie Plesnar-Galan ADDRESS: 9031 Athur Court, Glen Allen, VA 23060 SELLER TIN: 226-44-0295			
F. NAME OF LENDER: Norwest Mortgage, Inc. 5540 Falmouth Street, Suite ADDRESS: Richmond, VA 23230			
G. PROPERTY LOCATION: Lot 45, Block E, Castle Pointe Sec 1 9031 Arthur Court, Glen Allen, VA 23060			
H. SETTLEMENT AGENT: ATI TITLE COMPANY ADDRESS: 5540 FALMOUTH ST. - SUITE 100 RICHMOND, VIRGINIA 23230 SETTLEMENT AGENT TIN: 47-0604365			
PLACE OF SETTLEMENT: ATI TITLE COMPANY ADDRESS: 5540 FALMOUTH ST. - SUITE 100 RICHMOND, VIRGINIA 23230		I. SETTLEMENT DATE Closing date: 06/14/95 Proration date: 06/14/95	
J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price	116,000.00	401. Contract sales price	116,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	5,737.53	403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance:		Adjustments for items paid for seller in advance:	
106. City/town taxes to		406. City/town taxes to	
107. County taxes 06/14/95 to 07/01/95	43.86	407. County taxes 06/14/95 to 07/01/95	43.86
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. GROSS AMOUNT DUE FROM BORROWER:	121,781.39	420. GROSS AMOUNT DUE TO SELLER:	116,043.86
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money	500.00	501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	118,300.00	502. Settlement charges to seller (line 1400)	7,164.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	89,971.76
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller:		Adjustments for items unpaid by seller:	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. TOTAL PAID BY/FOR BORROWER:	118,800.00	520. TOTAL REDUCTION IN AMOUNT:	97,135.76
300. CASH AT SETTLEMENT FROM/TO BORROWER:		600. CASH AT SETTLEMENT TO/FROM SELLER:	
301. Gross amount due from borrower (line 120)	121,781.39	601. Gross amount due to seller (line 420)	116,043.86
302. Less amounts paid by/for borrower (line 220)	118,800.00	602. Less total reductions in amount due seller (line 520)	97,135.76
303. CASH [X FROM] [] TO BORROWER:	2,981.39	603. CASH [X TO] [] FROM SELLER:	18,908.10

SUBSTITUTE FORM 1099 SELLER STATEMENT-The information contained in Blocks E,G,H and I and on line 401 (or, if line 401 is asterisked, lines 403 and 404) is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

SELLER INSTRUCTION-If this real estate was your principal residence, file Form 2119, Sale or Exchange of Principal Residence, for any gain, with your income tax return; for other transactions, complete the applicable parts of Form 4797, Form 6252 and/or Schedule D (Form 1040).

You are required by law to provide ATI TITLE COMPANY with your correct taxpayer identification number.

If you do not provide ATI TITLE COMPANY with your correct taxpayer identification number, you may be subject to civil or criminal penalties.

Under penalties of perjury, I certify that the number shown on this statement is my correct taxpayer identification number.

Seller

736

N001772

L. SETTLEMENT CHARGES

See HUD attachment(s) for "I" items

				PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
700. TOTAL SALES/BROKER'S COMMISSION Based on \$ 116,000.00 @ 5.00 % = 5,800.00					
Division of Commission (line 700) as follows:					
701. \$2,320.00	to	Coldwell Banker/Vaughan & Co.			
702. \$3,480.00	to	ERA Woody Hogg & Assoc.			
703. Commission paid at settlement					5,800.00
704.					
800. ITEMS PAYABLE IN CONNECTION WITH LOAN.					
801. Loan Origination fee	%	Norwest Mortgage, Inc.	183.00		1,000.00
802. Loan Discount	1.00000	% Norwest Mortgage, Inc.	1,183.00		
803. Appraisal fee	to				
804. Credit Report	to				
805. Lender's inspection fee	to				
806. Mortgage Insurance application fee	to				
807. Assumption Fee	to				
808.	to				
809. VA Funding Fee	to	Secretary of Veterans Affairs	2,320.00		
810.	to				
811.	to				
812.	to				
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE.					
901. Interest from	06/14/95 to 07/01/95	@ \$ 25.93000 /day 17 days	440.81		
902. Mortgage insurance premium for	mo. to				
903. Hazard insurance premium for	1 yrs. to	State Farm	271.00		
904.	yrs. to				
905.					
1000. RESERVES DEPOSITED WITH LENDER					
1001. Hazard Insurance	2 mo. @ \$	22.58 per mo.	45.16		
1002. Mortgage insurance	mo. @ \$	per mo.			
1003. City property taxes	mo. @ \$	per mo.			
1004. County property taxes	2 mo. @ \$	78.48 per mo.	156.96		
1005. Annual assessments (Maint.)	mo. @ \$	per mo.			
1006.	mo. @ \$	per mo.			
1007.	mo. @ \$	per mo.			
1008.	mo. @ \$	per mo.			
1100. TITLE CHARGES:					
1101. Settlement or closing fee	to				
1102. Abstract or title search	to				
1103. Title examination	to	ATI TITLE COMPANY	175.00		
1104. Title insurance binder	to				
1105. Document preparation	to	NVR Settlement Services			150.00
1106. Notary fee	to				
1107. Attorney's fee to	to				
(includes above items No.:					
1108. Title insurance	to				
(includes above items No.:					
1109. Lender's coverage	\$				
1110. Owner's coverage	\$				
1111. Title Option Plus Report for Norwes	to	ATI TITLE COMPANY	460.00		
1112. Deliver Payoff	to	ATI TITLE COMPANY			15.00
1113. Obtain and Record Release	to	ATI TITLE COMPANY			25.00
1114.	to				
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES					
1201. Recording fees:	Deed \$ 14.00 Mng \$ 20.00 Rel. \$ 13.00		34.00		13.00
1202. City/county tax/stamps:	Deed \$ 58.00 Mng \$ 59.15		117.15		
1203. State tax/stamps:	Deed \$ 174.00 Mng \$ 177.45		351.45		
1204. Grantor's Tax	to	CLERK OF THE COURT			116.00
1205.	to				
1206.	to				
1300. ADDITIONAL SETTLEMENT CHARGES					
1301. Survey	to				
1302. Pest inspection	to	Chen Sheld			45.00
1303.	to				
1304.	to				
1305.	to				
1400. TOTAL SETTLEMENT CHARGES (entered on lines 103, Section J and 502, Section K)				5,737.53	7,164.00

CERTIFICATION: 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 receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of HUD-1 Settlement Statement.

George E. Burns
George E. Burns

Borrowers

Sellers

The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement.

Ellen R. Harris
 Settlement Agent

6/11/95

737

WARNING: It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a fine and

NCC 1 077

A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT See HUD attachment(s) for "I" items		B. TYPE OF LOAN 1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FHFA 3. <input type="checkbox"/> CONV. UNINS. 4. <input type="checkbox"/> JVA 5. <input type="checkbox"/> CONV. INS. 6. FILE NUMBER: 95850031 7. LOAN NUMBER: 8. MTC. INS. CASE NO.:	
C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked ("p.o.c.") were paid outside the closing; they are shown here for information purposes and are not included in the totals.			
D. NAME OF BORROWER: SALLY C. CURRAN, ALAN P. CRAWFORD			
ADDRESS:			
E. NAME OF SELLER: SYLVIA HEADE			
ADDRESS: 4018 CUTSHAW AVENUE, RICHMOND, VA. 23230		SELLER TIN:	
F. NAME OF LENDER: Norwest Mortgage 5540 Falmouth Street, Suite ADDRESS: Richmond, VA 23230			
G. PROPERTY LOCATION: METES & BOUNDS 4018 CUTSHAW AVENUE, RICHMOND, VA. 23230			
H. SETTLEMENT AGENT: ATI TITLE COMPANY ADDRESS: 5540 FALMOUTH ST. - SUITE 100 RICHMOND, VIRGINIA 23230		SETTLEMENT AGENT TIN: 47-0604365	
PLACE OF SETTLEMENT: ATI TITLE COMPANY ADDRESS: 5540 FALMOUTH ST. - SUITE 100 RICHMOND, VIRGINIA 23230		I. SETTLEMENT DATE Closing date: 03/31/95 Proration date: 03/31/95	
J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price	112,000.00	401. Contract sales price	112,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	4,352.73	403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance:		Adjustments for items paid for seller in advance:	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. GROSS AMOUNT DUE FROM BORROWER:	116,352.73	420. GROSS AMOUNT DUE TO SELLER:	112,000.00
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money	1,000.00	501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	106,400.00	502. Settlement charges to seller (line 1400)	9,944.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204. Credit Pd. by NHI	1,164.00	504. Payoff of first mortgage loan	69,300.47
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller:		Adjustments for items unpaid by seller:	
210. City/town taxes to		510. City/town taxes to	
211. County taxes 12/31/94 to 03/31/95	383.40	511. County taxes 12/31/94 to 03/31/95	383.40
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. TOTAL PAID BY/FOR BORROWER:	108,947.40	520. TOTAL REDUCTION IN AMOUNT:	79,627.87
300. CASH AT SETTLEMENT FROM/TO BORROWER:		600. CASH AT SETTLEMENT TO/FROM SELLER:	
301. Gross amount due from borrower (line 120)	116,352.73	601. Gross amount due to seller (line 420)	112,000.00
302. Less amounts paid by/for borrower (line 220)	108,947.40	602. Less total reductions in amount due seller (line 520)	79,627.87
303. CASH IN FROM/TO BORROWER:	7,405.33	603. CASH IN TO/ FROM SELLER:	32,372.13

SUBSTITUTE FORM 1099 SELLER STATEMENT-The information contained in Blocks E, G, H and I and on line 401 (or, if line 401 is asterisked, lines 403 and 404) is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

SELLER INSTRUCTION-If this real estate was your principal residence, file Form 2119, Sale or Exchange of Principal Residence, for any gain, with your income tax return; for other transactions, complete the applicable parts of Form 2119 and Form 6252 and/or Schedule D (Form 1040).

You are required by law to provide ATI TITLE COMPANY with your correct taxpayer identification number.

If you do not provide ATI TITLE COMPANY with your correct taxpayer identification number, you may be subject to civil or criminal penalties.

738 **N001237**

L. SETTLEMENT CHARGES

See Attachment(s) for Item

File 95050031				PAID FROM BORROWER'S FUNDS AT SETTLEMENT		PAID FROM SELLER'S FUNDS AT SETTLEMENT	
L. SETTLEMENT CHARGES							
700. TOTAL SALES/BROKER'S COMMISSION Based on \$ 112,000.00 @ 6.00 % = 6,720.00							
Division of Commission (line 700) as follows:							
701. \$3,360.00		to Blackburn Realty					
702. \$3,360.00		to Re/Max Commonwealth					
703. Commission paid at settlement						6,720.00	
704.							
800. ITEMS PAYABLE IN CONNECTION WITH LOAN.							
801. Loan Origination fee		1.00000	%	Norwest Mortgage			1,064.00
802. Loan Discount			%				
803. Appraisal fee		\$350/\$350	POC	to Norwest Mortgage			
804. Credit Report		\$50/\$50	POC	to Norwest Mortgage			
805. Lender's inspection fee				to			
806. Mortgage Insurance application fee				to			
807. Assumption Fee				to			
808. Tax Service Fee				to Norwest Mortgage			81.00
809. Document Preparation Fee				to Norwest Mortgage			195.00
810. Final Inspection				to Norwest Mortgage			75.00
811. Temporary Buydown				to Norwest Mortgage	2,258.05		
812.				to			
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE.							
901. Interest from		03/31/95 to 04/01/95	@ \$ 26.60000 /day 1 day			26.60	
902. Mortgage insurance premium for			mo. to Amerin			73.59	
903. Hazard insurance premium for		12 yrs. to Metropolitan				295.00	
904.			yrs. to				
905.							
1000. RESERVES DEPOSITED WITH LENDER							
1001. Hazard Insurance		2 mo. @ \$	24.58 per mo.			49.16	
1002. Mortgage insurance		2 mo. @ \$	73.59 per mo.			147.18	
1003. City property taxes		mo. @ \$	per mo.				
1004. County property taxes		11 mo. @ \$	129.45 per mo.			1,423.95	
1005. Annual assessments (Maint.)		mo. @ \$	per mo.				
1006.		mo. @ \$	per mo.				
1007.		mo. @ \$	per mo.				
1008.		mo. @ \$	per mo.				
1100. TITLE CHARGES:							
1101. Settlement or closing fee			to ATI TITLE COMPANY				175.00
1102. Abstract or title search			to ATI TITLE COMPANY				175.00
1103. Title examination			to				
1104. Title insurance binder			to				
1105. Document preparation			to				
1106. Notary fee			to				
1107. Attorney's fee to			to Thomas Hassell, Esq.				174.00
(includes above items No.:							
1108. Title insurance			to				
(includes above items No.:							
1109. Lender's coverage		\$					
1110. Owner's coverage		\$					
1111. Title Option - TOP Plus			to ATI TITLE COMPANY				436.80
1112.			to				
1113.			to				
1114.			to				
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES							
1201. Recording fees:		Deed \$ 14.00	Mtg \$ 16.00	Rel. \$ 13.00			43.00
1202. City/county tax/stamps:		Deed \$ 56.00	Mtg \$ 53.20		79.20	30.00	
1203. State tax/stamps:		Deed \$ 168.00	Mtg \$ 159.60			338.20	
1204. Grantor's Tax			to CLERK OF THE COURT				112.00
1205.			to				
1206.			to				
1300. ADDITIONAL SETTLEMENT CHARGES							
1301. Survey			to				
1302. Pest Inspection			to Loyall Rid-O-Pest				325.00
1303.			to				
1304.			to				
1305.			to				
1400. TOTAL SETTLEMENT CHARGES (entered on lines 103, Section J and 502, Section K)				4,352.73		9,944.00	

CERTIFICATION: 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 fees and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of HUD-1 Settlement Statement.

Alan P. Grant
Lally Burr

739
 Sellers

NOCT238

Borrowers
 The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement.

See HUD attachment(s) for "A" items		1. [] FHA 2. [] FHA 3. [] CONV. UNINS.	
		4. [X] VA 5. [] CONV. INS.	
		6. FILE NUMBER: 94650105	7. LOAN NUMBER: 1897743
		8. RTC. INS. CASE NO.: VA NO. 069032	
C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked ("p.o.c.") were paid outside the closing; they are shown here for information purposes and are not included in the totals.			
D. NAME OF BORROWER: GREGORY A. EGAN			
ADDRESS:			
E. NAME OF SELLER: VINCENT ORSINI, GLORIA ORSINI			
ADDRESS: 1349 PLANTATION OAK DR. SOUTH, JACKSONVILLE BEACH, FL		SELLER TIN:	
F. NAME OF LENDER: NORWEST MORTGAGE, INC. 3190 FAIRVIEW PARK DRIVE, #120 FALLS CHURCH, VIRGINIA 22042			
G. PROPERTY LOCATION: Lot 270, DALE CITY Sec 8C 4706 KILBAKE ROAD, WOODBRIDGE, VIRGINIA 22193			
H. SETTLEMENT AGENT: ATI TITLE COMPANY ADDRESS: 3190 FAIRVIEW PARK DR., #140 FALLS CHURCH, VA. 22042			
PLACE OF SETTLEMENT: ATI TITLE COMPANY ADDRESS: 3190 FAIRVIEW PARK DR., #140 FALLS CHURCH, VA 22042		SETTLEMENT AGENT TIN: 47-0604365	
		I. SETTLEMENT DATE Closing date: 12/07/94 Proration date: 12/07/94	
J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price	118,000.00	401. Contract sales price	118,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	7,143.37	403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance:		Adjustments for items paid for seller in advance:	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. GROSS AMOUNT DUE FROM BORROWER:	125,143.37	420. GROSS AMOUNT DUE TO SELLER:	118,000.00
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money	1,500.00	501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	120,350.00	502. Settlement charges to seller (line 1400)	9,198.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan MIDLAND	16,139.77
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208. CLOSING COST CREDIT	500.00	508. CLOSING COST CREDIT	500.00
209.		509.	
Adjustments for items unpaid by seller:		Adjustments for items unpaid by seller:	
210. City/town taxes to		510. City/town taxes to	
211. County taxes 07/01/94 to 12/08/94	740.43	511. County taxes 07/01/94 to 12/08/94	740.43
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. TOTAL PAID BY/FOR BORROWER:	123,090.43	520. TOTAL REDUCTION IN AMOUNT:	26,578.20
300. CASH AT SETTLEMENT FROM/TO BORROWER:		600. CASH AT SETTLEMENT TO/FROM SELLER:	
301. Gross amount due from borrower (line 120)	125,143.37	601. Gross amount due to seller (line 420)	118,000.00
302. Less amounts paid by/for borrower (line 220)	123,090.43	602. Less total reductions in amount due seller (line 520)	26,578.20
303. CASH FROM [] TO BORROWER:	2,052.94	603. CASH TO [] FROM SELLER:	91,421.80

SUBSTITUTE FORM 1099 SELLER STATEMENT-The information contained in Blocks E,G,H and I and on line 401 (or, if line 401 is asterisked, lines 403 and 404) is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

SELLER INSTRUCTION-If this real estate was your principal residence, file Form 2119, Sale or Exchange of Principal Residence, for any gain, with your income tax return; for other transactions, complete the applicable parts of Form 4797, Form 6252 and/or Schedule D (Form 1040).

You are required by law to provide ATI TITLE COMPANY with your correct taxpayer identification number.

If you do not provide ATI TITLE COMPANY with your correct taxpayer identification number, you may be subject to civil or criminal penalties.

Under penalties of perjury, I certify that the number shown on this statement is my correct taxpayer identification number.

Seller

740

N301732

L. SETTLEMENT CHARGES

See HUD attachment(s) for

File 94650105				See 100 Attachment(s) for 101 :		PAID FROM BORROWER'S FUNDS AT SETTLEMENT		PAID FROM SELLER'S FUNDS AT SETTLEMENT	
L. SETTLEMENT CHARGES									
701. TOTAL SALES/BROKER'S COMMISSION Based on \$				118,000.00 @	5.00 % =	5,900.00			
Division of Commission (line 700) as follows:									
701. \$2,360.00				to COLWELL BANKER - STEVENS					
702. \$3,540.00				to CENTURY 21, HOWELL & ASSOC.					
703. Commission paid at settlement									5,900.00
704.									
800. ITEMS PAYABLE IN CONNECTION WITH LOAN.									
801. Loan Origination fee				1.00000	%	NORVEST MORTGAGE, INC.	1,203.50		
802. Loan Discount				2.50000	%	NORVEST MORTGAGE, INC.	601.75	2,407.00	
803. Appraisal fee				to WILLIAM SCHMIDT		-POCS 300.00			
804. Credit Report				to DEL MAR VA		-POCS 55.00			
805. Lender's Inspection fee				to NORVEST MORTGAGE, INC.					
806. Mortgage Insurance application fee				to					
807. Assumption Fee				to					
808. Tax Service Fee				to NORVEST MORTGAGE, INC.					75.00
809. Document Preparation Fee				to NORVEST MORTGAGE, INC.					295.00
810. VA FUNDING FEE				to NORVEST MORTGAGE, INC.		2,360.00			
811.				to					
812.				to					
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE.									
901. Interest from				12/07/94 to 01/01/95	@ \$	21.43000 /day 25 days	535.75		
902. Mortgage insurance premium for				mo. to					
903. Hazard insurance premium for				1 yrs. to	MINNESOTA FIRE		219.00		
904.				yrs. to					
905.									
1000. RESERVES DEPOSITED WITH LENDER									
1001. Hazard Insurance				2 mo. @ \$	18.25	per mo.	36.50		
1002. Mortgage insurance				mo. @ \$		per mo.			
1003. City property taxes				mo. @ \$		per mo.			
1004. County property taxes				2 mo. @ \$	139.26	per mo.	278.52		
1005. Annual assessments (Maint.)				mo. @ \$		per mo.			
1006.				mo. @ \$		per mo.			
1007.				mo. @ \$		per mo.			
1008.				mo. @ \$		per mo.			
1100. TITLE CHARGES:									
1101. Settlement or closing fee				to ATI TITLE COMPANY					200.00
1102. Abstract or title search				to					
1103. Title examination				to ATI TITLE COMPANY		105.00			
1104. Title insurance binder				to					
1105. Document preparation				DEED	to ATI TITLE COMPANY			50.00	
1106. Notary fee				to					
1107. Attorney's fee to				to					
(includes above items No.:									
1108. Title insurance				to					
(includes above items No.:									
1109. Lender's coverage				\$					
1110. Owner's coverage				\$					
1111.				to					
1112.				to					
1113. Prep and Procure Mtg Release				to ATI TITLE COMPANY					50.00
1114. TOP FEE				to ATI TITLE COMPANY		441.00			
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES									
1201. Recording fees:				Deed \$	14.00	Mtg \$	18.00	Rel. \$	32.00
1202. City/county tax/stamps:				Deed \$	59.00	Mtg \$	60.20		119.20
1203. State tax/stamps:				Deed \$	177.00	Mtg \$	180.60		357.60
1204. Grantor tax				to CLERK OF THE COURT					118.00
1205. Record Release(s)				to CLERK OF COURT					13.00
1206. Recording of Deed				to CLERK OF THE COURT		-POCS 14.00			
1300. ADDITIONAL SETTLEMENT CHARGES									
1301. Survey				to					
1302. Pest inspection				to REALTY TERMITE & PEST SERVICE					40.00
1303. Express Mail				to ATI TITLE COMPANY					15.00
1304. ATTIC CLEANUP				to X Hall Mortgage ONE					35.00
1305. 2ND 1/2 TAXES				to PRINCE WILLIAM COUNTY					853.55
1400. TOTAL SETTLEMENT CHARGES (entered on lines 101, Section 1 and 502, Section 5)							7,143.37	2,125.00	

CERTIFICATION: 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 receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of HUD-1 Settlement Statement.

Shirley A. Egan

Wendell Brown
Wendell Brown

Borrowers

Sellers

The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement.

Settlement Agent

Date

WARNING: It is a crime to knowingly make false statements to any official on this or any other similar form. Penalties upon conviction can include a fine and imprisonment. For details see: Title 18: U.S. Code Section 1001 and Section 1010.

741

N301733

A. U.S. DEPARTMENT OF HOUSING AND L DEVELOPMENT See HUD attachment(s) for ' ' items		1. TYPE OF LOAN 1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FPHA 3. <input type="checkbox"/> CONV. UNINS. 4. <input type="checkbox"/> VA 5. <input type="checkbox"/> CONV. INS. 6. FILE NUMBER: 95850053 7. LOAN NUMBER: 8. MTG. INS. CASE NO.:	
C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked ("p.o.c.") were paid outside the closing: they are shown here for information purposes and are not included in the totals.			
D. NAME OF BORROWER: Raymond L. Finch, Cherie V. ADDRESS:			
E. NAME OF SELLER: Mark W. Archer, Martha Archer ADDRESS: 230 Hamilton Avenue, Colonial Heights, VA 23834 SELLER TIN: 230-04-6652			
F. NAME OF LENDER: Norwest Mortgage, Inc. 3131 S. Vaughan Way, #200 ADDRESS: Aurora, CO 80014			
G. PROPERTY LOCATION: Lot 27/28, Block 1, RIVESIDE PARK 230 Hamilton Avenue, Colonial Heights, VA 23834			
H. SETTLEMENT AGENT: ATI TITLE COMPANY ADDRESS: 5540 FALMOUTH ST. - SUITE 100 RICHMOND, VIRGINIA 23230 SETTLEMENT AGENT TIN: 47-0604365			
PLACE OF SETTLEMENT: ATI TITLE COMPANY ADDRESS: 5540 FALMOUTH ST. - SUITE 100 RICHMOND, VIRGINIA 23230			I. SETTLEMENT DATE Closing date: 06/01/95 Proration date: 06/01/95
J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price	52,500.00	401. Contract sales price	52,500.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower(line 1400)	1,271.01	403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance:		Adjustments for items paid for seller in advance:	
106. City/town taxes 06/01/95 to 06/30/95	52.40	406. City/town taxes 06/01/95 to 06/30/95	52.40
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. GROSS AMOUNT DUE FROM BORROWER:	53,823.41	420. GROSS AMOUNT DUE TO SELLER:	52,552.40
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money	200.00	501. Excess deposit(see instructions)	
202. Principal amount of new loan(s)	53,550.00	502. Settlement charges to seller(line 1400)	5,192.50
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	33,868.73
205.		505. Payoff of second mortgage loan	3,744.44
206. Credit for Appraisal & CR	411.00	506. Credit for Appraisal & CR	411.00
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller:		Adjustments for items unpaid by seller:	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. TOTAL PAID BY/FOR BORROWER:	54,161.00	520. TOTAL REDUCTION IN AMOUNT:	43,216.67
300. CASH AT SETTLEMENT FROM/TO BORROWER:		600. CASH AT SETTLEMENT TO/FROM SELLER:	
301. Gross amount due from borrower(line 120)	53,823.41	601. Gross amount due to seller(line 420)	52,552.40
302. Less amounts paid by/for borrower(line 220)	54,161.00	602. Less total reductions in amount due seller(line 520)	43,216.67
303. CASH FROM/ TO BORROWER:	337.59	603. CASH TO/ FROM SELLER:	9,335.73

SUBSTITUTE FORM 1099 SELLER STATEMENT-The information contained in Blocks E,G,H and I and on line 401 (or, if line 401 is asterisked, lines 403 and 404) is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

SELLER INSTRUCTION-If this real estate was your principal residence, file Form 2119, Sale or Exchange of Principal Residence, for any gain, with your income tax return; for other transactions, complete the applicable parts of Form 4797, Form 6252 and/or Schedule D (Form 1040).

You are required by law to provide ATI TITLE COMPANY with your correct taxpayer identification number.

If you do not provide ATI TITLE COMPANY with your correct taxpayer identification number, you may be subject to civil or criminal penalties.

Under penalties of perjury, I certify that the number shown on this statement is my correct taxpayer identification number.

NC01669

A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

See HUD attachment(s) for "A" items

1. [] FHA 2. [] FIMA 3. [] CONV. UNITS.	
4. [X] VA 5. [] CONV.	
6. FILE NUMBER: 94800040	7. LOAN NUMBER: 1849782
8. MTG. INS. CASE NO.: 688-743	

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

D. NAME OF BORROWER: CHRISTOPHER JAMES FRASER, JOANNE A. FRASER

ADDRESS: 3355 HEATHCLIFF COURT, WOODBRIDGE, VA 22192

E. NAME OF SELLER:

JOANNE A. FRASER

ADDRESS:

SELLER TIN:

F. NAME OF LENDER: NORWEST MORTGAGE, INC.
3130 GOLANSKY BOULEVARD, #101

ADDRESS: WOODBRIDGE, VIRGINIA 22192

G. PROPERTY LOCATION: Lot 56, ROLLINGWOOD VILLAGE
Sec 5-8

3355 HEATHCLIFF COURT, WOODBRIDGE, VA 22192

H. SETTLEMENT AGENT: ATI TITLE COMPANY

ADDRESS: 1890 PRESTON WHITE DRIVE
RESTON, VA. 22091

SETTLEMENT AGENT TIN: 47-0604365

PLACE OF SETTLEMENT: ATI TITLE COMPANY

ADDRESS: 3102 GOLANSKY BLVD. SUITE 102
WOODBRIDGE, VA 22192

I. SETTLEMENT DATE

Closing date: 09/02/94

Proration date: 09/08/94

J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price		401. Contract sales price	
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)	4,210.03	403.	
104. Payoff GE CAPITAL	101,611.86	404.	
105.		405.	
Adjustments for items paid by seller in advance:		Adjustments for items paid for seller in advance:	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. GROSS AMOUNT DUE FROM BORROWER:	105,821.89	420. GROSS AMOUNT DUE TO SELLER:	
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	104,550.00	502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204. CREDIT PAID BY NMI	1,045.50	504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller:		Adjustments for items unpaid by seller:	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. TOTAL PAID BY/FOR BORROWER:	105,595.50	520. TOTAL REDUCTION IN AMOUNT:	
300. CASH AT SETTLEMENT FROM/TO BORROWER:		600. CASH AT SETTLEMENT TO/FROM SELLER:	
301. Gross amount due from borrower (line 120)	105,821.89	601. Gross amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220)	105,595.50	602. Less total reductions in amount due seller (line 520)	
303. CASH IN FROM/ TO BORROWER:	226.39	603. CASH IN FROM/ TO SELLER:	0.00

SUBSTITUTE FORM 1099 SELLER STATEMENT-The information contained in Blocks E,G,H and I and on line 401 (or, if line 401 is asterisked, lines 403 and 404) is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

SELLER INSTRUCTION-If this real estate was your principal residence, file Form 2119, Sale or Exchange of Principal Residence, for any gain, with your income tax return; for other transactions, complete the applicable parts of Form 4797, Form 6252 and/or Schedule D (Form 1040).

You are required by law to provide ATI TITLE COMPANY with your correct taxpayer identification number.

If you do not provide ATI TITLE COMPANY with your correct taxpayer identification number, you may be subject to civil or criminal penalties.

Under penalties of perjury, I certify that the number shown on this statement is my correct taxpayer identification number.

Seller

744

N302066

L. SETTLEMENT CHARGES

See HUD attachment(s) for "A" items

		PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
700. TOTAL SALES/BROKER'S COMMISSION Based on \$ @ % =			
Division of Commission (line 700) as follows:			
701. \$	to		
702. \$	to		
703. Commission paid at settlement			
704.			
800. ITEMS PAYABLE IN CONNECTION WITH LOAN.			
801. Loan Origination fee	1.00000 % NORWEST MORTGAGE, INC.	1,045.50	
802. Loan Discount	%		
803. Appraisal fee	to		
804. Credit Report	to NORWEST MORTGAGE, INC.	15.00	
805. Lender's inspection fee	to		
806. Mortgage insurance application fee	to		
807. Assumption Fee	to		
808.	to		
809. VA FUNDING FEE	to NORWEST MORTGAGE, INC.	520.25	
810.	to		
811.	to		
812.	to		
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE.			
901. Interest from	09/08/94 to 10/01/94 @ \$ 21.48000 /day 23 days	494.04	
902. Mortgage insurance premium for	mo. to		
903. Hazard insurance premium for	1 yrs. to USAA -POCB 374.00		
904.	yrs. to		
905.			
1000. RESERVES DEPOSITED WITH LENDER			
1001. Hazard Insurance	4 mo. @ \$ 31.17 per mo.	124.68	
1002. Mortgage insurance	mo. @ \$ per mo.		
1003. City property taxes	mo. @ \$ per mo.		
1004. County property taxes	6 mo. @ \$ 157.26 per mo.	943.56	
1005. Annual assessments (Maint.)	mo. @ \$ per mo.		
1006.	mo. @ \$ per mo.		
1007.	mo. @ \$ per mo.		
1008.	mo. @ \$ per mo.		
1100. TITLE CHARGES:			
1101. Settlement or closing fee	to		
1102. Abstract or title search	to		
1103. Title examination	to ATI TITLE COMPANY	405.00	
1104. Title insurance binder	to		
1105. Document preparation	to		
1106. Notary fee	to		
1107. Attorney's fee to	to		
(includes above items No.:			
1108. Title insurance	to		
(includes above items No.:			
1109. Lender's coverage	\$		
1110. Owner's coverage	\$		
1111. TOP FEE	to ATI TITLE COMPANY	406.80	
1112.	to		
1113.	to		
1114.	to		
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES			
1201. Recording fees: Deed \$	Mrg \$ 20.00 Rel. \$ POA 13.00	33.00	
1202. City/county tax/stamps: Deed \$	Mrg \$ 52.30	52.30	
1203. State tax/stamps: Deed \$	Mrg \$ 156.90	156.90	
1204.	to		
1205. Record Release(s)	to CLERK OF COURT	13.00	
1206.	to		
1300. ADDITIONAL SETTLEMENT CHARGES			
1301. Survey	to		
1302. Pest inspection	to		
1303.	to		
1304.	to		
1305.	to		
1400. TOTAL SETTLEMENT CHARGES (entered on lines 103, Section J and 502, Section K)		4,210.03	

CERTIFICATION: 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 receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of HUD-1 Settlement Statement.

Christopher James Fraser by James A. Fraser Attorney in fact
James A. Fraser

The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement.

James Butler - Mangelis 9-2-94 N302067
 Settlement Agent Date

WARNING: It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a fine and imprisonment. For details see: Title 18: U.S. Code Section 1001 and Section 1010

A. U.S. DEPARTMENT OF HOUSING AND DEVELOPMENT See HUD attachment(s) for "" items		B. TYPE OF LOAN 1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FMHA 3. <input type="checkbox"/> CONV. UNINS. 4. <input type="checkbox"/> VA 5. <input type="checkbox"/> CONV. INS. 6. FILE NUMBER: 95850030 7. LOAN NUMBER: 8. MTG. INS. CASE NO.:	
C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked ("p.o.c.") were paid outside the closing; they are shown here for information purposes and are not included in the totals.			
D. NAME OF BORROWER: HUGH E. MCGUIRE, III, JEANINE G. MCGUIRE ADDRESS:			
E. NAME OF SELLER: BECKY J. GUIFF ADDRESS: P. O. BOX 621, RT.#6, FORK UNION, VA. 23055 SELLER TIN:			
F. NAME OF LENDER: Norwest Mortgage, Inc. 5540 Falmouth Street, Suite ADDRESS: Richmond, VA 23230			
G. PROPERTY LOCATION: ACREAGE WITH IMPROVEMENTS			
H. SETTLEMENT AGENT: ATI TITLE COMPANY ADDRESS: 5540 FALMOUTH ST. - SUITE 100 RICHMOND, VIRGINIA 23230 SETTLEMENT AGENT TIN: 47-0604365			
PLACE OF SETTLEMENT: ATI TITLE COMPANY ADDRESS: 5540 FALMOUTH ST. - SUITE 100 RICHMOND, VIRGINIA 23230			I. SETTLEMENT DATE Closing date: 03/29/95 Proration date: 03/29/95
J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price	129,000.00	401. Contract sales price	129,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower(line 1400)	5,001.28	403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance:		Adjustments for items paid for seller in advance:	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. GROSS AMOUNT DUE FROM BORROWER:	134,001.28	420. GROSS AMOUNT DUE TO SELLER:	129,000.00
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money	500.00	501. Excess deposit(see instructions)	
202. Principal amount of new loan(s)	49,000.00	502. Settlement charges to seller(line 1400)	7,954.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204. Add'l deposit-buyer APPLICATION FEE REFU	140.00	504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller:		Adjustments for items unpaid by seller:	
210. City/town taxes to		510. City/town taxes to	
211. County taxes 12/31/94 to 03/30/95	163.76	511. County taxes 12/31/94 to 03/30/95	163.76
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. TOTAL PAID BY/FOR BORROWER:	49,803.76	520. TOTAL REDUCTION IN AMOUNT:	8,117.76
300. CASH AT SETTLEMENT FROM/TO BORROWER:		600. CASH AT SETTLEMENT TO/FROM SELLER:	
301. Gross amount due from borrower(line 120)	134,001.28	601. Gross amount due to seller(line 420)	129,000.00
302. Less amounts paid by/for borrower(line 220)	49,803.76	602. Less total reductions in amount due seller(line 520)	8,117.76
303. CASH [X FROM] [] TO] BORROWER:	84,197.52	603. CASH [X TO] [] FROM] SELLER:	120,882.24

SUBSTITUTE FORM 1099 SELLER STATEMENT-The information contained in Blocks E,G,H and I and on line 401 (or, if line 401 is asterisked, lines 403 and 404) is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

SELLER INSTRUCTION-If this real estate was your principal residence, file Form 2119, Sale or Exchange of Principal Residence, for any gain, with your income tax return; for other transactions, complete the applicable parts of Form 4797, Form 6252 and/or Schedule D (Form 1040).

You are required by law to provide ATI TITLE COMPANY with your correct taxpayer identification number.

If you do not provide ATI TITLE COMPANY with your correct taxpayer identification number, you may be subject to civil or criminal penalties.

Under penalties of perjury, I certify that the number shown on this statement is my correct taxpayer identification number.

N001140

746

Seller

File 95850030		L. SETTLEMENT CHARGES		PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
700. TOTAL SALES/BROKER'S COMMISSION Based on \$	129,000.00 @ 6.00 % =	7,740.00			
Division of Commission (line 700) as follows:					
701. \$3,870.00	to MONTAGUE, MILLER & CO.				
702. \$3,870.00	to VA. LANDMARK				
703. Commission paid at settlement					7,740.00
704.					
800. ITEMS PAYABLE IN CONNECTION WITH LOAN.					
801. Loan Origination fee	1.00000 % Norwest Mortgage, Inc.		490.00		
802. Loan Discount	2.25000 % Norwest Mortgage, Inc.		1,102.50		
803. Appraisal fee	\$300/\$400 POC to SUSAN I. MCGINNIS				
804. Credit Report	\$10/\$50 POC to CBS				
805. Lender's inspection fee	to				
806. Mortgage Insurance application fee	to				
807. Assumption Fee	to				
808. Tax Service Fee	to Norwest Mortgage, Inc.		81.00		
809. Document Preparation Fee	to Norwest Mortgage, Inc.		195.00		
810.	to				
811.	to				
812.	to				
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE.					
901. Interest from	03/29/95 to 04/01/95 @ \$ 11.24000 /day 3 days		33.72		
902. Mortgage insurance premium for	mo. to				
903. Hazard insurance premium for	1 yrs. to VIRGINIA FARM BUREAU		412.00		
904.	yrs. to				
905.					
1000. RESERVES DEPOSITED WITH LENDER.					
1001. Hazard Insurance	2 mo. @ \$ 34.33 per mo.		68.66		
1002. Mortgage insurance	mo. @ \$ per mo.				
1003. City property taxes	mo. @ \$ per mo.				
1004. County property taxes	5 mo. @ \$ 55.86 per mo.		279.30		
1005. Annual assessments (Maint.)	mo. @ \$ per mo.				
1006.	mo. @ \$ per mo.				
1007.	mo. @ \$ per mo.				
1008.	mo. @ \$ per mo.				
1100. TITLE CHARGES:					
1101. Settlement or closing fee	to ATI TITLE COMPANY		175.00		
1102. Abstract or title search	to ATI TITLE COMPANY		175.00		
1103. Title examination	to				
1104. Title insurance binder	to				
1105. Document preparation	to				
1106. Notary fee	to				
1107. Attorney's fee to	to				
(includes above items No.:					
1108. Title Insurance	to				
(includes above items No.:					
1109. Lender's coverage	\$				
1110. Owner's coverage	\$				
1111. TITLE OPTION PLUS - MODIFIED WITH O	to ATI TITLE COMPANY		503.10		
1112.	to				
1113.	to				
1114.	to				
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES					
1201. Recording fees:	Deed \$ 14.00 Mrg \$ 16.00 Rel. \$		30.00		
1202. City/county tax/stamps:	Deed \$ 64.50 Mrg \$ 24.50		89.00		
1203. State tax/stamps:	Deed \$ 193.50 Mrg \$ 73.50		267.00		
1204. Grantor's Tax	to CLERK OF THE COURT				129.00
1205.	to				
1206.	to				
1300. ADDITIONAL SETTLEMENT CHARGES					
1301. Survey	to TOM HARDYMAN		1,100.00		
1302. Pest inspection	to INTRASTATE PEST				85.00
1303.	to				
1304.	to				
1305.	to				
1400. TOTAL SETTLEMENT CHARGES (entered on lines 103, Section J and 502, Section K)				5,001.28	7,954.00

CERTIFICATION: 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 receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of HUD-1 Settlement Statement.

[Signature]
 Borrowers
 Tip HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement.
[Signature]
 Settlement Agent

Sellers
 747
 3/29/95
 Date
 N001141

SETTLEMENT STATEMENT U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		B. TYPE OF LOAN 1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> PMHA 3. <input type="checkbox"/> CONV. UNINS. 4. <input checked="" type="checkbox"/> VA 5. <input type="checkbox"/> CONV. INS. 6. File Number: 95650087 7. Loan Number: 2008334 8. Mortgage Insurance Case Number: 72-6-0696813	
C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals. WARNING: It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a fine and imprisonment. For details see: Title 18U, S. Code Section 1001 and Section 1010. PREVIOUS EDITION IS OBSOLETE.			
D. NAME OF BORROWER: James Francis Sherry, II & Rose Marie G. Sherry ADDRESS: 517 Alabama Drive, Herndon, VA 22070			
E. NAME OF SELLER: N/A Refinance ADDRESS:			
F. NAME OF LENDER: Norwest Mortgage, Inc. ADDRESS: 1801 Reston Parkway, #202 Reston, VA 22090			
G. PROPERTY LOCATION: Lot 142, Section 2, The Downs 517 Alabama Drive, Herndon, VA 22070			
H. SETTLEMENT AGENT: ATI Title Company ADDRESS: 3190 Fairview Park Drive, #140 Falls Church, VA 22042 PLACE OF SETTLEMENT: ATI Title Company ADDRESS: 3190 Fairview Park Drive, #140 Falls Church, VA 22042		I. SETTLEMENT DATE: July 17, 1995 Disbursement Date: July 21, 1995	
J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER: 101. Contract sales price 102. Personal property 103. Settlement charges to borrower (line 1400) 4,129.97 104. Payoff Norwest 158,305.85 105. Payoff Herndon R E Tax-1st 1/2 222.93 Adjustments for items paid by seller in advance 106. City/town taxes to 107. County taxes to 108. Assessments to 109. 110. 111. 112. 120. GROSS AMOUNT DUE FROM BORROWER 162,658.75 200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER: 201. Deposit or earnest money 202. Principal amount of new loan(s) 162,250.00 203. Existing loan(s) taken subject to 204. 205. 206. 207. 208. 209. Adjustments for items unpaid by seller 210. City/town taxes to 211. County taxes to 212. Assessments to 213. 214. 215. 216. 217. 218. 219. 220. TOTAL PAID BY/FOR BORROWER 162,250.00 300. CASH AT SETTLEMENT FROM/TO BORROWER 301. Gross amount due from borrower (line 120) 162,658.75 302. Less amounts paid by/for borrower (line 220) (162,250.00) 303. CASH (<input checked="" type="checkbox"/> FROM) (<input type="checkbox"/> TO) BORROWER 408.75		400. GROSS AMOUNT DUE TO SELLER: 401. Contract sales price 402. Personal property 403. Settlement charges to seller (line 1400) 404. 405. Adjustments for items paid by seller in advance 406. City/town taxes to 407. County taxes to 408. Assessments to 409. 410. 411. 412. 420. GROSS AMOUNT DUE TO SELLER 500. REDUCTIONS IN AMOUNT DUE TO SELLER: 501. Excess deposit (see instructions) 502. Settlement charges to seller (line 1400) 503. Existing loan(s) taken subject to 504. Payoff of first mortgage loan 505. Payoff of second mortgage loan 506. 507. 508. 509. Adjustments for items unpaid by seller 510. City/town taxes to 511. County taxes to 512. Assessments to 513. 514. 515. 516. 517. 518. 519. 520. TOTAL REDUCTIONS AMOUNT DUE SELLER 600. CASH AT SETTLEMENT TO/FROM SELLER 601. Gross amount due to seller (line 420) 602. Less reductions in amount due seller (line 520) 603. CASH (<input type="checkbox"/> FROM) (<input type="checkbox"/> TO) SELLER	

This form provided by CHICAGO TITLE INSURANCE COMPANY

JUL-1
RES-PA-100-0

748

N201798

E. SETTLEMENT CHARGES

700. TOTAL SALES/BROKER'S COMMISSION based on price \$		PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
Division of commission (line 700) as follows:			
701. \$	to		
702. \$	to		
703. Commission paid at Settlement (Money retained by broker applied to commission \$)			
704.			
800. ITEMS PAYABLE IN CONNECTION WITH LOAN			
801. Loan Origination Fee	1 % to Norwest 1622.50 / 402.50 POC	1,220.00	
802. Loan Discount	.125 % to Norwest	202.81	
803. Appraisal Fee	to		
804. Credit Report	to DEL MAR VA	15.75	
805. Lender's Inspection Fee			
806. Mortgage Insurance Application Fee to			
807. Assumption Fee			
808. VA FUNDING FEE		811.25	
809.			
810.			
811.			
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE			
901. Interest from 7/21/95 to 8/1/95	@ \$ 33.34 /day	366.74	
902. Mortgage Insurance Premium for months to			
903. Hazard Insurance Premium for	1 years to USAA 394.00 POC		
904. years to			
905.			
1000. RESERVES DEPOSITED WITH LENDER			
1001. Hazard Insurance	3 month @ \$ 32.83 per month	98.49	
1002. Mortgage Insurance	month @ \$ per month		
1003. City property taxes	3 month @ \$ 37.16 per month	111.48	
1004. County property taxes	3 month @ \$ 134.85 per month	404.55	
1005. Annual assessments	month @ \$ per month		
1006.	month @ \$ per month		
1007.	month @ \$ per month		
1008.	month @ \$ per month		
1100. TITLE CHARGES			
1101. Settlement or closing fee	to		
1102. Abstract or title search	to		
1103. Title examination	to ATI Title Company	275.00	
1104. Title Insurance binder	to		
1105. Document preparation	to		
1106. Notary fees	to		
1107. Attorney's fees	to		
(includes above items numbers;			
1108. Title Insurance	to		
(includes above items numbers;			
1109. Lender's coverage	\$		
1110. Owner's coverage	\$		
1111. TOP fee to ATI Title Company		532.50	
1112.			
1113. Prep and Procure Mtg Release to ATI Title Company		50.00	
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES			
1201. Recording fees: Deed \$	Mortgage \$ 17.00	Release \$	17.00
1202. City/county tax/stamps: Deed \$	Mortgage \$ 2.85		2.85
1203. State tax/stamps: Deed \$	Mortgage \$ 8.55		8.55
1204.			
1205. Record Release to Clerk of Court		13.00	
1300. ADDITIONAL SETTLEMENT CHARGES			
1301. Survey	to		
1302. Pest inspection	to		
1303.			
1304.			
1305.			
1306.			
1307.			
1400. TOTAL SETTLEMENT CHARGES (enter on lines 103, Section J and 502, Section K)		4,129.97	

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 receipts and disbursements made on my account in this transaction. I further certify that I have received a copy of the HUD-1 Settlement Statement.

Borrower

Seller

To the best of knowledge, the HUD-1 Settlement Statement which I have prepared is a true and accurate account of the funds which were received or have been or will be disbursed by the undersigned as part of the settlement of this transaction.

Settlement Agent

Date

749-17-95

N201799

See HUD attachment(s) for *** items

1. [] FRA 2. [] FMHA 3. [] CONV. UNINS.

4. [X] VA 5. [] CONV. INS.

6. FILE NUMBER:

94650104

7. LOAN NUMBER:

1902686

8. MTG. INS. CASE NO.: VA #72-6 0690312

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

D. NAME OF BORROWER: THOMAS F. SHIELDS**ADDRESS:****E. NAME OF SELLER:** KATHLEEN CAMPBELL**ADDRESS:** 1104 S. TRAVIS, SHERMAN, TEXAS 75090**SELLER TIN:****F. NAME OF LENDER:** HOMETOWN MORTGAGE, INC.

3190 FAIRVIEW PARK DRIVE, #120

ADDRESS: FALLS CHURCH, VIRGINIA 22042**G. PROPERTY LOCATION:** Lot 38A, SINGING PINES

4024 WALTERS COURT, FAIRFAX, VIRGINIA 22030

H. SETTLEMENT AGENT: ATI TITLE COMPANY**ADDRESS:** 3190 FAIRVIEW PARK DR, #140

FALLS CHURCH, VA. 22042

SETTLEMENT AGENT TIN: 47-0604365**PLACE OF SETTLEMENT:** ATI TITLE COMPANY**ADDRESS:** 3190 FAIRVIEW PARK DR, #140

FALLS CHURCH, VA 22042

I. SETTLEMENT DATE

Closing date: 11/22/94

Proration date: 11/22/94

J. SUMMARY OF BORROWER'S TRANSACTION**100. GROSS AMOUNT DUE FROM BORROWER:**

101. Contract sales price	133,000.00
102. Personal property	
103. Settlement charges to borrower (line 1400)	3,209.75
104. Payoff HOUSEHOLD	2,000.00
105.	

Adjustments for items paid by seller in advance:

106. City/town taxes	to	
107. County taxes	to	
108. Assessments	to	
109.		
110.		
111.		
112.		

120. GROSS AMOUNT DUE FROM BORROWER:

138,209.75

200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:

201. Deposit or earnest money	1,000.00
202. Principal amount of new loan(s)	133,000.00
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207.	
208. 2ND NOTE	2,000.00
209.	

Adjustments for items unpaid by seller:

210. City/town taxes	07/01/94 to 11/22/94	503.72
211. County taxes	to	
212. Assessments	to	
213.		
214.		
215.		
216.		
217.		
218. Closing cost credit		2,600.00
219.		

220. TOTAL PAID BY/FOR BORROWER:

139,103.72

300. CASH AT SETTLEMENT FROM/TO BORROWER:

301. Gross amount due from borrower (line 120)	138,209.75
302. Less amounts paid by/for borrower (line 220)	139,103.72

303. CASH FROM TO BORROWER:

893.97

K. SUMMARY OF SELLER'S TRANSACTION**400. GROSS AMOUNT DUE TO SELLER:**

401. Contract sales price	133,000.00
402. Personal property	
403.	
404.	
405.	

Adjustments for items paid for seller in advance:

406. City/town taxes	to	
407. County taxes	to	
408. Assessments	to	
409.		
410.		
411.		
412.		

420. GROSS AMOUNT DUE TO SELLER:

133,000.00

500. REDUCTIONS IN AMOUNT DUE TO SELLER:

500. REDUCTIONS IN AMOUNT DUE TO SELLER:		
501. Excess deposit(see instructions)		
502. Settlement charges to seller(line 1400)		9,684.00
503. Existing loan(s) taken subject to		
504. Payoff of first mortgage loan	METHOR	37,450.56
505. Payoff of second mortgage loan	APPLE FED.	7,115.36
506. See HUD attachment		921.83*
507.		
508. 2ND NOTE		2,000.00
509.		

Adjustments for items unpaid by seller:

510. City/town taxes	07/01/94 to 11/22/94	503.72
511. County taxes	to	
512. Assessments	to	
513.		
514.		
515.		
516.		
517.		
518. Closing cost credit		2,600.00
519.		

520. TOTAL REDUCTION IN AMOUNT:

60,275.47

600. CASH AT SETTLEMENT TO/FROM SELLER:

601. Gross amount due to seller (line 420)	133,000.00
602. Less total reductions in amount due seller (line 520)	60,275.47

603. CASH TO FROM SELLER:

72,724.53

SUBSTITUTE FORM 1099 SELLER STATEMENT-The information contained in Blocks E, G, H and I and on line 401 (or, if line 401 is asterisked, lines 403 and 404) is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

SELLER INSTRUCTION-If this real estate was your principal residence, file Form 2119, Sale or Exchange of Principal Residence, for any gain, with your income tax return; for other transactions, complete the applicable parts of Form 4797, Form 6252 and/or Schedule D (Form 1040).

You are required by law to provide ATI TITLE COMPANY with your correct taxpayer identification number.

If you do not provide ATI TITLE COMPANY with your correct taxpayer identification number, you may be subject to civil or criminal penalties.

Under penalties of perjury, I certify that the number shown on this statement is my correct taxpayer identification number.

Seller

750

N301505

L. SETTLEMENT CHARGES

See attachment(s) for item

File 94650204		See IDB attachment(s) for *** Items		PAID FROM BORROWER'S FUNDS AT SETTLEMENT		PAID FROM SELLER'S FUNDS AT SETTLEMENT	
700. TOTAL SALES/BROKER'S COMMISSION Based on \$				133,000.00@	6.00 % =	7,980.00	
Division of Commission (line 700) as follows:							
701. \$3,990.00				to WEICHERT REALTORS			
702. \$3,990.00				to WEICHERT REALTORS			
703. Commission paid at settlement							7,980.00
704.							
800. ITEMS PAYABLE IN CONNECTION WITH LOAN.							
801. Loan Origination fee				0.75000	%	NORVEST MORTGAGE, INC.	997.50
802. Loan Discount						%	
803. Appraisal fee				to NORVEST MORTGAGE, INC.		-POCB 300.00	
804. Credit Report				to NORVEST MORTGAGE, INC.		-POCB 55.00	
805. Lender's inspection fee				to			
806. Mortgage Insurance application fee				to			
807. Assumption Fee				to			
808. Tax Service Fee				to NORVEST MORTGAGE, INC.			75.00
809. Document Preparation Fee				to NORVEST MORTGAGE, INC.			295.00
810.				to			
811.				to			
812.				to			
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE.							
901. Interest from				11/22/94 to 12/01/94	@ \$	32.79000 /day 9 days	295.11
902. Mortgage insurance premium for				mo. to			
903. Hazard insurance premium for				1 yrs. to	KERRINACK	-POCB 200.00	
904.				yrs. to			
905.							
1000. RESERVES DEPOSITED WITH LENDER							
1001. Hazard Insurance				2 mo.@ \$	16.67	per mo.	33.34
1002. Mortgage insurance				mo.@ \$		per mo.	
1003. City property taxes				1 mo.@ \$	106.40	per mo.	106.40
1004. County property taxes				mo.@ \$		per mo.	
1005. Annual assessments (Maint.)				mo.@ \$		per mo.	
1006.				mo.@ \$		per mo.	
1007.				mo.@ \$		per mo.	
1008.				mo.@ \$		per mo.	
1100. TITLE CHARGES:							
1101. Settlement or closing fee				to ATI TITLE COMPANY			200.00
1102. Abstract or title search				to			
1103. Title examination				to ATI TITLE COMPANY		99.00	
1104. Title insurance binder				to			
1105. Document preparation				DEED/POA to ATI TITLE COMPANY			75.00
1106. Notary fee				to			
1107. Attorney's fee to				to			
(includes above items No.:							
1108. Title insurance				to			
(includes above items No.:							
1109. Lender's coverage				\$			
1110. Owner's coverage				\$			
1111.				to			
1112. Disbursement of Bills				to ATI TITLE COMPANY			20.00
1113. Prep and Procure Mtg Release				to ATI TITLE COMPANY			100.00
1114. TOP Fee				to ATI TITLE COMPANY		476.00	
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES							
1201. Recording fees:				Deed \$ 14.00	Mtg \$ 18.00	Rel. \$	32.00
1202. City/county tax/stamps:				Deed \$ 66.50	Mtg \$ 66.50		133.00
1203. State tax/stamps:				Deed \$ 199.50	Mtg \$ 199.50		399.00
1204. Grantor tax				to CLERK OF THE COURT			133.00
1205. Record Release(s)				to CLERK OF COURT			26.00
1206.				to			
1300. ADDITIONAL SETTLEMENT CHARGES							
1301. Survey				to			
1302. Pest inspection				to TRIPLE "S"			750.00
1303. Express Mail AIRBORNE				to ATI TITLE COMPANY			30.00
1304.				to			
1305. 2ND 1/2 TAXES				to CITY OF FAIRFAX		638.40	
1400. TOTAL SETTLEMENT CHARGES (entered on lines 103, Section I and 503, Section IV)							
						3,209.75	2,481.00

CERTIFICATION: 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 receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of HUD-1 Settlement Statement.

[Signature]

*Kathleen Campbell Lyke/Harry
in fact Earl V. Buck*

Borrowers

The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement.

[Signature]
Settlement Agent

Sellers

I have caused or will cause the funds to be disbursed in accordance with this statement.

Date *11/22/94*

WARNING: It is a crime to knowingly make false statements to the United States in any other similar form. Penalties upon conviction can include a fine and imprisonment. For details see: Title 18: U.S. Code Section 1001 and Section 1010.

HUD-1 Settlement Statement Attachment, Page 1

File Number....: 94650104
 Buyer(s).....: THOMAS F. SHIELDS
 Seller(s).....: KATHLEEN CAMPBELL
 Lender.....: NORWEST MORTGAGE, INC. Loan Number: 1902686

Continued From HUD Form Page 1

Borrower's Adjustments

Seller's Adjustments

PAID BY OR IN BEHALF OF BORROWER

REDUCTIONS IN AMOUNT DUE TO SELLER

-206-

-506-

BRADY'S HOME REPAIR	
Seller amount	475.00
AMERICAN ELECTIC SERV	
Seller amount	77.12
BRADYS HOME REPAIR	
Seller amount	175.00
NELSON ELECTRIC SERV	
Seller amount	156.00
VIRGINIA POWER	
Seller amount	17.08
CITY OF FAIRFAX	
Seller amount	21.63

Total for HUD line 506: 921.83

A. U.S. DEPARTMENT OF HOUSING AND DEVELOPMENT See HUD attachment(s) for "A" items		B. TYPE OF LOAN 1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FMHA 3. <input type="checkbox"/> CONV. UNINS. 4. <input type="checkbox"/> JVA 5. <input type="checkbox"/> CONV. INS. 6. FILE NUMBER: 95850092 7. LOAN NUMBER: 8. MTG. INS. CASE NO.:	
C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked ("p.o.c.") were paid outside the closing; they are shown here for information purposes and are not included in the totals.			
D. NAME OF BORROWER: Daniel Louis Wahlmeier, Shelly Jean Wahlmeier ADDRESS: 2326 Harpoon Ct., Richmond, VA 23294			
E. NAME OF SELLER: Willard Bruce Clarke, Rebecca S. Clarke ADDRESS: Rt 4 box 3775, Mineral, VA 23117 SELLER TIN: 226-90-9859			
F. NAME OF LENDER: Norwest Mortgage, Inc. ADDRESS:			
G. PROPERTY LOCATION: 08388 Pg 171 tax map 4242, 5.88 ac and all imprvments Route 4 Box 3775, Mineral, VA 23117			
H. SETTLEMENT AGENT: ATI TITLE COMPANY ADDRESS: 5540 FALMOUTH ST. - SUITE 100 RICHMOND, VIRGINIA 23230 SETTLEMENT AGENT TIN: 47-0604365			
PLACE OF SETTLEMENT: ATI TITLE COMPANY ADDRESS: 5540 FALMOUTH ST. - SUITE 100 RICHMOND, VIRGINIA 23230			I. SETTLEMENT DATE Closing date: 06/30/95 Proration date: 06/30/95
J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price	75,000.00	401. Contract sales price	75,000.00
102. Personal property		402. Personal property	
103. Settlement charges to borrower(line 1400)	3,926.35	403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance:		Adjustments for items paid for seller in advance:	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. GROSS AMOUNT DUE FROM BORROWER:	78,926.35	420. GROSS AMOUNT DUE TO SELLER:	75,000.00
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money	500.00	501. Excess deposit(see instructions)	
202. Principal amount of new loan(s)	74,781.00	502. Settlement charges to seller(line 1400)	5,445.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	42,217.63
205.		505. Payoff of second mortgage loan	8,711.73
206. Refund on Appraisal	30.25	506.	
207. NMI Credit	731.36	507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller:		Adjustments for items unpaid by seller:	
210. City/town taxes to		510. City/town taxes to	
211. County taxes 01/01/95 to 06/30/95	157.81	511. County taxes 01/01/95 to 06/30/95	157.81
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. TOTAL PAID BY/FOR BORROWER:	76,200.42	520. TOTAL REDUCTION IN AMOUNT:	56,532.17
300. CASH AT SETTLEMENT FROM/TO BORROWER:		600. CASH AT SETTLEMENT TO/FROM SELLER:	
301. Gross amount due from borrower(line 120)	78,926.35	601. Gross amount due to seller(line 420)	75,000.00
302. Less amounts paid by/for borrower(line 220)	76,200.42	602. Less total reductions in amount due seller(line 520)	56,532.17
303. CASH [X FROM] [] TO BORROWER:	2,725.93	603. CASH [X TO] [] FROM SELLER:	18,467.83

SUBSTITUTE FORM 1099 SELLER STATEMENT. The information contained in Blocks E, G, H and I and on line 401 (or, if line 401 is asterisked, lines 403 and 404) is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

SELLER INSTRUCTION- If this real estate was your principal residence, file Form 2119, Sale or Exchange of Principal Residence, for any gain, with your income tax return; for other transactions, complete the applicable parts of Form 4797, Form 6252 and/or Schedule D (Form 1040).

You are required by law to provide ATI TITLE COMPANY with your correct taxpayer identification number.

If you do not provide ATI TITLE COMPANY with your correct taxpayer identification number, you may be subject to civil or criminal penalties.

Under penalties of perjury, I certify that the number shown on this statement is my correct taxpayer identification number.

Seller

753

N00252

File 95850092

L. SETTLEMENT CHARGES

See HUD attachment(s) for "A" items

				PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
700. TOTAL SALES/BROKER'S COMMISSION Based on \$	75,000.00 @	6.00 % =	4,500.00		
Division of Commission (line 700) as follows:					
701. \$4,500.00	to	Cent.21-Mid VA Properties			
702. \$	to				
703. Commission paid at settlement					4,500.00
704.					
800. ITEMS PAYABLE IN CONNECTION WITH LOAN.					
801. Loan Origination fee	%	Norwest Mortgage, Inc.		731.36	
802. Loan Discount	%				
803. Appraisal fee	\$319.75-\$350/PO	to Norwest Mortgage, Inc.			
804. Credit Report	\$50.00/POC	to Norwest Mortgage, Inc.			
805. Lender's inspection fee	to				
806. Mortgage Insurance application fee	to				
807. Assumption Fee	to				
808.	to				
809.	to				
810.	to				
811.	to				
812.	to				
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE.					
901. Interest from	06/30/95 to 07/01/95	@ \$ 13.06000 /day 1 day		13.06	
902. Mortgage insurance premium for	12 mo. to	Dept. of HUD		1,645.56	
903. Hazard insurance premium for	1 yrs. to	Cigna		289.00	
904.	yrs. to				
905.					
1000. RESERVES DEPOSITED WITH LENDER					
1001. Hazard Insurance	2 mo. @ \$	24.08 per mo.		48.16	
1002. Mortgage insurance	mo. @ \$	per mo.			
1003. City property taxes	mo. @ \$	per mo.			
1004. County property taxes	8 mo. @ \$	26.67 per mo.		213.36	
1005. Annual assessments (Maint.)	mo. @ \$	per mo.			
1006.	mo. @ \$	per mo.			
1007.	mo. @ \$	per mo.			
1008.	mo. @ \$	per mo.			
1100. TITLE CHARGES:					
1101. Settlement or closing fee	to	ATI TITLE COMPANY		175.00	
1102. Abstract or title search	to	ATI TITLE COMPANY		125.00	
1103. Title examination	to				
1104. Title insurance binder	to				
1105. Document preparation	to				
1106. Notary fee	to				
1107. Attorney's fee to	to	R. Don Short, Esquire			225.00
(includes above items No.:					
1108. Title insurance	to				
(includes above items No.:					
1109. Lender's coverage	\$				
1110. Owner's coverage	\$				
1111. Top Report w/Owners	to	ATI TITLE COMPANY		353.25	
1112. Deliver two Payoffs	to	R. Don Short, Esquire			19.00
1113.	to				
1114.	to				
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES					
1201. Recording fees: Deed \$	14.00	Mng \$	19.00	33.00	26.00
1202. City/county tax/stamps: Deed \$	37.50	Mng \$	37.40	74.90	
1203. State tax/stamps: Deed \$	112.50	Mng \$	112.20	224.70	
1204. Grantor's Tax	to	CLERK OF THE COURT			75.00
1205.	to				
1206.	to				
1300. ADDITIONAL SETTLEMENT CHARGES					
1301. Survey	to				
1302. Pest inspection	to	Perma Treat - Well & Septic			Ann on
1303.	to				
1304.	to				
1305.	to				
1400. TOTAL SETTLEMENT CHARGES (entered on lines 103, Section J and 302, Section K)				3,926.35	5,445.00

CERTIFICATION: 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 receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of HUD-1 Settlement Statement.

Daniel Wallmeier
Daniel Wallmeier
 Borrower

The HUD-1 Settlement Statement which I have prepared is a true and accurate statement in accordance with this statement.

Eileen P. Hanna
 Settlement Agent

Seller
 of this transaction. I have caused or will cause the funds to be disbursed in

754
 Date 6/30/95

N002527

WARNING: It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a fine and imprisonment. See details on Title 18, U.S.C. Sec. 1001.

9511 2 1156

Law Division



North Carolina
North Carolina
State and Marine
Insurance, Marine
612/87-2046
FAX: 612/87-4308

July 15, 1992



Mr. James Lyon
Vice President
Federal Reserve Bank of Minneapolis
250 Marquette Avenue
Minneapolis, MN 55480

Re: Regulation Y Section 225.22(a) Servicing Activities -
Underwriting Mortgage Title Insurance Policies

Dear Mr. Lyon:

As part of their lending activities, Northwest Bank and nonbank affiliates, from time to time, obtain mortgage title insurance policies insuring the priority of their interest in the real estate securing their loans. The mortgagee's title insurance policy lists the mortgagee as the insured and will pay an amount up to the remaining balance of the loan for any damages caused by the fact that Northwest does not have the priority in the real property indicated in the title insurance policy. The mortgagee's title policy does not insure any interest of the borrower in the real estate. Northwest charges the borrower for its cost in obtaining the mortgage title policy.

Northwest Corporation desires to form a title insurance company subsidiary which would engage solely in the business of insuring the mortgagee's interest in real property securing loans made by Northwest affiliated lenders.

We believe that this activity would be considered a servicing activity under Regulation Y § 225.22(a) which includes Sections 4(a)(2) and 4(e)(1)(C) of the Bank Holding Company Act allowing a bank holding company to furnish services to and perform services for its subsidiaries.

It is my opinion that a Northwest subsidiary insurance company could underwrite, directly or through reinsurance arrangements, the mortgagee's title insurance policy purchased by Northwest entities. The insurance company subsidiary would not issue mortgage insurance policies to companies that are not affiliated with Northwest.

Case No. INS950079
Sponsor: Comptroller
Exhibit No. MSK-19

755

Witness: Michael J. Kelle
Deborah P. Beale

Baillif


Mr. James Lyon
July 15, 1992
Page 2

Norwest would comply with the controlled business disclosures required under RESPA with regard to the mortgage title insurance policies.

Under Section 225.22(a) of Regulation Y a bank holding company is allowed to proceed with a servicing activity without submitting an application or notification to the Federal Reserve Bank of Minneapolis for the prior approval of the Federal Reserve System.

I would appreciate it if you would review this letter and advise me of your concurrence with the opinions contained herein. Thank you for your assistance in this matter.

Your truly,



Emily H. Haddad
Counsel

EEH/sec

Interrogatory 1. Please state whether the document attached to these Interrogatories as Exhibit 1 is a complete and accurate copy of correspondence addressed to Mr. James Lyon, Vice President, Federal Reserve Bank of Minneapolis, from Emily E. Haddad, Counsel, Norwest Corporation and, if it is not, please state in what respects the document is incomplete or inaccurate.

ANSWER:

The document attached to Complainant's Interrogatories as Exhibit 1 is a complete and accurate copy of the correspondence.

DOCUMENT 95-1101
1995 MAY 21 PM 3:26

Case No. INS950079
Sponsor Complainant
Exhibit No. MJK-20

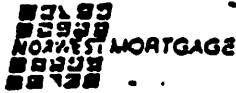
Witness Michael J. Keller
Bailliff Deborah P. Beasley

751: 2 0082

Case No. INS950079
Sponsor Complainant
Exhibit No. MJK-21

Witness Michael J. Keller
Bailliff Deborah P. Bensley

RECEIVED COURT
1995 NOV 21 PM 3:26

*Mike:**I agree with Gary's conclusion
on p.2. We will use 5% with
your approval.*Inter-Office
Memo

PAK JUN 02 '94

Date: June 2, 1994

To: Pat Kurt

From: Gary Feaker *GF*

Subject: Reserve for losses on the ATI Title Option Plus product

Below is a summary of my findings on establishing an appropriate reserve for title insurance losses associated with ATI's Title Option Plus (TOP) product. My research was primarily confined to discussions with Kurt Pahl, C.P.A. and a consultant to the title industry, and review of material provided to me by Mr. Pahl. If you would like to review the articles and data supplied to me by Mr. Pahl on the industry or any specific title insurer, please let me know.

Industry Data

Please refer to page 3 for specific information on industry averages for title insurance loss reserves and title insurance paid losses, as calculated by S&P and LACE. Most states have statutory reserve requirements for title insurance companies which are determined based on formulas and which are typically a function of premiums rather than a reflection of loss experiences. As a result, S&P prefers to look at GAAP information when analyzing reserve adequacy. As a key measure, S&P believes that an adequate loss reserve should be fall between 4 to 5 times average paid losses (using a five-year average for annual paid losses), although the industry's numbers vary between approximately 2 to 6 times average paid losses.

As you can see on page three, S&P's calculates the industry's five year average loss ratio at 9.4% of operating revenues. LACE brakes its rating into peer groups based on asset size. For the largest companies, trended claims over the last five years averaged 9.6% of current premiums earned; trended claims for the medium sized companies averaged 10% of current premiums; and trended claims for the small companies averaged 6.7% of current premiums.

Loss reserves for the two of the largest title insurance providers, Chicago Title and Old Republic, were approximately 6 times average paid losses, or about 40% of current operating income. Actual trended claims averaged 8.2% and 6.4% of premiums earned for Chicago Title and Old Republic, respectively. 759

*This is a factor
worth separate mention.*

Factors Influencing Loss Claims Experience for the TOP Product

1. **Geographic coverage and customer base:** ATI intends to have broad geographic coverage throughout the country which will include almost all market segments. This broad geographic coverage should reduce the risk associated with a more limited regional rollout. In addition, losses should be reduced by the fact that ATI will not issue the alternate product for new construction or condominiums. Overall, ATI should experience below average losses associated this variable.
2. **Channels of distribution:** ATI will not have any agents issuing policies or guarantees for them. As a result, ATI should experience below average losses associated with this variable.
3. **Outstanding book of policies:** Companies which have been in this business for years have greater risk because of potential loss development from its existing book of outstanding policies. Since ATI does not have an outstanding book of policies yet, overall loss experience in the short term should be below average.
4. **Growth:** ATI will be in a growth mode during the next few years. Its outstanding book of policies will be increasing very rapidly. Because of the rapid growth expected, ATI could have an above average loss experience rate on this item.

Recommendation

As a title insurance agency, ATI has done a good job in avoiding errors and omissions during their title searches, as evidenced by a very low claims rate. ATI's strategy for excluding use of the Title Option Plus product in high risk market segments such as new construction and condominiums should produce a below average loss experience. I believe we could project ATI's claims payout to be 2% to 3% of premiums earned during the first few years of operation (a feat only the smaller title insurance companies could manage). Although S&P considers a reserve of 8% to 12% of projected premium income to be within the safe zone, this does not consider the impact of the ~~four~~ *five* influencing factors. If we take into consideration these factors, this appears to be an overly conservative number to use. I recommend establishing a reserve of 5%. We should re-evaluate after the first year of operations and adjust accordingly. Please let me know what you think.

Title Insurance Loss Reserve/Claim Expense

	LACE ----- S & P -----					
	Average Trended Claims as a % of Premiums Earned	Loss Reserve	% of Total Operating Revenue	5 Yr. Average Paid Losses	% of Total Operating Revenue	Loss Reserve/ Paid loss ratio
Old Republic National Title	6.4%	\$169,750,000	40.8%	\$27,827,869	6.7%	6.1 x
Chicago Title (MO)	8.2%	\$512,452,000	38.1%	\$81,341,587	6.0%	6.3 x
Stewart Title Guaranty (TX)	5.6%	N/A	N/A	N/A	N/A	N/A
Commonwealth Land Title (PA)	7.7%	N/A	N/A	N/A	N/A	N/A
Ticor Title Insurance Co (CA)	13.5%	N/A	N/A	N/A	N/A	N/A
Industry Loss ratio (5 year aver	9.6%	Large (Assets > \$100 M)			9.4%	All Companies
	10.0%	Medium (\$100M > Assets > \$25M)				
	6.7%	Small (Asset < \$25M)				

Interrogatory 5. Please state whether the document attached to these Interrogatories as Exhibit 3 is, with the exception of (a) the handwritten notation and initial and date stamp at the top of page 1 of the document, (b) the handwritten notation at the top of page 2, and (c) the telefax information line at the top of each page of the document, an accurate and complete copy of an inter-office memo dated June 2, 1994 from Gary Feaker to Pat Kurt. If it is not, please state in what respects the document is incomplete or inaccurate.

ANSWER:

The document attached to Complainant's Interrogatory as Exhibit 3 is, with the exceptions noted in Interrogatory 5, an accurate and complete copy of the inter-office memo.

DOCUMENT CONTROL
E-5 07 21 PM 3:26

Case No. INS950079
Sponsor Complainant
Exhibit No. MJK-22

Witness Michael J. Keller
Balliff Deborah P. Bensley

Interrogatory 6. Please identify, as of June 2, 1994, the date of the document attached as Exhibit 3, the author and intended recipient of the document; i.e., (a) Gary Feaker and (b) Pat Kurt.

ANSWER:

- (a) Pat Kurt, Controller of Norwest Mortgage, Inc., 405 S.W. 5th Street, Des Moines, Iowa 50309-4626.
- (b) Gary Feaker, accountant on the staff of Pat Kurt, Norwest Mortgage, Inc., 405 S.W. 5th Street, Des Moines, Iowa 50309-4626.

RECEIVED CONTROL
1995 NOV 21 PM 3:27

Case No. 7NS950079
Sponsor Complainant
Exhibit No. MJK-23

Witness Michael J. Keller
Balliff Deborah P. Beasley

NOV 4 94 09:55

F7 NMI LEGAL

TO 914 .5766157

PAGE.002/01

Inter-Office
Memo

Legal Department

DATE: November 4, 1994

TO: Pat Kurt

FROM: Harry Sandstrom *HS*

RE: TOP RESERVES

ATI - No reserve is required. ATI's sole risk is that it is negligent in searching the record or, in some cases, closing the loan. This is simply a cost of doing business for which, we believe, no reserve is required. Also, the experience of ATI and its strict quality control program weigh against establishing a reserve.

NMI - Although NMI is not a title insurance underwriter, but instead is a self-insurer, it is appropriate to look at title insurance underwriters' reserve policies as a basis for determining the reserve to be established by NMI for losses assumed by NMI. Title insurance underwriters' treaded claims range from about 6.7% to 9.4% of operating revenues. This includes claims for agent fraud or negligence and claims paid for relationship-preservation reasons. NMI will incur no, or minimal, losses for "agent fraud or negligence," since the closing agents will generally be employees of ATI. NMI will incur no losses for relationship-preservation reasons. TOP is not available on new construction; therefore the risk of mechanics lien claims is greatly reduced. NMI's risk boils down to the risk of an off-the-record title defect so serious that the borrower loses the property altogether. We are not able to determine title insurance underwriter's claims experience for this type of risk; however, we believe, based on NMI's experience as an insured, it is minute. For these reasons, it is our opinion that a 2% of gross revenue reserve is extremely conservative.

HNS/sf

cc: Steve Morrison
Mike Keller

Case No. IUS950079
Sponsor Complainant
Exhibit No. MJK-24

Witness Michael J. Keller
Balliff Deborah P. Bousley

RECORDED
INDEXED
NOV 21 1995

Interrogatory 7. Please state whether the document attached as Exhibit 4 is, with the exception of the telefax information line at the top of the document, a complete and accurate copy of an inter-office memo dated November 4, 1994 from Harry Sandstrom to Pat Kurt. If it is not, please state in what respects the document is incomplete or inaccurate.

ANSWER:

The document identified in Complainant's Interrogatories as Exhibit 4 is, with the exceptions noted in Interrogatory 7, a complete and accurate copy of the inter-office memo.

1000-1011 0001101
1995 JUL 21 PM 3:29

Case No. INS 95 0079
Sponsor Complainant
Exhibit No. MJK-25

Witness Michael J. Keller
Balliff Deborah P. Deasley

Interrogatory 8. Please identify, as of November 4, 1994, the date of the document attached as Exhibit 4, the author and intended recipient of the document; i.e., (a) Harry Sandstrom and (b) Pat Kurt.

ANSWER:

- (a) Harry Sandstrom, attorney with Norwest Financial Corp., 206 8th Street, Des Moines, Iowa 50309.
- (b) Pat Kurt, Controller for Norwest Mortgage, Inc., 405 S.W. 5th Street, Des Moines, Iowa 50309-4626.

DOCUMENT CONTROL
1995 NOV 21 PM 3:29

Case No. INS930079
Sponsor Complainant
Exhibit No. MJK-26

Witness Michael J. Keller
Bailliff Deborah P. Beasley



Date: April 13, 1994

To: Les Biller
Jim Campbell
Ken Murray
Dan Saklad

From: Mike Keller
Mike Fahey
Dan Sagersin

The following materials are provided to serve as a report of our progress in our efforts to produce a title product which is an alternative to traditional title insurance and which is acceptable to secondary market investors.

In close concert with NMI Marketing, Post Closing and other impacted departments within NMI, ATI has established June 15, 1994, as the target date for kick-off of our new Title Option Plus (TOP).

We have conducted a re-analysis of the financial impact, which is attached as Exhibit "A".

Although our long range planning contemplates establishment of a presence in each of the 50 states, we have initially targeted 33 states as our marketplaces upon roll out. A listing of those states and the seven Regional Servicing Centers which will provide services in those markets is attached as Exhibit "B". We selected these states based on Norwest's presence/volume and believe we would be satisfied if these were our only states by virtue of "grandfather" rights should TOP be stopped after our initial roll out.

A description and explanation of the TOP concept and procedures is attached as Exhibit "C". We are developing standard operating procedures covering every aspect of TOP to assure that safeguards and controls are in place which minimize risk of loss through human error.

Title searching and closing functions will, of course, continue to be conducted in the localities in which the real estate is located. In markets which ATI has not yet penetrated, it is expected that NMI retail branches will continue to close with existing service providers.

Case No. II NS950079
Sponsor Complainant
Exhibit No. MJK-27
Witness Michael J. Keller
Bailliff Deborah P. Beasley

Further consideration of our search and examination process has led us to decide that in markets generating 30-40 cases per month, ATI will employ its own abstracting/searching personnel. The economics work at 30-40 cases depending on the fees and the state. In markets in which monthly order volume falls below that benchmark, we will seek the services of other title companies or abstracters. As a matter of ordinary prudence, every effort will be made to retain only independent contractor abstracters who carry adequate Errors and Omissions coverage. However, we have learned that other national title service providers have made a practice of using independents who choose not to carry E & O coverage due to high cost. We propose to keep use of such providers to a minimum, but we recognize that there will sometimes be no choice. As ATI expands into new markets and develops business volume, it will become more economically feasible to make wider use of in-house abstractor staff. In the meantime, we are in the process of developing standards and procedures for screening of independent abstracters as an integral part of our operating procedures.

TOP is lower-priced (by 10 percent or more), simpler to use and offers security to mortgage pool investors that is equal, if not superior, to that offered by title insurance. See Exhibit "D" for some cost comparisons of the ATI TOP product to title insurance alternatives. Therefore, we believe that the roll-out of this product provides an excellent opportunity for each NMI retail branch to offer a unique product to offer local customers at significant savings. In fact, TOP benefits the customer with a "double whammy" of reduced cost and better service. Turnaround time is expected to be improved by 24 to 36 hours in most markets. Post Closing has indicated that use of TOP will significantly reduce the number of deficiencies. This new product should make a major splash as another Northwest First. Soft dollar credits are equal to those provided in connection with title insurance, i.e., 20 percent of TOP fee and 20 percent of the closing fee if ATI conducts the closing.

We presented an introduction to TOP to NMI's Division Managers on Tuesday, February 22, 1994. The concept and the process were well-received and we were pleased and encouraged by the response. The response of, "This is a product that puts us on the right side, i.e., the consumer side, of an issue for a change," leads us to believe good things will happen.

EXHIBIT "A"

Page 1 of 2

TITLE OPTION PLUS PROFIT OPPORTUNITY

<u>YEAR</u>	<u>% OF TOTAL RETAIL FUNDINGS DONE WITH TOP =</u>	<u># OF NMI LOANS*</u>	<u>\$300 = TOTAL TOP REVENUE**</u>
1994	5 (worst case)	10,172	\$3,051,600
	20 (likely)	40,689	12,206,700
	40 (possible case)	81,378	24,413,400
	50 (best case)	101,720	30,516,000
1995	5	10,727	3,218,100
	20	42,909	12,872,700
	40	85,818	25,745,400
	50	107,270	32,180,000
1996	5	12,263	3,678,900
	20	49,056	14,716,500
	40	98,100	29,433,000
	50	122,630	36,789,000
1997	5	13,695	4,108,800
	20	54,782	16,434,600
	40	109,564	32,869,200
	50	136,950	41,083,000
1998	5	15,252	4,575,600
	20	61,009	18,302,700
	40	122,109	36,605,700
	50	152,520	45,756,000

PRE-TAX NET INCOME PROJECTED AS A PERCENTAGE OF REVENUE AT 35%
(Reflects 10% cost savings to customer)

* Based on NMI loan volume assumptions for given years

** Assumes \$300.00 AT: total revenue per TOP order

NOTE: The above figures include only NMI Retail Loans. Brokered-in and correspondent loans are not included.

NOTE: The above estimates do not include Norwest Banks or Norwest Financial loans

- Norwest Banks could/should add \$2,000,000 of revenue annually
- Norwest Financial could/should add \$5,000,000 of revenue annually
- Norwest Mortgage wholesale and correspondent could/should add \$0,000,000 of revenue annually

TOTAL NORWEST CONTROLLED OPPORTUNITY: By 1998 we could do \$53 million of revenue for \$23 million of pre-tax net.

EXHIBIT "A" cont.

SOURCES OF CONSUMER BENEFIT AND PROFIT OPPORTUNITY

- Avoid subsidizing Title Underwriter's losses due to "bad" agencies. Estimated at 6% of revenues. 6%
 - Avoid subsidizing Title underwriter's commercial and new construction losses. Approximately 1% of revenues 1%
 - Save costs of 10% of Revenue due to:
 - (1) Title Underwriter's overhead to solicit/manage numerous agencies, 10%
 - (2) Title Underwriter's costs of insurance regulation,
 - (3) Title Underwriter's costs of claims administration which is duplicative of agencies' claims administration.
 - Save costs that agency now incurred to meet Title Underwriter's and regulatory requirements for policy, cash management, and reporting. Estimated savings of 10% of revenue. 10%
- 27%

EXHIBIT "B"

INITIAL TARGET STATES FOR TOP SERVICEServicing Center

Seattle

States Served

Washington

Oregon

Idaho

Wyoming

Utah

Minneapolis

Minnesota

North Dakota

South Dakota

Kansas

Oklahoma

Chicago

Illinois

Wisconsin

Pittsburgh

Pennsylvania

Florida

Ohio

Maryland

Virginia

North Carolina

Massachusetts

New York

Phoenix

Arizona

California

Colorado

New Mexico

Nevada

Omaha

Nebraska

Texas

Louisiana

Arkansas

Missouri

Iowa

Indianapolis

Indiana

Michigan

"In many of these states ATI has experienced, or expects to experience, regulatory barriers and hurdles erected by statutes which prohibit or severely limit insurance sales by bank subsidiaries. Our strategy in these states therefore, is to establish "grandfather" rights in anticipation of legislative enactments deliberately designed to bring alternate products within the regulatory orbit.

EXHIBIT "B" cont.

We expect to receive a substantial number of inquiries from interested sources once the TOP roll out has occurred. It is obviously desirable to meet these inquiries head-on and in a prepared fashion.

- Therefore, with the assistance of NMI's Communication Department, we are developing scripted responses to anticipated inquiries from the title insurance industry, regulators, legislators, borrowers/consumers, and Realtors. These responses, along with the communication roll out plan, are attached and are for use by all NMI Divisional and Regional Managers, NMI retail branch personnel, and Home Office staff, including the Communication Department which is likely to be the target of such inquiries. To ensure consistency in our messages to the public all news media inquiries should be forwarded to Bill Lloyd or Sue Bunce in NMI's Communication Department.
- Norwest bankers also will be provided scripted responses and our communication plan, as well as sufficient information about TOP to enable them to more accurately respond to the inquiries of depositors and regulators, from whom inquiries can be expected. To ensure consistency in our messages to the public bankers who receive new media inquiries regarding TOP should forward those calls to Norwest's Corporate Communications Department.

Attachment 1-B

**TITLE OPTION PLUS (TOP)
Communication Strategies for Program Roll out****Primary Audiences**

NMI Regional Managers
NMI Retail Branches (all states)
NMI Employees
Regional Bank Presidents
Bank Branches (15 states)

Secondary Audiences

State Legislators
State Insurance Commissions
Title Insurance Companies/Agents/Attorneys

Communication Issues/Challenges:

There is a strong potential for concern by Regional Bank Presidents and bank branches due to the potential for lost title insurance company deposits/depositors. In order to assure a successful roll out, the buy-in and support of these audiences will be critical.

The level of media involvement we solicit will be determined by how much the banks are willing to support this product -- so the sooner we can begin to communicate with the banks and build buy-in, the better. Balanced against the need to communicate early and often with our banker partners is the need to keep this product secret until we are ready to implement.

There is strong potential for opposition by state legislatures, state insurance commissions, title insurance companies, title insurance agents, and attorneys -- and there may be a push to take legal or legislative action claiming that Norwest is illegally operating as an insurance agency. Corporate Government Relations and Corporate Communications will need to be involved with addressing this issue, as well as handling the media's curiosity if the issue becomes public. Consumers and Realtors should, however, favor our product due to its consumer costs savings and simplification.

We also need to be concerned about NMI sales reps' and managers' relationships with their local title agencies, and their inclination to sell homeowner's title insurance.

Attachment 2-B

KEY MESSAGES

- Norwest Mortgage is committed to providing more value to borrowers while minimizing risk to our stockholders.
- The Norwest Mortgage title certificate can save borrowers as much as 10% on their costs of satisfying the requirement of first lien status for Norwest.
- The Norwest Mortgage title certificate helps simplify and speed up the loan approval process.
- The Norwest Mortgage Title Option Plus is not insurance. Because of Norwest's size and strength, we can offer title protection at a lower cost to borrowers, while at the same time protect stockholders with adequate reserves equal to Norwest standards.
- Had this program been used by 100 percent of Norwest Mortgage's customers in 1993, they would have saved \$35 million in title insurance premiums last year.
- 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. Even today, some first mortgage lenders and most second mortgage lenders manage their title defects risk with a title certificate-type of product.

KEY FACTS

- The Norwest Mortgage title certificate will not cover new construction, commercial property, jumbo loans, broker business, or condominiums.
- This product is acceptable to the secondary market because of Norwest's financial strength and reputation for quality.
- Based on 1992 industry figures, home buyers nationwide paid out \$ 4.5 billion in title insurance premiums that year, while the actual loss rates to title insurance companies for title defects was approximately 7.4 percent* of operating revenue. Therefore, TOP is a prudent product for Norwest to offer.
- The admitted assets of all US title companies in 1992 was \$4.2 billion, whereas, Norwest Corporation's net worth is in excess of \$50 billion. Norwest has more reserves than the whole title insurance industry combined.

*It should be noted that a significant portion of these losses resulted from coverage on commercial real estate, on which the TOP product will not be used. Further significant losses were based on agent defalcation, which are rendered more unlikely in view of the control environment in which Norwest subsidiaries operate. ATI claims losses have traditionally run at or below 1 percent.

Attachment 3-B

TITLE OPTION PLUS (TOP) ROLL OUT KEY DATES

April 4

- Internal brainstorming session to determine product name, and creative messages and timelines.

April 15-30

- Roll out to NMI Divisional and Regional Managers.
 - Dan to make in-person visits with DMs.
 - Once a DM has been contacted, an initial letter announcing the product will be mailed to the Regional Managers in that Division, along with a copy of the letter being sent to Norwest Bank regional presidents.

May 10

- Roll out to Norwest Bank regional presidents at Seniors Meeting in Minneapolis. (letter content TBD following the April 18 video teleconference with ATL, Keller, Saklad, Murray, Campbell, Biller).
- Second letter/e-mail to RMs describing the product roll out and contest in more detail (need to let them know it's coming to make sure they read it).

May 2

- Letter from marketing reps to NMI branch managers describing the product roll out and contest, along with a "what's coming" poster.

May 9

- Mktg. reps begin phone calls to branch mgrs to set up in-person visits.

May 16

- Marketing reps begin branch visits with branch kits.
- Branch kits are mailed to branches that won't be visited immediately.
- Identify abstraction/search companies.

June 1 (on or before)

- Communication to bank branch managers and delivery support departments (15 states) by NMI, Regional bank presidents, Les Biller, Dan Saklad, Ken Murray, Jim Campbell, and/or Dick Kovacevich.

June 15

- Branches begin selling product; branch contest begins.
- Communication to all NMI employees.

EXHIBIT "C"

TITLE OPTION PLUS (TOP)-- AN EXPLANATION

The Concept

The basis for the use of Title Option Plus (TOP), and its rapid acceptance by major secondary market players, is the financial strength of Norwest Corporation which, with its subsidiaries, has assets 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 this new product whose use will further fuel the phenomenal growth and business volume of NMI and ATI. The accuracy of ATI's work will be backed by the assets of Norwest Corporation, rather than by the assets and reserves of a much smaller title insurer. Qualified real estate loans made using TOP will be saleable on the secondary market when purchased by Freddie Mac or guaranteed by VA and FHA. Fannie Mae is in the process of reviewing the proposed product, but has not yet indicated whether it will approve its use. The risks to Norwest of TOP versus title insurance are substantially equal. (See Attachment 1 for further risk analysis)

The Process

At the time of loan application, the customer will be provided an opportunity to select the type of title coverage to be used.

If the customer elects TOP, the processor will complete a special TOP Order Form and telefax it to the appropriate ATI Servicing Center. The Servicing Center will have a title search conducted of the local records and will issue a Title Condition Report which will set out the current status of title, outstanding liens, and any other matters which would affect the priority of NMI's desired first lien position. The Report will suggest steps to be taken by the NMI retail branch in order to obtain a first lien.

After closing has occurred and the new loan document has been recorded, ATI will issue a Final Title Condition Certificate which will then be used as the basis for representation and warranty to the investor of the loan's validity, priority and marketability.

The Genesis

This product was created by the barriers thrown up by many state laws (authored by entrenched mom and pop title agencies and title insurers) that prevent title agencies owned by financial institutions from doing business in the state. Necessity was the mother of this invention. We end up with a product that is simpler and cheaper than the product we will be competing against, i.e. title insurance.

Attachment 1-C

RISK COMPARISON

Type of Risk	Does AT/Norwest bear this risk when issuing the customary title insurance product? If so, do we insure ourselves against this risk?	Will AT/Norwest bear this risk when issuing TOP? If so, do we insure ourselves against this risk?	Estimated exposure as a percent of revenue.
"Pure Policy" claims, i.e. those not detectable on the record	No. underwriter bears risk!	Yes! No, we are not insured.	Less than .25%
Agent error, i.e. negligent searching, on the title work.	Yes! No, we are not insured, however, when we use 3rd party searchers who have E&O insurance, then this risk is insured	Yes! No, we are not insured, however, when we use 3rd party searchers who have E&O insurance, then this risk is insured.	ATI history is less than 1%. Industry average at 5.5%. <i>Mostly due to Agent Defalcation</i>
Agent error on closing/escrow work.	Yes! No, we are not insured, however, when we use 3rd party searchers who have E&O insurance, then this risk is insured	Yes! No, we are not insured however when we use 3rd party searchers who have E&O insurance, then this risk is insured.	ATI history is less than 1%. Industry average is unknown. <i>Mostly due to Agent Defalcation</i>

*Most industry losses are due to agent defalcation or commercial and new construction residential title problems. ATI can manage the defalcation risk better than the underwriting industry (employees vs. independent agent structure) and we will not do TOP on commercial or new construction.

EXHIBIT "D"

TITLE OPTION PLUS (TOP) COST COMPARISONS FOR 5 STATES

Refinance and Purchase

ARIZONA

Purchase: Attachment 1-D

Refinance: Attachment 2-D

COLORADO

Purchase: Attachment 3-D

Refinance: Attachment 4-D

MINNESOTA

Purchase: Attachment 5-D

Refinance: Attachment 6-D

NEBRASKA

Purchase: Attachment 7-D

Refinance: Attachment 8-D

WISCONSIN

Purchase: Attachment 9-D

Refinance: Attachment 10-D

Attachment 1-D ARIZONA

ATI TITLE COMPANY CONSUMER TITLE ELECTION FIRST LIEN OPTIONS

Purchase:

\$ 100,000
(Proposed Loan Amount)

Cost Comparison

\$ 130,000
(Purchase Price)

Cost	Option A Lenders Title Insurance	Option B Owners Title Insurance	Option C ATI Title Condition Report	ATI Savings Over Option A	ATI Savings Over Option B
Title Insurance Premium	472	715	469.80		
Endorsement fees	50	50	0		
Survey	0	0	0		
Total Estimate	522	715	469.80	52.20	5.5

Footnotes

1. Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$10 to \$20 or more. This equivalent to the coverage afforded by these endorsements is provided by the ATI Title Condition Report at no additional charge.

2. No survey is required when an ATI Title Condition Report is issued. Depending upon the geographic area, survey costs can vary significantly. Some \$75 to \$100 range are typical.

3. Borrower is advised that Owner's Title Insurance coverage will not be provided if Title Condition Report is selected. Figures shown are for the comparison purposes only.

4. Owner's Title Insurance is automatically based upon Purchase Price. Lender's Title Insurance policy is based upon loan amount.

Disclosure

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

Election

☐ Option A

☐ Option B

☐ Borrower will arrange for coverage from another vendor

779

Borrower's Signature

Attachment 2-D ARIZONA

ATI TITLE COMPANY CONSUMER TITLE ELECTION FIRST LIEN OPTIONS

Reference

Cost Comparison

\$ 100,000

(proposed loan amount)

Cost	Option A Title Insurance	Option B ATI Title Condition Report	ATI Savings
Title Insurance Premium	472	469.80	52.20
Endorsement fees	50	0	
Survey coverage or Endorsement	0	0	
Total Estimate	522	469.80	

Footnotes

1. Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$50 or more. Protection equivalent to the coverage afforded by these endorsements is provided by the ATI Title Condition Report at no additional charge.

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

3. Borrower is advised that Owner's Title Insurance coverage will not be provided if Alternate Product is selected. Figures above are provided for comparison purposes only.

Disclosure

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

Election

☐ Option A

☐ Option B

☐ Borrower will arrange for coverage from another vendor

Borrower's Signature

Attachment 3-D COLORADO

ATI TITLE COMPANY CONSUMER TITLE ELECTION FIRST LIEN OPTIONS

Purchase:

\$ 100,000
(Proposed Loan Amount)

Cost Comparison

\$ 130,100
(Purchase Price)

Cost	Option A Lenders Title Insurance	Option B Owners Title Insurance	Option C ATI Title Condition Report	ATI Savings Over Option A	ATI Savings Over Option B
Title Insurance Premium	390	713	396		
Endorsement fees	50	50	0		
Survey	0	75	0		
Total Estimate	440	788	396	44	392

Footnotes

1. Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$20 or more. The amount equivalent to the coverage afforded by these endorsements is provided by the ATI Title Condition Report at no additional charge.

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

3. Borrower is advised that Owner's Title Insurance coverage will not be provided if Title Condition Report is obtained. Figures above are provided for comparison purposes only.

4. Owner's Title Insurance is customarily based upon Purchase Price. Lender's Title Insurance policy is based upon loan amount.

Disclosure

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

Election

☐ Option A

☐ Option B

☐ Borrower will arrange for coverage from another vendor

781

Borrower's Signature

Attachment 4-D COLORADO

ATI TITLE COMPANY CONSUMER TITLE ELECTION FIRST LIEN OPTIONS

Refinance

Cost Comparison

\$ 100,000

(proposed loan amount)

Cost	Option A Title Insurance	Option B ATI Title Condition Report	ATI Savings
Title Insurance Premium	390	396	6
Endorsement fees	50	0	
Survey coverage or Endorsement	0	0	
Total Estimate	440	396	

Footnotes

1. Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$50 or more. Protection equivalent to the coverage afforded by these endorsements is provided by the ATI Title Condition Report at no additional charge.

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

3. Borrower is advised that Owner's Title Insurance coverage will not be provided if Alternate Product is selected. Figures above are provided for comparison purposes only.

Disclosure

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

Election
☐ Option A

☐ Option B

☐ Borrower will arrange for coverage from another vendor

Borrower's Signature

782

Attachment 5-D MINNESOTA

ATI TITLE COMPANY CONSUMER TITLE ELECTION FIRST LIEN OPTIONS

Purchase

\$ 100,000
(Proposed Loan Amount)

Cost Comparison

\$ 130,000
(Purchase Price)

Cost	Option A Lenders Title Insurance	Option B Owners Title Insurance	Option C ATI Title Condition Report	ATI Savings Over Option A	ATI Sav Over Op B
Title Insurance Premium	375	461.25	337.50		
Endorsement fees	50	50.00	0		
Survey	0	125.00	0		
Total Estimate	425	636.25	337.50	87.50	498.75

Footnotes

1. Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$25 or more. Their equivalent in the savings afforded by these endorsements is provided by the ATI Title Condition Report at no additional charge.

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

3. Borrower is advised that Owner's Title Insurance coverage will not be provided if Title Condition Report is selected. Figures shown are for this comparison purpose only.

4. Owner's Title Insurance is customarily based upon Purchase Price. Lender's Title Insurance policy is based upon loan amount.

Disclosure

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

Election

☐ Option A

☐ Option B

☐ Borrower will arrange for coverage from another vendor

Borrower's Signature

Attachment 6-D MINNESOTA

ATI TITLE COMPANY CONSUMER TITLE ELECTION

FIRST LIEN OPTIONS

Refinance

Cost Comparison

\$ 100,000

(processed loan amount)

Cost	Option A Title Insurance	Option B ATI Title Condition Report	ATI Savings
Title Insurance Premium	375.00	337.50	37.50
Endorsement fees	50.00	0	50.00
Survey coverage or Endorsement	0	0	0
Total Estimate	425.00	337.50	87.50

Footnotes

1. Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$50 or more. Protection equivalent to the coverage afforded by these endorsements is provided by the ATI Title Condition Report at no additional charge.

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

3. Borrower is advised that Owner's Title Insurance coverage will not be provided if Alternate Product is selected. Figures above are provided for comparison purposes only.

Disclosure

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

Election

☐

Option A

☐

Option B

☐

Borrower will arrange for coverage from another vendor

Borrower's Signature

784

Attachment 7-D NEBRASKA

ATI TITLE COMPANY CONSUMER TITLE ELECTION FIRST LIEN OPTIONS

Purchase

\$ 100,000
(Proposed Loan Amount)

Cost Comparison

\$ 130,000
(Purchase Price)

Cost	Option A Lenders Title Insurance	Option B Owners Title Insurance	Option C ATI Title Condition Report	ATI Savings Over Option A	ATI Sa- Over C D
Title Insurance Premium	25.5	46.5	409.50		
Endorsement fees	50	25	0		
Survey	50	0	0		
Total Estimate	45.5	51.5	409.50	45.50	10.5

Footnotes

1. Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$25 or more. The equivalent to the coverage afforded by these endorsements is provided by the ATI Title Condition Report at no additional charge.
2. No survey is required when an ATI Title Condition Report is issued. Depending upon the geographic area, survey costs can vary significantly. Cost \$75 to \$100 range are typical.
3. Borrower is advised that Owner's Title Insurance coverage will not be provided if Title Condition Report is selected. Figures above are for comparison purposes only.
4. Owner's Title Insurance is customarily based upon Purchase Price. Lender's Title Insurance policy is based upon loan amount.

Disclosure

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

Election

- ☐ Option A
- ☐ Option B
- ☐ Borrower will arrange for coverage from another vendor

785

Borrower's Signature

Attachment 8-D NEBRASKA

ATI TITLE COMPANY CONSUMER TITLE ELECTION FIRST LIEN OPTIONS

Refinance

Cost Comparison\$ 100.000

(processed loan amount)

Cost	Option A Title Insurance	Option B ATI Title Condition Report	ATI Savings
Title Insurance Premium	35.5	364.50	
Endorsement fees	50	0	
Survey coverage or Endorsement	0	0	
Total Estimate	40.5	364.50	40.50

Explanation

1. Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$50 or more. Protection equivalent to the coverage afforded by these endorsements is provided by the ATI Title Condition Report at no additional charge.

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

3. Borrower is advised that Owner's Title Insurance coverage will not be provided if Alternate Product is selected. Figures above are provided for comparison purposes only.

Disclosure

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

Election
☐ Option A

☐ Option B

☐ Borrower will arrange for coverage from another vendor

Borrower's Signature

786

Attachment 9-D
WISCONSIN

ATI TITLE COMPANY
CONSUMER TITLE ELECTION
FIRST LIEN OPTIONS

Purchase

1 2 3 4 5 6 7 8 9 10 11 12

Attachment 10-D WISCONSIN

ATI TITLE COMPANY CONSUMER TITLE ELECTION

FIRST LIEN OPTIONS

Refinance

Cost Comparison

\$ 100,000

(processed loan amount)

Cost	Option A Title Insurance	Option B ATI Title Condition Report	ATI Savings
Title Insurance Premium	1.00	52.5	1.5
Endorsement fee	.50	0	
Survey coverage or Endorsement	0	0	
Total Estimate	1.50	52.5	

Exclusions

1. Certain policy endorsements are required by many lenders when title insurance is purchased. These endorsements often cost \$15 to \$50 or more. Protection equivalent to the coverage afforded by these endorsements is provided by the ATI Title Condition Report at no additional charge.

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

3. Borrower is advised that Owner's Title Insurance coverage will not be provided if Alternate Product is selected. Figures above are provided for comparison purposes only.

Disclosure

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

Election

☐ Option A

☐ Option B

☐ Borrower will arrange for coverage from another vendor

Borrower's Signature

TITLE OPTION PLUS Q & A

Anticipated Questions from Regulators (Insurance Commissioners)/ Title Insurance Companies/Attorneys)

- Q: Basically, isn't this another name for title insurance?
A: No. Unlike title insurance, we are not paying out to a third party for coverage. Instead, we're covering our own risk if we make a bad decision.
- Q: What is the benefit to consumers?
A: Consumers will save at least ten percent over the cost of traditional title insurance. Had this program been used by 100% of Norwest Mortgage's borrowers in 1993, they would have saved \$39 million in title insurance premiums. We also anticipate a simplified, faster loan approval process.
- Q: Why can Norwest offer this product for less?
A: By assuming the risk internally, we are eliminating the most expensive part of the title insurance process: the title underwriter. We avoid subsidizing title underwriters' losses caused by riskier agencies, commercial and new construction, overhead, claims administration and regulatory reporting requirements.
- Q: Where do you plan to offer this protection?
A: Initially it will be offered in 33 states which will be served by one of seven regional ATI offices. Those offices will serve: Washington, Oregon, Idaho, Wyoming, Utah, Minnesota, North Dakota, South Dakota, Kansas, Oklahoma, Illinois, Wisconsin, Pennsylvania, Florida, Ohio, Maryland, Virginia, North Carolina, Massachusetts, New York, Arizona, California, Colorado, New Mexico, Nevada, Nebraska, Texas, Louisiana, Arkansas, Missouri, Iowa, Indiana, Michigan, District of Columbia.
- Q: Have the government mortgage-related agencies accepted this product?
A: Yes. Freddie Mac, FHA and VA have all approved this product in lieu of title insurance. We expect Fannie Mae's approval soon.
- Q: Why did the agencies agree to accept this product?
A: Norwest is recognized as a high quality lender. Because of Norwest Corp's size and strength, we can offer the protection 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.

Q: Will all types of mortgage loans be eligible for this coverage?

A: No. Title Option Plus will not cover new construction, jumbo loans, broker business, or condominiums.

Q: What is the relationship between ATI and Norwest Mortgage?

A: ATI is a wholly-owned subsidiary of Norwest Mortgage, Inc.

Q: What will prevent other mortgage lenders from developing a similar product?

A: 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.

Q: Is this a new concept?

A: 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 title certificate-type of product.

Q: How significant have losses been to the title insurance industry and to ATI?

A: Given the high premiums, losses have still remained very low. ATI has experienced losses of less than 1% of premium dollars versus the industry coverage of approximately 5%, which mainly covers consumer and agency fraud.

Q: Isn't there a higher risk to Norwest by issuing this protection versus traditional title insurance?

A: Yes, however, ATI has a good track record compared to 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.

Q: Do you anticipate negative reaction from members of the title insurance industry?

A: 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.

Q: What does Norwest gain from managing its own title defect risk?

A: 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.

Q: Who will review the title and records?

A: ATI will use its own employees or abstractors who have been approved to do business with ATI.

Q: How much risk is there in situations where the underwriter bears the risk, such as claims resulting from liens that are not detectable on the record?

A: Norwest will establish allowance for losses to cover these and other "agent error" losses. We estimate that these losses will be less than .25%.

Q: How will your branches benefit from offering this product?

A: 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, coverage for which will be automatically provided.

TITLE OPTION PLUS Q & A

Anticipated Questions from Realtors and/or Borrowers

- Q:** Basically, isn't this another name for title insurance?
- A:** No. Unlike title insurance, we are not paying out to a third party for coverage — we're covering our own risk if we make a bad decision.
- Q:** What is the benefit to consumers?
- A:** Consumers will save at least ten percent over the cost of traditional title insurance. Had this program been used by 100% of Norwest Mortgage's borrowers in 1993, they would have saved \$39 million in title insurance premiums. We also anticipate a simplified, faster loan approval process.
- Q:** Why can Norwest offer this product for less?
- A:** By assuming the risk internally, we are eliminating the most expensive part of the title insurance process: the title underwriter. We avoid subsidizing title underwriters' losses caused by riskier agencies, commercial and new construction, overhead, claims administration and regulatory reporting requirements.
- Q:** Where do you plan to offer this protection?
- A:** Initially it will be offered in 33 states which will be served by one of seven regional ATI offices. These offices will serve: Washington, Oregon, Idaho, Wyoming, Utah, Minnesota, North Dakota, South Dakota, Kansas, Oklahoma, Illinois, Wisconsin, Pennsylvania, Florida, Ohio, Maryland, Virginia, North Carolina, Massachusetts, New York, Arizona, California, Colorado, New Mexico, Nevada, Nebraska, Texas, Louisiana, Arkansas, Missouri, Iowa, Indiana, Michigan.
- Q:** Have the government mortgage-related agencies accepted this product?
- A:** Yes. Freddie Mac, FHA and VA have all approved this product in lieu of title insurance. We expect Fannie Mae's approval soon.

Q: Why did the agencies agree to accept this product?

A: Norwest is recognized as a high quality lender. Because of Norwest Corp's size and strength, we can offer title protection 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.

Q: Will all types of properties be eligible for this coverage?

A: No. Title Option Plus will not cover new construction, jumbo loans, broker business, or condominiums.

Q: What is the relationship between ATI and Norwest Mortgage?

A: ATI is a wholly-owned subsidiary of Norwest Mortgage, Inc

Q: Is this a new concept?

A: 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 title certificate-type of product.

Q: What does Norwest gain from managing its own title defect risk?

A: 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.

Q: Who will review the title and records?

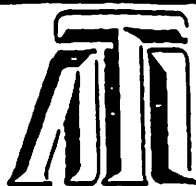
A: ATI will use its own employees or abstractors who have been approved to do business with ATI.

Q: Will borrowers also be able to receive homeowners insurance from ATI?

A: Yes, in the areas where Norwest has approved title operations

Q: Will Norwest eventually begin to abstract or search?

A: We are considering this as an option.



TO: Diane Ringler via fax 612-343-3676
FROM: Mike Fahey
DATE: April 13, 1994
RE: Service availability

For your information, the following is a listing of the scope of ATI's service availability for title services..

List of states with offices able to deliver 72 hour turn around time:

- Iowa
- Illinois
- Nebraska
- Minnesota
- Indiana
- Maryland
- New York
- Virginia

By June 15, 1994, the following states can be added to the above list:

- New Jersey
- South Carolina
- North Carolina
- Pennsylvania
- Ohio
- Florida
- Massachusetts
- West Virginia
- Delaware
- Kentucky
- Florida
- Arizona (Greater Phoenix Metropolitan Area)
- Missouri (Greater Kansas City Metropolitan Area)

Interrogatory 11. Please state whether the document attached to these Interrogatories as Exhibit 6, is a complete and accurate copy of a memorandum dated April 13, 1994, from Mike Keller, Mike Fahey, and Dan Segersin to Les Biller, Jim Campbell, Ken Murray and Dan Saklad and Exhibits referred to in said memorandum. If it is not, please state in what respects the document is incomplete or inaccurate.

ANSWER:

The document attached to Complainant's Interrogatories as Exhibit 6 is a complete and accurate copy of the memo.

DOCUMENT CONTROL
1995 NOV 21 PM 3:29

Case No. INS950079
Sponsor Complainant
Exhibit No. mk-28

Witness Michael J. Keller
Balliff Deborah P. Beasley

Interrogatory 12. Please identify, as of April 13, 1994, the date of the document attached as Exhibit 6, the persons who authored the memorandum (i.e., Mike Keller, Mike Fahey, and Dan Segersin) and each intended recipient of the memorandum (i.e., Les Biller, Jim Campbell, Ken Murray, and Dan Saklad.

ANSWER:

- (a) Authors: Michael J. Keller, Executive Vice President of Norwest Mortgage, Inc., Chairman of American Land Title Company, 405 S.W. 5th Street, Des Moines, Iowa 50309-4626.
- Michael G. Fahey, President of American Land Title Company, Inc., 314 South 19th Street, Omaha, Nebraska 68102.
 - Dan Segersin, Senior Vice President of American Land Title Company, Inc., France Place Office Building, 3601 Minneapolis Drive, Bloomington, Minnesota 55435.
- (b) Recipients: All are Executive Vice Presidents of Norwest Corporation, Norwest Center, Sixth and Marquette, Minneapolis, Minnesota 55479-1026.

RECEIVED
 1995 JUL 21 PM 3:29

Case No. INS950079
 Sponsor Complainant
 Exhibit No. MTK-29

Witness Michael J. Keller
 Bailiff Deborah P. Brasley



Consumer Title Status Election First Lien Options - PURCHASE

Estimated Cost Comparison

\$ 184,000
(Proposed Loan Amount)

\$ 187,000
(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	500	750	600		
Endorsement Fees (1)			0		
Abstract Fee (if separately charged)	150	150	0		
Survey or Plat drawing (2)	250	250	0		
SETTLEMENT FEE	150	150	0		
Total Estimate	1,050	1,300	600	450	700

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)

Case No. INS950049
 Sponsor Complainant
 Exhibit No. A3B-30

Witness Anthony J. Byrne
 Bailiff Deborah P. Brasley

[Signature] 8/11/94
 Borrower's Signature Date

[Signature] 8-11-94
 Borrower's Signature Date

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

COMMONWEALTH OF VIRGINIA

DOCUMENT CONTROL

At the relation of the

96 APR 25 PM 3:30

STATE CORPORATION COMMISSION

v.

CASE NO. INS950079

NORWEST CORPORATION,
NORWEST MORTGAGE, INC.

and

AMERICAN LAND TITLE COMPANY, INC.,
Defendants

REPORT OF GLENN P. RICHARDSON, SENIOR HEARING EXAMINER

April 25, 1996

HISTORY OF THE CASE

On June 21, 1995, the State Corporation Commission ("Commission") issued a Rule to Show Cause against Norwest Corporation, Norwest Mortgage, Inc., and American Land Title Company, Inc. (collectively "the Defendants") alleging they violated Virginia Code § 38.2-1024 by transacting the business of title insurance in Virginia without first obtaining a license from the Commission. The Rule to Show Cause further directed the Defendants to appear before the Commission on September 27, 1995, to show cause why they should not be penalized under Virginia Code § 38.2-218 for providing title insurance without a license, and why they should not be ordered to cease and desist from any further conduct which constitutes a violation of Code § 38.2-1024. The Defendants were further directed to show cause why American Land Title Company's license as a title insurance agency should not be revoked or suspended.

Pursuant to Hearing Examiner Rulings entered on September 13 and October 3, 1995, the hearing on the Rule to Show Cause was rescheduled for November 14, 1995. The hearing was rescheduled in order to give the Staff, the Defendants and other parties in this case additional time to prepare a Joint Stipulation of Facts and file prehearing briefs addressing the legal issues raised in this case. Originally, counsel believed the issues raised in this case could be decided based solely on the submission of briefs without scheduling a formal fact finding hearing before the Commission. Under their original proposal, prehearing briefs would be filed by the Bureau, the Defendants, and other parties in this case, and the hearing on the Rule to Show Cause would be limited to receiving oral argument in rebuttal to the prehearing briefs.

Unfortunately, the Bureau, the Defendants and other parties in this case were unable to reach a mutually acceptable Joint Stipulation of Facts which would allow this case to be decided

based on the submission of prehearing briefs. Accordingly, by Ruling dated October 24, 1995, the procedural schedule was amended to dispense with the filing of prehearing briefs.

Counsel appearing at the November 14 hearing were Michael D. Thomas for the Bureau; David F. Peters and Louanna Godwin for the Defendants; and C. William Waechter, Jr., and Ralph L. Axselle, Jr., for Lawyers Title Insurance Corporation ("LTIC") and the Virginia Land Title Association ("VLTA").¹

Proof of service of process on the Defendants was admitted as Exhibit A when the hearing convened. Post-hearing briefs were filed by the Bureau, the Defendants, LTIC and VLTA. Reply briefs were filed by the Bureau, LTIC and VLTA on February 14, 1996.²

SUMMARY OF THE RECORD

The Defendants are corporate affiliates which comprise a large bank holding company with operations throughout the United States. Norwest Corporation ("Norwest") is the parent holding company. It is organized under the laws of the State of Delaware, and it has its principal office in Minneapolis, Minnesota. Norwest is not qualified to transact business in Virginia, it does not have an office in Virginia, and it does not directly conduct any business in Virginia. As a bank holding company, Norwest is subject to regulation by the Federal Reserve Board.

Norwest Mortgage, Inc. ("NMI") is a corporation organized under the laws of the State of California. Its principal office is located in Des Moines, Iowa. NMI is a wholly owned subsidiary of Norwest Nova, Inc., which, in turn, is a wholly owned subsidiary of Norwest. NMI is engaged in the first mortgage lending business in Virginia and throughout the United States. NMI conducts its mortgage business in Virginia from offices located in Falls Church, Woodbridge, Reston, Charlottesville, Chesapeake, Danville, Lynchburg, Newport News, Richmond, and Virginia Beach, Virginia.

American Land Title Company, Inc. ("ALTC") is a corporation organized under the laws of the State of Nebraska. ALTC is a wholly owned subsidiary of NMI, and it has its principal office in Omaha, Nebraska. ALTC performs title searches for NMI and other mortgage lenders. ALTC also holds a license from the Commission authorizing it to transact business as a title insurance agency in Virginia. Chicago Title Insurance Company and Stewart Title Guaranty Company have appointed ALTC as an agent to sell their title insurance policies in Virginia. ALTC conducts its business in Virginia from offices located in Falls Church, Richmond, and Woodbridge, Virginia.

¹Lawyers Title Insurance Corporation was allowed to participate in this case as a joint petitioner with the Commission's Staff pursuant to Rules 4:3, 5:7(b), and 5:15(b) of the Commission's Rules of Practice and Procedure. Virginia Land Title Association participated as an intervener under Rule 4:7.

²LTIC and VLTA filed a joint brief and reply brief in this proceeding.

NMI, like many mortgage companies, sells its mortgage loans in the secondary mortgage market to the Government National Mortgage Association ("Ginnie Mae"), the Federal National Mortgage Association ("Fannie Mae"), and the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Fannie Mae and Freddie Mac, like all prudent investors, seek to protect their investment by ensuring their mortgage loans have first lien status on any real estate securing the loan. Traditionally, this protection has been provided through the issuance of a lender's title insurance policy or an attorney's title opinion. Ginnie Mae, on the other hand, will accept a lender's title insurance policy, an attorney's title opinion, or a title condition report or certificate to protect its first lien status.

Prior to 1992, NMI's mortgage loans were protected by a lender's title insurance policy issued by traditional third party title insurers. In 1992, however, Norwest began to explore the possibility of entering into the title insurance business through a wholly owned, independent subsidiary. Norwest sent a letter to the Federal Reserve Bank of Minneapolis on July 15, 1992, to determine whether its title insurance proposal was permissible. (Exh. No. MJK-19). The Federal Reserve Bank subsequently rejected Norwest's request. (Tr. at 264).

After Norwest's plan to establish a separate subsidiary to engage in the title insurance business was rejected, NMI and ALTC began to develop an alternative product to lender's title insurance which it called Title Option Plus, or TOP. TOP was designed, according to a marketing and training manual developed by NMI and ALTC, to provide the same or better protection than a traditional lender's title insurance policy at a cost savings of approximately 10% lower than the premium on a comparable lender's policy. (Exh. No. JSF-1, Tab 1 at 3).

As an incentive for NMI employees and branch offices to aggressively market TOP, NMI and ALTC also implemented a contest which awarded extravagant foreign and domestic vacation packages to NMI employees and cash awards to NMI branch offices. Under the terms of the contest, an entry form was placed into a so-called "TOP hat" every time TOP was sold with an NMI loan. Drawings from the TOP hat would determine the contest winners. As an additional incentive to sell TOP, NMI branches are also given a soft dollar credit of 20% of the TOP fee.

Generally, TOP is a product whereby NMI warrants and represents to secondary mortgage lenders that NMI originated mortgages have first lien status on the property securing the loan. In order to minimize the Defendants' risk, TOP is only offered on loans for existing residential real estate. New residential real estate, condominiums, and commercial property are not eligible for TOP. These higher risk properties are insured by NMI using traditional lender's title insurance policies.

Under the TOP program, if an on- or off-record title defect arises which jeopardizes the secondary lender's first lien status, NMI is obligated to: (1) cure the title defect, (2) retain counsel and bear all costs associated with defending any adverse title claims, and (3) repurchase the loan if the adverse title claim cannot be resolved in a cost-effective and efficient manner. Given the level of protection afforded by TOP, Freddie Mac and Fannie Mae have agreed to accept TOP in lieu of a lender's title insurance policy or an attorney's title opinion. According to the TOP Training Manual, the secondary lenders have agreed to accept TOP in lieu of lender's title insurance

because of "the financial strength of Norwest Corporation which, with its subsidiaries, has assets and net worth greater than those of the entire title insurance industry." (*Id.*).

As originally structured, TOP only protected the lender from adverse title claims. There was no comparable protection available for the owner, similar to the protection afforded by a traditional owner's title insurance policy. In order to fill this void in coverage, the Defendants introduced a companion product called Title Option Plus Plus, or TOP Plus, in Virginia in March 1995. Under TOP Plus, the owner purchases a traditional owner's title insurance policy to protect the property from any adverse title claims. TOP Plus protection is then available to protect the lender for an additional charge of \$10.

The evidence reveals that there are essentially four distinct and interrelated transactions which comprise the TOP program. First, when a borrower is approved for an NMI loan, he or she is given a title status election form which compares the costs of traditional title insurance and the TOP program. The form lists the costs of a lender's title policy only, a lender's and owner's policy, an owner's policy and TOP Plus, and TOP. The form also lists the monetary savings a customer will realize if TOP is selected.

The second transaction is an agreement between NMI and ALTC, whereby ALTC agrees to perform a title search on the property securing the mortgage. Once TOP is selected, the NMI branch office prepares a TOP FAX Order sheet which is faxed to ALTC. ALTC then conducts a title examination on the property and prepares a title condition report which lists all on-record liens and encumbrances on the property which may affect NMI's first lien status. Upon completion of the TOP title condition report, ALTC faxes copies of the report to the NMI branch office which originated the loan and to an NMI settlement agent.

Once the loan is closed in accordance with standard NMI policies, ALTC will then once again examine the property's title up through the closing date of the loan to assure the NMI loan has first lien status. If there are no superior liens or encumbrances disclosed by the second examination, ALTC will issue a Final Title Certificate to NMI which reflects that NMI has first lien status. NMI is then free to package and sell the mortgage to the secondary lenders who are willing to accept TOP in lieu of a lender's title insurance policy or an attorney's title opinion.

The third transaction necessary to market the TOP program and sell NMI mortgages in the secondary market is a master agreement between NMI and the secondary market lenders. Under the TOP master agreements, NMI warrants and represents that the mortgages they sell in the secondary market will have first lien status on the properties securing the mortgages. If any on- or off-record title defects arise which jeopardize the secondary lender's first lien status, NMI agrees under the master agreements to: (1) cure any title defects jeopardizing the secondary lender's first lien status, (2) bear all costs and expenses associated with defending adverse title claims, and (3) repurchase the loan, if necessary, to protect the secondary lender's interest. TOP therefore gives secondary lenders the same protection and coverage for title defects as is customarily given with a lender's title insurance policy.

The fourth, and final transaction associated with the TOP program is a guaranty agreement between Norwest, the parent holding company, and the secondary market lenders. Under Norwest's guaranty agreements with Freddie Mac and Fannie Mae, Norwest guarantees NMI's title related obligations under the master agreements should the first lien status of their loans be jeopardized by adverse title claims. If NMI is unable for any reason to perform its obligations under the master agreements, Norwest is obligated under the guaranty agreements to step in and protect the secondary lender's interest in the property.

While Freddie Mac and Fannie Mae require Norwest to guarantee NMI's obligations as a precondition to accepting TOP, there is no comparable guaranty agreement between Norwest and Ginnie Mae. Since the Veteran's Administration ("VA") and Federal Home Administration ("FHA") loans acquired by Ginnie Mae are guaranteed by the federal government, Ginnie Mae has apparently decided that no additional protection from Norwest is needed to protect its loans.

POSITION OF THE PARTIES

The primary issue in this case is whether TOP is title insurance, thereby subjecting the Defendants to the licensing requirements imposed by the Insurance Code. Va. Code §§ 38.2-100 et seq. The Bureau, LTIC and VLTA argued that TOP is title insurance and therefore subject to regulation by the Commission. The Defendants, in contrast, denied that TOP is title insurance and therefore urged the Commission to dismiss the Rule to Show Cause issued against them.

While there are approximately thirty-five different forms of insurance defined in Title 38.2 of the Virginia Code, there is no statutory definition of "insurance" or "contract of insurance." As a result of this deficiency, the Bureau, the Defendants, and other parties in this case were forced to rely on existing case law, legal treatists, and other well-recognized legal authorities in support of their arguments.

The Bureau, LTIC and VLTA cite two primary Virginia Supreme Court opinions and several well-recognized legal authorities in support of their argument that TOP is insurance. The leading case they rely upon is *American Surety Co. v. Commonwealth*, reported in 180 Va. 97, 21 S.E. 2d 748 (1942). In *American Surety*, the Court was called upon to decide whether a contract of insurance existed between the Commonwealth of Virginia and a surety company which covered defalcations by the Clerk of the Virginia Supreme Court. When holding that an implied contract of insurance existed, the Court identified five essential elements of insurance, including: (1) the subject matter to be insured, (2) the risk insured against, (3) the commencement and period of risk undertaken by the insurer, (4) the amount of insurance, and (5) the premium and time at which it is to be paid. (*Id.* at 105).

These five essential elements of insurance were reaffirmed by the Court in *Group Hospitalization Med. Service v. Smith*, 236 Va. 228, 372 S.E. 2d 159 (1988). In *Group Hospitalization*, the Court applied the five elements established in *American Surety* and held that a self-insured health care plan established by Fairfax County for its employees and administered by Group Hospitalization Medical Service, Inc., constituted insurance.

The Bureau, LTIC and VLTA argued that TOP contains all of the five essential elements of insurance identified by the Virginia Supreme Court. The subject matter insured by TOP is the first lien status of all NMI mortgages sold in the secondary market. The risks insured against are both on- and off-record title defects which could affect the secondary lender's first lien status. The period of the risk undertaken by the Defendants is the term of the mortgage loan. The amount of the insurance is the outstanding amount of the mortgage loan. Finally, the premium is the TOP fee which is paid by the borrower.

The Bureau, LTIC and VLTA further argued that TOP falls within various definitions of "insurance" found in several publications widely accepted by the legal community. A leading treatist on insurance law, for example, defines "insurance" as:

a contract by which one party (the insurer), for a consideration that is usually paid in money, either in a lump sum or at different times during the continuance of the risk, promises to make a certain payment, usually of money, upon the destruction or injury of 'something' in which the other party (the insured) has an interest.

1 Couch on Insurance 3d. § 1:6 (1995). Similarly, American Jurisprudence (Second) defines "insurance" as:

a contract by which one party, for a compensation called the premium, assumes particular risks of the other party and promises to pay to him or his nominee a certain or ascertainable sum of money on a specified contingency.

43 Am. Jur. 2d Insurance § 1 (1982). Finally, Black's Law Dictionary defines insurance as:

[a]n agreement by which one party for a consideration promises to pay money or its equivalent or to do an act valuable to [the] other party upon destruction, loss, or injury of something in which [the] other party has an interest.

Black's Law Dictionary 802 (6th ed. 1990).

Since NMI has agreed, for a TOP fee, to protect and reimburse secondary lenders from any adverse on- and off-record title claims, the Bureau, LTIC and VLTA contended that TOP is insurance. TOP contains all the five essential elements of insurance established by the Virginia Supreme Court in *American Surety*, and TOP falls squarely within several definitions of insurance widely accepted by the legal community.

Finally, the Bureau, LTIC and VLTA appended a recent court decision from the State of Nebraska to their reply briefs specifically addressing TOP. In *Norwest Corp. v. State of Neb. Dept. of Ins.*, Docket 527 (Lancaster County, Neb. Dist. Ct., Jan. 5, 1996), the issue before the Court was whether TOP is insurance and therefore subject to regulation by the Nebraska

Department of Insurance. The Nebraska District Court held that "TOP constitutes insurance and title insurance as defined" by Nebraska statutes, and affirmed the Department's decision ordering the Defendants to cease and desist from offering TOP in the State of Nebraska. (*Id.* at 17). The Bureau, LTIC and VLTA argued the Nebraska decision should serve as persuasive authority in this case, and the Commission should likewise hold TOP to be insurance.

The Defendants, in contrast, maintained that TOP is not insurance for two primary reasons. First, the Defendants argued that TOP is not insurance because TOP does not involve a transfer of risk, which, according to Virginia case law, is an essential element of every insurance contract. Since NMI retains the risk of any on- or off-record title defects under TOP, the Defendants argued that TOP cannot be insurance. For TOP to constitute insurance, the secondary lenders would have to transfer their risk of loss to NMI or some other third party.

The Defendants cited several court cases, one treatist on insurance, and numerous past administrative decisions of the Bureau in support of their argument that there must be a transfer of risk for TOP to be insurance. The primary Virginia case they rely upon in support of their argument is *Hilb, Rogal & Hamilton Co. v. DePew*, 247 Va. 240, 440 S.E.2d 918 (1994). In that case, the Virginia Supreme Court was called upon to decide whether an annuity constituted insurance coverage for the purposes of enforcing a noncompete clause in an employment contract. The Court held the annuity was insurance because an annuity contract shifted the risk of mortality to the insurance company. If an employee outlived his or her life expectancy, the insurance company bore the risk and was required to continue the pension payments. The Court further held that such a "shifting of the risk is the essence of insurance." (*Id.* at 248).

The Defendants also cited several additional cases from other courts and jurisdictions holding that a shifting of risk is an essential element of insurance. In *GAF Corp. v. County School Board*, 629 F.2d 981, 983 (4th Cir. 1980), the Fourth Circuit identified "transfer and distribution of risk [as] two elements of insurance." Several additional citations in the Defendants' brief are generally in accord, including *Jordan v. Group Health Ass'n*, 107 F.2d 239, 245 (D.C. Cir. 1939) (characterizing risk and its transfer as "elemental conceptions and controlling ones" to the existence of insurance); *Group Life & Health Ins. Co. v. Royal Drug Co.*, 440 U.S. 205, 211 (1979) ("Insurance is an arrangement for transferring and distributing risk."); *Nathanson v. Hertz Corp.*, 227 Cal. Rptr. 799, 801 (Ct. App. 1986) ("Essential to insurance is the shifting the risk of loss to another."); and *Richardson v. GAB Business Services, Inc.*, 207 Cal. Rptr. 519, 521 (Ct. App. 1984) (insurance "involves shifting to a third party, by contract, for a consideration, the risk of loss as a result of an incident or event").

The Defendants also referred to at least one legal treatist and several informal opinions of the Bureau in support of their argument that there must be a transfer of risk for TOP to be insurance. Robert E. Keeton and Alan I. Widiss in Insurance Law - A Guide to Fundamental Principles, Legal Doctrines, and Commercial Practices state that "[i]nsurance is generally understood to be an arrangement for transferring and distributing risks" and that "[a]ll insurance contracts concern risk transference." §§ 1.1(b) at 3 and 1.3(b) at 12.

Several Administrative Letters issued by the Bureau also confirm the necessity of a transfer of risk before a product will be deemed insurance. In Administrative Letter 1995-10 (Exh. No. MMB-5), for example, the Bureau held that capitated administrative service contracts are insurance because the employer "for a fixed fee per employee, transfers all or a portion of its risk of loss for health care claims of its employees to an administrator, health care provider or other entity." Similarly, the Bureau held that extended motor vehicle service contracts and debt cancellation contracts are not insurance unless the risk of loss is transferred to a third party. (Exh. Nos. MMB-4, GAM-6, and GAM-8).

Accordingly, the Defendants argued that existing case law, several well recognized commentators, and the Bureau's own informal advisory opinions hold that a transfer of risk from an insured to another party is a fundamental element of insurance. However, since NMI retains the risk of loss for any on- and off-record title defects under TOP, there is no risk transfer and TOP is not insurance.

Next, the Defendants argued that TOP is not insurance, but merely a warranty given to the secondary lenders. According to the Defendants, sellers of products customarily give warranties relating to the character and quality of the products they manufacture and sell. From the Defendants' viewpoint, NMI is doing nothing more than what is customarily offered by most sellers of products. It is simply selling a loan in the secondary market and warranting to the purchaser that its product, i.e., the NMI mortgage, has first lien status on the property securing the loan. Since the Commission does not regulate warranties, the Defendants argued the Rule to Show Cause should be dismissed.

Finally, the Defendants argued that the *Norwest Corp.* decision issued by the State of Nebraska should not be given any precedential value in this case for several reasons. First, the Defendants argued that the Nebraska Court and the Nebraska Code do not require a risk transfer to constitute insurance, unlike Virginia case law and past administrative decisions of the Bureau. Next, the Defendants argued that the Nebraska Court erroneously held that TOP is not a warranty because NMI mortgages are liens or legal interests created by law rather than "products" which can be warranted. Finally, the Defendants challenged several conclusions reached by the Nebraska Court which they claim are in error, including the Court's holding that warranties must relate to matters within the control of a seller, and the Court's finding that NMI assumes a risk from the purchasers of the mortgages. All of these erroneous legal and factual findings, according to the Defendants, should cause the Commission to discount the Nebraska decision.

DISCUSSION

Virginia Code § 38.2-123 defines "title insurance" as:

insurance against loss by reason of liens and encumbrances upon property, defects in the title to property, and other matters affecting the title to property or the right to the use and enjoyment of property. 'Title Insurance'

includes insurance of the condition of the title to property and the status of any lien on property.

As previously mentioned, this definition is one of approximately thirty-five different forms of insurance defined in the Virginia Code. There are also numerous other insurance related definitions in the Code for "insurance company," "insurance transaction," "insurance business," and "business of insurance." However, Title 38.2 of the Code does not define the term "insurance."

The Commission's resolution of this case must therefore examine several interrelated issues. First, the Commission must determine whether TOP is insurance. If TOP is insurance, the next issue is whether TOP meets the definition of "title insurance" found in § 38.2-123. Finally, if TOP is found to be title insurance, the last issue which must be addressed concerns the appropriate penalty or penalties which should be imposed on the Defendants for marketing TOP in Virginia without a license.

1. IS TOP INSURANCE?

The Defendants raise two primary arguments in support of their claim that TOP is not insurance. First, they claim TOP is not insurance because there is no transfer of risk, an essential element of every contract of insurance. Second, the Defendants argue that TOP is a warranty and is therefore not subject to regulation by the Commission.

(a) *The Transfer of Risk*

While TOP provides the same, or in the Defendants' own words "better" protection than traditional lender's title insurance, the Defendants nevertheless insist that TOP is not insurance because there is no transfer of a risk of loss from the secondary lenders to NMI. Rather, the Defendants argue that NMI retains the risk of loss if a title defect arises, and this retention of risk distinguishes TOP from insurance. I disagree.

There are several problems with the Defendants' argument which cause me to reject it. First, the Defendants' interpretation of existing case law, and their continual references to a "shifting" or "transfer" of risk, appear to focus more on semantics rather than the underlying notions and fundamental characteristics of an insurance contract. In addition, the Defendants' emphasis on semantics should not overshadow the fact that the coverage afforded by TOP is identical in virtually every respect to the coverage provided by a traditional lender's title insurance policy. There are simply no legal or practical reasons why TOP and title insurance should be treated differently by the Commission. Both represent forms of insurance which, in my opinion, are subject to regulation by the Commission.

While the Virginia Supreme Court held in *Hilb, Rogal* that a shifting of risk is the essence of insurance, there is no indication that the Court ever intended the word "shifting" to be used in the narrow, overly restrictive context advocated by the Defendants. Rather, it appears that the Court used the phrase "shifting of risk" merely to describe the primary, fundamental characteristic

of insurance; namely, the process by which someone with an insurable interest insulates or protects himself from a risk of loss through the payment of a fee. Whether this protection is afforded by "transferring" the risk of loss, "shifting" the risk of loss, "assuming" the risk of loss, "distributing" the risk or loss, or "retaining" the risk of loss, should not make any material difference when deciding whether TOP constitutes insurance. Regardless of the verb used to describe how someone protects himself from a risk of loss, the underlying nature of the transaction, i.e., protection from a risk of loss for the payment of a fee, is exactly the same.

Just like traditional lender's title insurance policies, TOP protects the secondary lenders from any on- and off-record title defects which may affect the property securing a mortgage. The protection is granted only through the payment of a TOP fee, which is no different than a premium paid to a licensed title insurance company. The protection afforded is exactly the same as the protection given by a lender's title insurance policy. In my opinion, the Commission should not place form over substance when reviewing the TOP program by focusing solely on one word verbs such as "transfer" or "shifting" of risk, and discounting a substantial body of case law and other legal authorities which indicate that TOP is indeed insurance. Regardless of what the Defendants choose to call their TOP product, TOP is insurance.

Under the Virginia Supreme Court's decision in *American Surety*, for example, TOP clearly contains all of the essential elements of insurance. The subject matter insured by TOP is the first lien status of all NMI mortgages sold in the secondary market. The risks insured against under TOP are on- and off-record title defects. The period of risk undertaken by the Defendants under TOP is the term of the mortgage. The amount of coverage or insurance under TOP is the outstanding balance of the mortgage loan. Finally, the premium is the TOP fee which is paid by the borrower. Clearly, TOP contains all of the essential elements of insurance identified by the Virginia Supreme Court.

TOP also meets several widely accepted definitions of insurance found in Couch on Insurance, American Jurisprudence, and Black's Law Dictionary. These legal authorities generally define insurance as a contract whereby one party, for a consideration (premium), promises to pay the insured a sum of money or other valuable consideration if a covered loss occurs. TOP falls squarely within generally accepted definitions of insurance, and it should be held as such by the Commission.

There are, however, several administrative letters and advisory opinions issued by the Bureau which appear to indicate that a transfer of risk to a third party must occur before a product will be deemed to be insurance. While the Defendants relied on these letters and informal opinions in support of their "risk transference" argument, I am unable to give the letters much, if any, weight when deciding the issues presented in this case. Administrative letters, informal opinions, and recommendations of the Commission's Staff simply do not have the force and effect of law, nor are they binding on the Commission when deciding this case. *Roanoke Gas v. Att. General*, 219 Va. 1072, 254 S.E.2d 102 (1979).

If the Defendants relied on the Bureau's informal opinions when developing the TOP program, then perhaps the letters and informal opinions would have some degree of relevance for

purposes of demonstrating some mitigating circumstances which may affect the size of any penalty imposed in this case. However, the Bureau's informal opinions do not, and indeed cannot, displace the decision-making function of the Commission when deciding whether or not TOP is insurance. This decision rests squarely within the decision-making authority of the Commission, and the Bureau's past administrative letters should be given no more weight than any other argument raised in this case.

(b) *Warranty v. Insurance*

The Defendants next argue that NMI's contractual obligations under TOP are more in the nature of warranties rather than insurance. Since the Commission does not regulate warranties, the Defendants argue that a license is not required to provide TOP in Virginia, and that the Rule to Show Cause should therefore be dismissed.

Insurance and warranties, of course, enjoy many similar characteristics. Both insurance and warranties, for example, are commonly used to protect people from suffering an economic loss. If a loss occurs, the insurer or warrantor will shoulder the burden of incurring all, or a portion of the costs necessary to protect a person from suffering an economic loss due to a defective product or unexpected event. While warranties are customarily given in conjunction with a sale of goods at no additional cost, in some cases warranties may also be given for an extended period of time upon the payment of an additional fee, much like an insurance premium.

Given the similarities between warranties and insurance, it is easy to understand why there is some difficulty attempting to draw a clear distinction between the two. The Defendants' argument that TOP is a warranty not subject to Commission regulation certainly appears reasonable at first glance. However, a closer examination of the legal distinctions drawn between warranties and insurance by existing case law and several well recognized legal authorities clearly reveals that TOP is not a warranty.

In *Norwest Corp.*, the Nebraska Court held that TOP was not a warranty because an NMI mortgage is a lien or interest created by law rather than a manufactured "product" which could be warranted. While LTIC and VLTA argue that the Commission should adopt a similar view in this case and hold that NMI mortgages are not "products" which can be warranted, it is not necessary to address this issue in the context of this case. Even if you assume that an NMI mortgage is a "product" for purposes of discussion, the coverage offered by TOP is not a warranty in the traditional sense.

A leading treatist on insurance draws the following distinction between warranties and insurance:

Whether a warranty amounts to insurance depends upon its terms. . . A warranty or guaranty issued to a purchaser in connection with the sale of goods containing an agreement to indemnify against loss or damage resulting from perils outside of and unrelated to inherent weaknesses in the

goods themselves, constitutes a contract substantially amounting to insurance

1 Couch on Insurance 2d (Rev. ed.) § 1.15. In other words, if the risk of loss assumed by a seller is subject to his control during the manufacturing process, then the coverage offered is generally held to be a warranty. Thus, when a seller of a new laptop computer with a pentium chip warrants that the computer will be free from any defects in materials or workmanship for two years, the manufacturer is clearly giving the purchaser a warranty. A subsequent meltdown of the pentium chip or a loss of the hard disk memory in cyberspace within the two year warranty period would protect the buyer, and the protection afforded would clearly be classified as a warranty, rather than insurance.

If, on the other hand, the seller gives a warranty which protects the purchaser from losses caused by perils unrelated to the manufacture of the product and outside the seller's control, the promise to indemnify is more in the nature of insurance. Accordingly, if a seller agrees to repair or replace the pentium laptop for any damages caused by theft, fire, water, or any other peril unrelated to the manufacture of the laptop and outside the seller's control, the promise to indemnify is more in the nature of insurance, even if the seller calls the promise to indemnify a "warranty."

Case law is generally in accord with the distinctions between a warranty and insurance cited by Couch and illustrated in the above hypothetical example. For example, in *Rayos v. Chrysler Credit Corp.*, 683 S.W.2d 546, 548 (Tex. 1985), the Texas Court of Appeals held that "a warranty is issued to provide protection against defects or failures in a product, whereas an insurance policy is issued to provide reimbursement or indemnity based on an accident or occurrence unrelated to any defect or failure in the product." Stated differently, when a seller warrants to protect a person from losses unrelated to a product or losses outside the seller's control, the seller is providing insurance.

Similar distinctions have been drawn in other jurisdictions. In *Ollendorff Watch Co. v. Pink*, 17 N.E.2d 676 (N.Y. 1938), the New York Court of Appeals held that a certificate issued by a watch manufacturer whereby it agreed to replace the watch if it was lost or stolen within one year from the date of purchase constituted insurance. Why? Because the risks assumed by the seller, i.e., damages caused by loss or theft, were not related to the manufacture of the watch and certainly not within the seller's control. Similarly, in *State ex rel. Duffy v. Western Auto Supply Co.*, 16 N.E.2d 256 (Ohio 1938), the Supreme Court of Ohio held that a guarantee to replace tires within a specified period for any reason constituted insurance. Once again, the risk of loss for such items as punctures, cuts or other road hazards was not related to the manufacture of the product, nor were such road hazards within the seller's control during the manufacturing process.

Under the guidelines used to distinguish between warranties and insurance cited above, it is clear that TOP is not a warranty for two primary reasons. First, under TOP, NMI assumes the risk of both on- and off-record title defects by guaranteeing an NMI mortgage has first lien status. However, any losses resulting from a title defect, particularly off-record defects, are unrelated to any defect or failure in the loan, or the so-called "product," sold by NMI. Rather, the title defects

relate to the collateral securing the loan, rather than the loan itself. More importantly, the potential economic loss from such title defects would exist whether or not the loan was ever made by NMI, or whether or not the Defendants even existed. Title defects, particularly off-record defects, are not by any stretch of the imagination within the control of the Defendants, and they are totally unrelated to NMI's "manufacture" of the loan by executing the appropriate legal paperwork to make, secure, and close the loan. Title defects are related to the collateral securing the loan, and the Defendants certainly do not manufacture the real property securing the loan.

One of the teachings of the legal authorities cited above, is that a true warranty must relate to defects subject to the control of the manufacturer or seller during the manufacturing process. In the current case, the Defendants can obviously exercise some degree of control over an NMI loan. They can control how the title search is conducted by ALTC. ALTC can also exercise control over the quality of its title search by assuring that all on-record liens and encumbrances are discovered. The Defendants can also exercise control over the preparation of the loan documents in an effort to assure that the documents are in proper form, comply with all legal formalities, and are properly recorded. All of these elements of the mortgage loan are within the control of ALTC and NMI, and they would appear to be warrantable items. However, TOP also provides coverage for off-record defects -- defects which are far outside of their control, and defects which cannot be discovered with even the most diligent title search by ALTC.

Exhibit No. JG-17 lists a number of off-record defects which may not be discoverable during a title search. Forged deeds may be recorded purporting to transfer ownership of property, releases may be fraudulently recorded, undisclosed or missing heirs may exist, attorney defalcations may have occurred, and a whole host of other off-record defects may exist which would not be discoverable during even the most diligent title search by ALTC. These off-record defects are far outside of the control of the Defendants when NMI makes a loan, yet TOP nevertheless covers all such title defects.

I therefore find that TOP is not a warranty, but insurance. The primary coverage offered by TOP is to protect the secondary lender in the event of an adverse title claim against the collateral which may affect the lender's first lien status. However, unlike a traditional warranty, the risk of loss is only incidentally related to the Defendants' product, an NMI loan. NMI and Norwest are, in reality, assuming the risk of a title defect on the collateral securing the loan. By no stretch of the imagination can the property securing the loan be deemed to be the Defendants' "product," and therefore a warrantable item. Under the traditional guidelines established by prior case law, a warranty cannot be given for perils outside the manufacturer's or seller's control.

2. IS TOP TITLE INSURANCE?

Having found that TOP is a form of insurance, the next issue is whether TOP is title insurance. Under Code § 38.2-123, title insurance is defined as insurance against loss by reason of liens or encumbrances upon property and defects in title to property. The definition also includes insurance of the condition of the title to property and the status of any lien on the property.

TOP falls squarely within the definition of title insurance found in Code § 38.2-123. It is insurance which protects secondary lenders from economic losses caused by reason of liens and encumbrances on property securing an NMI loan. TOP also guarantees an NMI loan's first lien status by protecting the secondary lenders from any loss caused by any on- or off-record title defects during the term of a loan. Clearly, TOP is title insurance.

3. RECOMMENDED PENALTY

By the Defendants' own admissions, they do not possess a license authorizing them to transact the business of title insurance in Virginia. The Joint Stipulation of Facts also contains sixty instances where TOP or TOP Plus was sold in Virginia by the Defendants. (Exh. No. JSF-1, Tab 19). The Joint Stipulation of Facts also indicates that Defendants collected approximately \$20,500 in TOP fees in Virginia. (*Id.*).

For their sixty violations of Virginia Code § 38.2-1024, the Bureau requests that the Commission: (1) order the Defendants to cease and desist from any further violations of Code § 38.2-1024; (2) penalize the Defendants an amount of \$5,000 for each violation of Code § 38.2-1024, for a total fine of \$300,000; and (3) revoke ALTC's license as a title insurance agency.

While I agree that the Defendants should be ordered to cease and desist from any further conduct which violates Code § 38.2-1024, I find that the additional penalties sought by the Bureau are excessive and unwarranted based on the evidence presented in this case. The Bureau's request of a \$5,000 penalty per offense is based on the Bureau's assertion that the Defendants willfully violated Code § 38.2-1024 by developing and marketing TOP in Virginia. However, the evidence presented in this case is insufficient to show that the Defendants engaged in any willful or wanton conduct designed to purposefully evade the licensing requirements imposed by the Code.

Black's Law Dictionary defines "willful" as an act "done voluntarily and intentionally and with the specific intent to do something the law forbids...." *Id.* at 1599 (6th ed. 1990). Similarly, in *United States v. Ramey*, 336 F.2d 512, 515 (4th Cir. 1964), the U.S. Court of Appeals for the 4th Circuit held that "the words 'willful' and 'willfully' generally imply a conscious purpose to do wrong." Accordingly, in order to penalize the Defendants \$5,000 per violation, it would be necessary for the Commission to find that TOP was voluntarily and intentionally developed by the Defendants to specifically evade Virginia's licensing requirements for title insurance companies. The record, in my opinion, simply does not support such a finding.

The only evidence offered to support the Defendants' alleged willful conduct was an admission by the Defendants that the Federal Reserve Bank of Minneapolis prevented Norwest from forming an independent subsidiary to engage in the title insurance business. After the Federal Reserve's decision, NMI and ALTC began to develop TOP as an alternative to traditional title insurance. However, there was no additional evidence offered in this case which would tend to prove that the Defendants were intentionally attempting to evade state licensing laws by developing TOP. Nor was there any evidence presented which tends to show that the Defendants knew TOP was title insurance or that they consciously and purposefully disregarded Virginia's

licensing laws when developing TOP. Rather, all the documents submitted in this case appear to indicate that the Defendants legitimately believed that TOP could be offered as a reasonable alternative to traditional title insurance without complying with state licensing laws applicable to title insurance.

I am therefore unable to find that the Defendants engaged in willful or wanton conduct justifying the imposition of a \$5,000 penalty for each of the sixty instances where TOP was sold in Virginia. Rather, under the facts developed in this case, I find that a maximum penalty of \$1,000 per violation can and should be imposed under Code § 38.2-218 B. This would result in a total penalty of \$60,000 being assessed against the Defendants. I further find, however, that \$30,000 of the penalty should be suspended upon the condition the Defendants commit no further violations of Virginia Code § 38.2-1024, and provided the Defendants pay a \$30,000 penalty within thirty (30) days of the Commission's final order in this case.

Finally, I find that the ALTC's license as a title insurance agency should not be suspended or revoked. The monetary penalty recommended herein is sufficient punishment, in my opinion, for the Defendants' sixty violations of the Code.

FINDINGS AND RECOMMENDATIONS

In conclusion, based on the evidence received in this case, and for the reasons set forth above, I find that:

(1) Norwest Corporation, Norwest Mortgage, Inc., and American Land Title Company, Inc. ("Defendants"), violated Virginia Code § 38.2-1024 on at least sixty occasions by transacting the business of title insurance in Virginia without first obtaining a title insurance company license from the Commission;

(2) That the Defendants should be jointly and severally penalized the sum of \$1,000 for each violation of Virginia Code § 38.2-1024, for a total penalty of \$60,000; provided, however, that \$30,000 of the penalty should be suspended upon the condition the Defendants commit no further violations of Virginia Code § 38.2-1024, and provided the Defendants pay a \$30,000 penalty to the Commission within thirty (30) days of the Commission's final order in this case; and

(3) That the Defendants should be ordered to cease and desist from any further conduct which constitutes a violation of Virginia Code § 38.2-1024, and the Defendants should be immediately directed to cease offering TOP and TOP Plus in Virginia until such time as the Defendants obtain a license to transact the business of title insurance in Virginia.

In accordance with the above findings, *I RECOMMEND* that the Commission enter an order that:

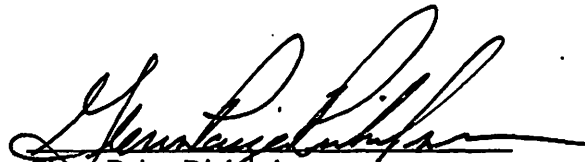
(1) *ADOPTS* the findings in this Report;

(2) **PENALIZES** the Defendants the amount of \$60,000, with \$30,000 of the penalty suspended upon the condition the Defendants commit no further violations of Virginia Code § 38.2-1024, and provided the Defendants pay a \$30,000 penalty to the Commission within thirty (30) days of the Commission's final order in this case; and

(3) **DIRECTS** the Defendants to cease and desist from any further conduct which constitutes a violation of Virginia Code § 38.2-1024, and further **DIRECTS** the Defendants to immediately cease offering TOP and TOP Plus in Virginia.

COMMENTS

The parties are advised that any comments (Rule 5:15(e)) to this Report must be filed with the Clerk of the Commission in writing, in an original and fifteen (15) copies, within fifteen (15) days from the date hereof. The mailing address to which any such filing must be sent is Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. Any party filing such comments shall attach a certificate to the foot of such document certifying that copies have been mailed or delivered to all other counsel of record and to any party not represented by counsel.



Glenn Paige Richardson
Senior Hearing Examiner

Document Control Center is requested to mail or deliver a copy of this Report on April 25, 1996 to: John P. Thornton, c/o Norwest Corporation, et al., 6th & Marquette, Minneapolis, MN 55479-1052; Stephen D. Morrison, Esquire, 405 S.W. 5th Street, Des Moines, IA 50309-4626; David F. Peters, Esquire, and Louanna Godwin, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, VA 23219-4074; C. William Waechter, Esquire, and Ralph L. ("Bill") Axselle, Esquire, Williams, Mullen, Christian & Dobbins, P.O. Box 1320, Richmond, VA 23210-1320; Michael D. Thomas, Commission counsel; and to the Bureau of Insurance in care of Deputy Commissioner Mary M. Bannister.

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COMMONWEALTH OF VIRGINIA

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STATE CORPORATION COMMISSION

At Richmond OCTOBER 28, 1996

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

FINAL ORDER AND OPINION

The underlying Rule to Show Cause in this case was issued after an investigation conducted by the Bureau of Insurance ("Bureau") undertaken in response to a complaint made by Lawyers Title Insurance Corporation ("LTIC"). A Hearing Examiner was appointed to receive evidence, make findings, and report to the Commission. After the Rule to Show Cause was issued, LTIC and Virginia Land Title Association ("VLTA") requested, and were permitted, to participate in this proceedings as party complainant and intervener, respectively.

A hearing was conducted before the Examiner on November 14, 1995. Subsequently, all parties were allowed to file Post-Hearing Briefs. The Final Report of the Hearing Examiner was filed on April 25, 1996, and the Defendants filed comments thereon.

For the most part, the facts in the case are not in dispute; the controversy centers rather upon the parties' conflicting interpretations of Virginia law. The facts are as follows:

Norwest Corporation ("NC") is a bank holding company and the parent company of Norwest Mortgage, Inc. ("NMI") and American Land Title Company, Inc. ("ALTC"). NMI originates residential first mortgage loans and sells the bulk of these loans in the secondary market to entities such as the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Association ("Freddie Mac"), and the Government National Mortgage Association ("Ginnie Mae").¹ ALTC is a title insurance agency licensed in Virginia to procure title insurance policies from licensed title insurance companies.

In 1992, NMI and ALTC began to develop a program called "Title Option Plus" ("TOP"). TOP is available to NMI borrowers on loans secured by mortgages on pre-existing individual residences. Under this program, ALTC prepares a "Title Condition Report." If the report reveals no title defects, NMI will make the loan without requiring the borrower to purchase a lender's title insurance policy. In general, the TOP fee is 10% less than the premium on a lender's title insurance policy.

Before the development of TOP, secondary purchasers of NMI's loans required such loans to be backed by either lender's title insurance or a lawyer's title opinion. The documents conveying the loan to the secondary market also contained the lender's guarantee as to the first lien status of the loan sold. Now, by a special agreement

¹ NMI sells 53% of its loans to Ginnie Mae, 23% to Freddie Mac, and 16% to Fannie Mae. The record is silent as to the disposition of the remaining 8% of the loans.

negotiated by NC and NMI, Fannie Mae and Freddie Mac will accept TOP in lieu of lender's title insurance or an attorney's title opinion. With TOP, NMI agrees to cure any title defect in the loan secured by the mortgage, or to repurchase the loan from these secondary purchasers, and NC further guarantees NMI's performance. Ginnie Mae does not require the additional guarantee from NC, but also accepts TOP on loans sold to it by NMI.

The Examiner concluded that TOP constituted insurance: "TOP falls squarely within the definition of title insurance found in Code § 38.2-123. It is insurance which protects secondary lenders from economic losses caused by reason of liens and encumbrances on property securing an NMI loan. TOP also guarantees an NMI loan's first lien status by protecting the secondary lenders from any loss caused by any on- or off-record title defects during the term of the loan. Clearly, TOP is title insurance."² On the basis of that finding, the Examiner recommended that the Commission enjoin the Defendants from offering TOP in the Commonwealth and impose a \$60,000 fine, suspending half of the fine on the condition that the Defendants cease selling TOP in Virginia. On May 10, 1996, the Defendants filed their comments on the Examiner's Report.

NOW THE COMMISSION, having considered the Examiner's Report, the comments and exceptions thereto, the record evidence herein, as well as the relevant rules and statutes, is of the opinion and finds that TOP is not insurance under the current state of the law in Virginia. While the public interest may necessitate that products such as TOP

² Report, at 14.

be regulated, until the General Assembly acts to grant the Commission authority over such products, there is no basis upon which the Commission may act. Accordingly, the Commission will dismiss the Rule to Show Cause.

The Commission finds that TOP does not involve the shifting of risk that is essential to the creation of insurance. NMI, like any lender, incurs a risk that the priority of its lien is not what it believed it to be when the loan was made. NMI creates and bears that risk itself by virtue of its decision to make the loan. When lender's title insurance is purchased, NMI (the lender) transfers its risk to the title insurance company. But where TOP is involved, NMI retains the title risk.

The issue in this case is whether TOP is insurance. There is no definition of insurance in the Code of Virginia.³ In concluding that TOP constitutes insurance, the Hearing Examiner principally focuses on two cases.⁴ The Report lists and relies upon the five elements necessary for a contract of insurance included in American Surety and states that these elements are present in TOP, thus rendering TOP "insurance" in the Examiner's view. The Report suggests that Defendants' emphasis on the element of transference of risk, as mentioned in Hilb, "focus[es] more on semantics rather than the underlying notions and fundamental characteristics of an insurance contract."⁵ While the Examiner acknowledges that the Virginia Supreme Court held, in Hilb, that "shifting of the risk is the essence of insurance,"⁶ he found "no indication that the Court ever intended the word

³ Various kinds of insurance are listed in the Code, but they all assume a definition of insurance. See, Code §§ 38.2-101 through -137.

⁴ American Surety Company v. Commonwealth, 180 Va. 97 (1941) and Hilb, Rogal and Hamilton Company v. DePew, 247 Va. 240 (1994). In their Comments, Defendants also cited Variable Annuity Life Insurance Company v. Clarke, 998 F.2d 1295 (5th Cir. 1993).

⁵ Report, at 9.

⁶ Hilb, at 248, citing Variable Annuity Life, at 1301.

'shifting' to be used in the narrow, overly restrictive context advocated by the Defendants."⁷ The Commission must disagree with the Examiner's analysis and conclusions.

The Supreme Court of Virginia, in Hilb, a case where one of the dispositive issues was whether a particular transaction was insurance, stated that "shifting of the risk is the essence of insurance." Further, the test applied to determine whether there was insurance in that case was whether there was a transfer of risk.

The Commission is of the opinion that the Examiner's reliance on American Surety is based upon a misinterpretation of that decision. The Court in American Surety first determined that fidelity insurance was involved. In so doing, it defined fidelity insurance by quoting with approval from Corpus Juris:

Fidelity insurance, as the term is usually employed, is a contract whereby one, for a consideration, agrees to indemnify another against loss arising from the want of honesty, integrity, or fidelity of employees or others holding positions of trust.⁸

There was thus the transfer of risk, "whereby one, for a consideration, agrees to indemnify another against loss" Once the Court determined that insurance was involved, it then set out the elements necessary to establish an enforceable contract for insurance. The five elements relied on by the Examiner are the elements necessary to create a contract for insurance once it has been determined that the contract is to be one for insurance. The "elements" constitute the test to determine whether there is or is not a contract; the test of whether there is or is not insurance is the transfer of risk.

⁷ Report, at 9.

⁸ American Surety, at 104.

The Commissioner of Insurance has, through the issuance of Administrative Letters, recognized the critical distinction between products that involve risk retention and products that involve risk transference. In Administrative Letter 1995-10, the Commissioner of Insurance wrote:

An employer may self-fund health benefits for its employees and contract with an administrator in an ASO [Administrative Services Only] agreement to process claims and provide access to a network of providers. In such cases, the employer bears the ultimate risk of loss for all health care claims incurred by its employees. Furthermore, the employer may self-fund to cover its entire risk of loss, or it may self-fund to a certain dollar cap and purchase stop-loss insurance to cover any health care claims that exceed an individual or aggregate cap.

However, with a capitated ASO agreement, the employer, for a fixed fee per employee, transfers all or a portion of its risk of loss for health care claims of its employees to an administrator, health care provider or other entity. This type of agreement constitutes a contract of insurance under Virginia law.⁹

The Bureau of Insurance has drawn similar distinctions between extended warranty service plans offered by automobile manufacturers or dealers and those offered by third parties. In Administrative Letter 1982-10, the Commissioner of Insurance wrote that “such contracts, by whatever name called, are policies of mechanical breakdown insurance if offered by a person other than the manufacturer or seller of the covered motor vehicle... [while] contracts offered by the manufacturer or seller of the covered motor vehicle are more in the nature of warranties than of insurance. The primary risk of loss under such

⁹ Ex. MMB-5, p. 1. Emphases added.

contracts must remain with and be borne by the manufacturer or seller, or the contract will be deemed to be an insurance policy.”¹⁰

While we are not bound by the opinions of the Bureau, the reasoning contained in these administrative letters is both persuasive and consistent with the view of the Virginia Supreme Court that the “shifting of the risk is the essence of insurance.” Further, adoption of the Examiner’s view would reverse the basis for these administrative rulings and create at least great uncertainty in the industry. This we should not do unless legally required, or presented with strong policy reason, to do so. Neither basis exists here.

The Commission must also disagree with the Examiner with respect to the “warranty” issue. It appears that his analysis is tied to the concept of warranties for manufactured products. He concludes that if the warranty “protects the purchaser from losses caused by perils unrelated to the manufacture of the product and outside the seller’s control, the promise to indemnify is more in the nature of insurance.”¹¹ The Report explains how the “warranty” NMI makes to the purchaser of the loans protects the purchaser against off-record defects in the chain of title and also opines that off-record defects do not relate to the NMI “product,” i.e., the loan, but to the collateral securing the loan. The Report concludes that since these off-record defects could not be under the control of the Defendants, TOP could not be a warranty and must instead be insurance.

This analysis ignores the fundamental elements of many basic business transactions. There are many “warranties” that do not relate to “products” as described in

¹⁰ Ex. MMB-4, p.2.

¹¹ Report, at 12.

the Report.¹² Warranties are a vital part of most business transactions and are part of the consideration for many sales. For example, the seller of a business, whether assets or stock, often has to warrant many things that are not products of his company and are far beyond his control. In such a transfer, the seller may be required to warrant that his company has free and clear title to all the company equipment, the trucks to deliver the goods, and the land on which the company is located. He may have to warrant that the leases for the company outlets are valid and enforceable. These warranties include many, if not all, of the same risks the Examiner describes, at page 13 of the Report, as beyond NMI's control. There is clearly consideration for these warranties; the buyer would either not make the purchase or would pay less if the seller did not retain the risks that are beyond the control of either party. The Examiner's narrow reasoning would imply, if not require, that such transactions be deemed to constitute insurance and thus be subject to regulation. Yet, there has been no suggestion that these daily business transactions constitute insurance.

According to the record, all sellers of loans to Freddie Mac, Fannie Mae and Ginnie Mae must agree to indemnify these purchasers against the risk that the lien may not have first priority. These purchasers require that the seller of the loans obtain either an opinion of counsel, a lender's title insurance policy, or, in the case of NMI, TOP. In the first instance, the seller of the loan obtains an opinion of counsel as to the priority of his lien. Similarly, NMI obtains a title condition report where TOP is involved. In both cases, the seller of the loan retains all of the risks of off-record defects in the chain of title,

¹² While Defendants make an excellent case that the mortgage loan is a "product" as envisioned by the Examiner, such a finding is unnecessary.

clerk's errors and other non-disclosed and non-conveyed interests, which are all matters beyond the control of the seller and discovery by the title examiner. Part of the consideration for making the loans necessarily includes compensation for these risks. Under the Examiner's reasoning, all loan sales where an opinion of counsel is involved must also include insurance because, just like the NMI-TOP situation, a risk beyond the control of the seller is being retained and there is compensation for it.¹³ There has been no suggestion that sales of loans accompanied by an opinion of counsel rather than title insurance involve insurance. They do not. Nor does TOP. The only differences are that TOP includes a title condition report rather than an opinion of counsel and the borrower's funds go to NMI's affiliate ALTC for the title search rather than to the lawyer. In substance, each transaction is identical. Neither case involves insurance.

As noted above, the Examiner interpreted Hilb to mean there need not be a shifting or transference of risk for insurance to arise. Instead, in his view, protection against risk may be afforded by "transferring' the risk of loss, 'shifting' the risk of loss, 'assuming' the risk of loss, 'distributing' the risk of loss, or 'retaining' the risk of loss."¹⁴ Clearly, one may protect against risk of loss by various means. However, only when one pays another to take over one's own risk of loss is insurance created. The Examiner's reading does not, therefore, interpret Hilb, but rather would require an overruling of it. Contrary to the Examiner's interpretation, the Supreme Court, in Hilb, stated and held that "shifting of the risk is the essence of insurance," not assumption or retention of one's own risk. This is a

¹³ It should be clear that all lenders obtain compensation in some form for bearing these off-record risks, as well as all other risks associated with their business. Where opinion of counsel accompanies a loan, the compensation for the off-record risks is part of the basic fees for making the loan; NMI is similarly compensated where TOP and a title condition report is involved.

¹⁴ Report, at 10.

critical distinction and not a matter of semantics only. Further guidance is provided by Variable Annuity Life.

In Variable Annuity Life, the issue was whether banks, which were then prohibited from dealing in insurance products, could sell annuities. The Court ruled that annuities were insurance, relying on the United States Supreme Court's definition of insurance in Group Life & Health Ins. Co. v. Royal Drug Co., that "[i]nsurance is an arrangement for transferring and distributing risk."¹⁵ The Court, in Variable Annuity Life, found that both "life insurance and annuities transfer the economic risk of death from the policyholder to the insurance company."¹⁶ Risk transference was the dispositive factor in this case, as in Hilb.

Every lender "assumes" lien priority risks every time it makes a loan. Some lenders protect themselves from these risks by transferring them to a title insurance company. Others lender's protect themselves by receiving opinions of counsel or, with TOP, title condition reports. In either of the latter cases, the lender retains lien priority risks beyond his control, i.e., beyond the ability of the title examiner to discover them. Under the Examiner's reading of Hilb, all loans, even those without title insurance, must necessarily involve insurance because of the lender's "assumption" and "retention" of these risks. Clearly, the "assumption" and "retention" of lien priority risks by the lender cannot equate to the transfer of risk required by Hilb.

Another problem with the Examiner's analysis is that the question of whether TOP is insurance cannot be answered at the time the TOP transaction occurs. The Examiner's

¹⁵ 440 U.S. 205, 211; 99 S.Ct. 1067, 1073; 59 L.Ed.2d 261 (1979), quoting R.Keeton, Insurance Law § 1.2(a) (1971).

¹⁶ 998 F.2d 1295, 1301 (5th Cir. 1993).

determination that TOP constitutes insurance depends on the sale of the loan into the secondary market and the guarantees and warranties related to such sales. Thus, if NMI were to retain a loan in which TOP is involved, there would, under the Examiner's rationale, be no insurance. The determination of whether TOP is insurance should be made when the TOP transaction occurs. With a lender's title policy, there is a transfer of risk from the lender to the title company and the fact that this constitutes insurance can be determined when the policy is issued. If NMI were to keep a loan with TOP, there would never be "insurance" under the Examiner's rationale because there would be no sale with the attendant warranties or guarantees that are needed to create insurance. While NMI apparently sells all or most of its loans, other lenders do not. Under the Report's analysis, if a lender adopted the TOP program and retained some or all of its loans for a period of time, then, perhaps years after a loan was made, TOP would suddenly become "insurance" at the time of the sale of the loan. The Hilb Court's requirement of the transfer of risk avoids this flaw. When the transaction occurs it can be determined whether it is insurance.

Finally, it must again be remembered that the issue in this case is whether TOP is insurance. The Examiner appears to conclude that if a product looks like insurance, and is sold like insurance, it must be insurance.¹⁷ Such is not the case under the current state of the law in Virginia, however, where the transfer of risk "is the essence of insurance."

¹⁷ Nebraska statutes define insurance to include, under certain circumstances, the "equivalent" of specified activities that could make TOP insurance. See, Norwest Corp. v. State of Neb. Dept. of Ins., Docket No. 527 (Lancaster County, Neb. Dist. Ct., Jan. 5, 1996) and NEB. REV. STAT. § 44-1942. Virginia has no comparable statutes.

There being no transference of risk in the creation and issuance of TOP, it is simply not insurance. We have no authority to act here. Therefore, we must dismiss the Rule to Show Cause. Accordingly,

IT IS ORDERED THAT:

- (1) The Rule to Show cause be, and hereby is, dismissed; and
- (2) The papers herein be placed in the file for ended causes.

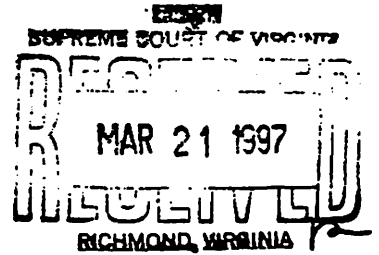
AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Norwest Corporation, et al., 6th & Marquette, Minneapolis, Minnesota 55479-1052;
Stephen D. Morrison, Esquire, Norwest Mortgage, Inc., 405 S.W. 5th Street, Des Moines, Iowa 50309-4626; David F. Peters, Esquire, and Louanna Godwin, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074; C. William Waechter, Jr., Esquire, and Ralph L. Axselle, Esquire, Williams, Mullen, Christian & Dobbins, P.O. Box 1320, Richmond, Virginia 23210-1320; and to the Bureau of Insurance, in care of Deputy Commissioner Mary M. Bannister.

A True Copy
Teste:

William J. Bridge

Clerk of the
State Corporation Commission

IN THE
SUPREME COURT OF VIRGINIA
AT RICHMOND



LAWYERS TITLE INSURANCE CORPORATION,)	
Appellant,)	
)	Record No. 970385
v.)	
)	S.C.C. Case
NORWEST CORPORATION, et al.,)	No. INS950079
Appellees.)	

ASSIGNMENTS OF ERROR

Lawyers Title Insurance Corporation, pursuant to Rule 5:21(i) of the Rules of the Supreme Court of Virginia, assigns error as follows to the Final Order and Opinion entered by the State Corporation Commission ("Commission") on October 28, 1996, in Case No. INS950079:

1. The Commission's Final Order and Opinion concluded that the Title Option Plus ("TOP") program conducted in Virginia by Norwest Mortgage, Inc. and its affiliated companies does not constitute the business of insurance subject to regulation by the Commission because the TOP program does not involve a transfer or shifting of risk, an essential element of insurance under Virginia jurisprudence. The Commission's conclusion in that regard is not supported by evidence in the record; is arbitrary, capricious and constitutes an unreasonable exercise of the Commission's authority; and is erroneous as a matter of law.

2. The Commission's Final Order and Opinion concluded that the TOP program does not constitute the business of insurance because the program is indistinguishable from warranties made by sellers of goods or services in many daily business transactions. The Commission's conclusion in that regard is not supported by evidence in the record; is arbitrary, capricious and constitutes an unreasonable exercise of the Commission's authority; and is erroneous as a matter of law.

Respectfully submitted,

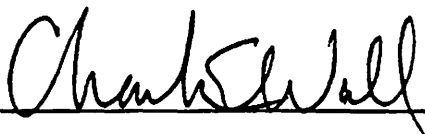
LAWYERS TITLE INSURANCE
CORPORATION

By 
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CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing Assignments of Error was mailed or delivered by hand to The Honorable James S. Gilmore, III, Attorney General, Commonwealth of Virginia, 900 East Main Street, Richmond, Virginia 23219; James C. Dimitri, General Counsel, State Corporation Commission, 1300 East Main Street, Richmond, Virginia 23219; and David F. Peters, Esquire, and Louanna Godwin, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074, this 21st day of March, 1997.



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