

Chapter 13

Answer Key

1. c. Proof of ownership is evidence title is marketable and title insurance is used to prove ownership. (231)
2. d. Subrogation is the right the title company acquires to any remedy or damages available to the insured if the title company makes a payment to settle a claim. (232)
3. c. If ownership cannot be traced through an unbroken chain, then a suit to quiet title may be necessary to establish ownership and clear the cloud on the title. (229)
4. d. Title insurance does not offer guaranteed protection against all defects. The policy names uninsurable losses, called exclusions. (232)
5. d. An abstract of title only summarizes the various events and proceedings that affected the title throughout history. The certificate of title certifies the condition of the title based on the title search. (231)
6. b. Real estate taxes and special assessments are not usually recorded until some time after they are past due. (229)
7. b. A chain of title would reflect a record of all previous owners of the property and would not be part of a title insurance policy. (229)
8. c. An abstract of title summarizes the various events and proceedings that affected the title throughout its history. (230)
9. d. Anyone who has an interest in a parcel of real estate can take steps to ensure that the interest is available to the public. This is called giving notice and includes constructive, inquiry, and actual notice. (228)
10. a. A chain of title is the record of a property's ownership. Each owner is linked to the next so that a chain is formed. (229)
11. c. A certificate of title may be prepared by a title company, a licensed abstractor, or an attorney, not a real estate broker. (231)
12. b. Recording a deed in the public record serves as constructive notice to the world of an individual's rights or interest. (228)

13. a. All recording acts provide that any written document affecting interests in land be recorded where the land is located, to serve as public notice. That way, any interested parties in the title of the property know where to look to discover the various interests of all of the parties. (227)
14. d. A deed is by itself not considered sufficient evidence of ownership. The warranty deed contains no proof of the condition of the grantor's title at the time of conveyance. (230)
15. a. The applicant, under the Torrens system, needs to prove that he/she is the owner. Then the court enters an order to register the real estate and the registrar of titles issues a certificate of title. A person acquires title only when it is registered. (233)
16. d. Although a certificate of title is used as evidence of ownership, it is not perfect against unrecorded liens or hidden defects. A title insurance policy protects the policyholder from title defects. (231)
17. b. The Uniform Commercial Code governs the documents when personal property is used as a security for a loan. (233)
18. b. An owner's policy is issued for the benefit of the owner and his/her heirs, unlike the lender's policy, which is issued for the mortgage company. (232)
19. b. Constructive notice to the public of interest in a parcel of real estate is served when the deed is recorded and physical possession of the property is taken. Without this, an owner's interests could be jeopardized. (228)
20. c. A lender's policy is used for the benefit of the mortgage company. The amount of coverage depends on the amount of the mortgage loan and is decreased as the loan balance is reduced. (232)
21. c. Proof of ownership is evidence that title is marketable and cannot be found in public records, but can be assured through a certificate of title, title insurance, or a Torrens certificate. (230)
22. b. Title insurance is considered the best defense of title and is assurance that the grantee is actually acquiring ownership and that the title is marketable. (231)
23. d. If there is a gap in the ownership chain, then this cloud on the title makes it necessary to establish ownership by court action, and this is called a suit to quiet title. (229)

24. b. Unlike other insurance policies that insure against future losses, title insurance protects the insured from an event that occurred before the policy was issued. (231)