

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1483

2005 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1483

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1483

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 2-09-2005

Tape Number	Side A	Side B	Meter #
1	x		0--end
1		x	0--end
2	x		0--end
Committee Clerk Signature <i>Jody Renke</i>			

Minutes: **Chair Keiser:** Open HB 1483. Rep. Thoreson

**Rep. Thoreson, Dist. 44 - Fargo, ND:** I am here to bring forth for this Committee HB 1483 dealing with title opinions and title insurance. I introduced this bill after discussions with several people who will be before you this morning, and they will get into the details. But I do feel that it is a good piece of legislation that deserves some serious debate and discussion. With that I will step aside.

**Steve Tomak - Farm Credit Council, Executive Director: (2.1) (See Attached Testimony)** I am here to support HB 1483. The ultimate question that the Committee will ask themselves is this: Does the consumer need the protections that are mandated under the current law? Does the consumer need those two mandates that are required under current law? Do they need to receive the title evidence from an abstractor? Do they need an attorney to review that? The real question comes 4 to 40 years after the fact when the title is transferred again. **(additional chart handed out comparing ND and the five area states and two settlement statements showing examples**

**of title insurance)** The removal of the two mandates would give consumers a choice. ND has been using abstractors for 100 years and that will not change over night, and we believe customers will choose using and abstractor unless they are under a short time line. SB 2082 offered amendments and we have supported it, but it does not solve the problem. Regulation does not solve the problem. The real question is does the consumer need the protections that are mandated under the current law?

**Rep. Kasper:** I have several question I would like to ask: Page 1, Second Paragraph. Farm Credit Associations are cooperatives - therefore do cooperatives pay real estate taxes?

**Steve Tomak:** You know ideal to the CEO, yes we do.

**Rep. Kasper:** You mentioned in the back of your testimony that you are for competition. Does Farm Credit have competition in the area that you serve in ND, or you sort of the only place that the farmers go for the type of loans that you produce?

**Steve Tomak:** Farm Credit has a very competitive market, the agricultural lending business is very competitive. The independent community banks and the ND Bankers Association, the members of their association all are very interested, so yes we do have competition.

**Rep. Kasper:** Your bill proposes that your entity would be writing the title insurance, it that the intent of the bill?

**Steve Tomak:** That is not. Let me be crystal clear on this point. Farm Credit does not intend to sell title insurance nor do we intend to employ attorneys. The intent of this bill is to provide consumers with choice, and to give them an alternative that they don't have today.

**Rep. Kasper:** Then where would the title insurance be purchased under your bill?

**Steve Tomak:** Title insurance can be purchased in any number of locations. Certainly the abstractors themselves can sell title insurance. Attorneys sell title insurance. Title companies sell title insurance.

**Rep. Kasper:** Could you explain if I were to purchase title insurance for my home mortgage or my farm mortgage, whatever the case might be, would the abstract still be brought up to date, or does the title insurance - is that sufficient so that you never bring the abstract up to date. How does that process work?

**Steve Tomak:** It is my understanding that the way the process currently works, is you are required to receive title evidence from an abstractor before you can purchase title insurance. You need to receive evidence from an abstractor and get a title opinion. What this does is remove those two mandates. And it would allow the underwriters for the title insurance policy to determine what criteria they need to meet before they issue that policy. Commonly I think in other states it is my understanding that a title memo is sometimes used if there is a prior title insurance policy in place, they will use that to go forward. This removes that requirement that you need to receive that information from a registered abstractor.

**Rep. Kasper:** Is the abstract brought up to date during this process of title insurance, or is not?

**Steve Tomak:** At this point on agricultural properties it is. If this bill is passed it would not be required.

**Rep. Kasper:** At the bottom of your testimony, Page 1, you are making some pretty strong statements that abstracting in some counties takes 4 to 6 weeks, and 2 to 6 months in other counties. What counties are you talking about?

**Steve Tomak:** We have identified several counties that have a case of slowness. During the discussion on SB2082, and on this discussion, we have resisted naming those counties, and I am not sure if it really serves well to name those counties publicly. We can identify this counties, but what good and what purpose does that serve? We do have documented those counties that have cases that are slow, our loan officers know who they are, we know that this routinely takes longer, and rather than throwing names out for the discussion of the bill I would hope that the committee would be satisfied that we left those counties unnamed.

**Rep. Kasper:** I for one would not be satisfied Mr. Steve Tomak, because a good part of what you are asking for in this bill revolves around that one key part of your testimony. So you are saying the abstract companies are slow, so it is very easy to say that there are some of them that are slow, but without having to identify them - that does not satisfy me at all. It does not allow the people of the counties you are concerned about to defend themselves.

**Steve Tomak:** We have named those in a non public conversation privately with the abstract board. I will if it satisfies the requirement. I will actually name some of those counties that consistently have some time problems. They would start with Bowman, Oliver, McLean, Foster, Rolette, there may be other counties in the east, but those are the five counties that we have identified that have chronic cases.

**Rep. Kasper:** Now would you talk about the process of underwriting alone. Lets say a farmer comes in and wants to implement a loan with Farm Credit Services. From the day that farmer walks in to the office to the day the loan is approved; is there an average timeline that the process takes? Assuming it is not a difficult loan to underwrite and not a real easy loan to underwrite - just an average loan.

**Steve Tomak:** Depending upon how we score that particular loan, and what criteria and whether that information is available, that loan may be approved within an hour or it may take several days. Generally it is in a 1 to 3 day time period before a commitment can be issued.

**Rep. Kasper:** Once that decision is made then you go to clear the title and do the abstract, and do the title insurance check and so on?

**Steve Tomak:** That is correct. At the point in time the commitment is made the applicant then is informed of what they need to do.

**Rep. Kasper:** When do you start talking about the lock in on the loan interest rate?

**Steve Tomak:** If the customer wishes to lock in a rate at the point in time that the commitment is given, generally there is a 45 day window that the customer has to close that loan to receive the rate that is available to them on that date. If they are not able to make that 45 day commitment, then they are asked as a requirement if they want to continue that particular rate lock, it is half a point per 30 day period.

**Rep. Kasper:** However, there are other time periods that you can lock, for example, I just got done buying a new home in Fargo. We are working with a mortgage broker, and he offered me various times to lock in my interest rate. It could be 30, 60, 90 days, etc. The longer you go on the lock, the higher the interest rate.

**Steve Tomak:** That is correct. You don't even have to do a rate lock. As a customer, you can just ride the rate and just take whatever rate is available on the date of closing.

**Rep. Kasper:** When the decision is made to go for the loan, and the loan has been approved, at that point in time, is that where you are saying the problem is? When you get to that point and

there are only 45 days to get the job done, and in many instances the abstract is not done and back to you in time, the loan cannot be underwritten?

**Steve Tomak:** Yes Mr. Chairman.

**Rep. Dosch:(20.6)** Do you know what are the qualifications to become an underwriter?

**Steve Tomak:** I do not know that.

**Rep. Dosch:** Does the abstractor board also oversee or have any jurisdiction over title insurance companies?

**Steve Tomak:** The Insurance Commissioner regulates title insurance companies.

**Chair Keiser:** You made a statement that, generally speaking, your customers would prefer the current process, but it is only when they get in a time crunch that they would probably choose the simpler approach. If they would prefer it, doesn't it make sense to find a way to assure that they have access to the process they prefer, but in a timely fashion?

**Steve Tomak:** Keep in mind that there is a difference between residential and agricultural financing, in that the number of abstracts you deal with and the entries of the abstracts can sometimes be more overwhelming for an agricultural one. Farmers and ranchers have a great deal of money invested in those abstractors; they cost a lot of money to replace, and with that investment it is going to be very hard for that mentality to wane. Generationally they have been taught that abstracts are very valuable, and as we go about modifying that process you go through the second guessing. I think it will be difficult for many people to do that, but when you have a time crunch to get an abstract done, currently there are no other options. We need to have options. In 1999 we had this same argument, and after that time, the turnaround time improved



for a short period of time or changed from one county to another. We are totally at the mercy of the abstractors, and we constantly run up again that and we need to find alternatives.

**Rep. Dosch:** That goes back to the abstractor board, doesn't it? Are they allowing this to happen?

**Steve Tomak:** I think the abstractor board, in my understanding, are given little option. They either pull the license or let them go. There are no penalties in place. That is what SB2082 speaks to. It broadens the disciplinary powers of the abstract board. That will, in some cases, solve part of our problem, but regulation is no substitution for competition. Other states have gone to this and I believe it has served them well.

**Rep. Nottestad:(26.6)** There is a companion bill with this legislation to strengthen the abstract board; was there anything done at that time to strengthen the powers of the board?

**Steve Tomak:** I do not believe so.

**Chair Keiser:** Does the fact of the abstract not having to be brought up to date present any problems in the future?

**Steve Tomak:** Let me clarify, it is my understanding that if this bill passed, that the abstract would not be required to be brought up to date. As evidenced with the settlement charges on the handout I passed out, you will see that the abstract was brought up to date and was still used at least in the financing of my home mortgage. Title insurance will replace that, and people will become confident in that. As an example, the flood in Grand Forks caused many to lose their abstracts, and title insurance is the only method of title review today.

**Dennis Laumb - Valley City farmer:(30.1)** In support of the bill. (See Attached Testimony)

**Rep. Dosch:** You indicated by legislating title insurance we would be providing the abstractor and lenders the opportunity to bring value to your customers. Is it not an option now in some of these areas?

**Dennis Laumb:** I am not certain that I understand you, but referring back, yes you have a choice in residential.

**Danny Price - Owner and operator of Missouri River Feeders: (32.5)** In support of the bill.

**(See Attached Testimony)**

**Mark Wald - Rural Mandan, ND:** In support of the bill. **(See Attached Testimony)**

**Rep. Kasper:** Concerning #3, when did you loan actually close on that transaction?

**Mark Wald:** It cost me money to hold the loan, we actually closed earlier, it cost me more money because of the delay, I am not sure exactly how much.

**Rep. Kasper:** One more question, I am getting confused on hearing the testimony. I am hearing that title insurance is going to solve all of the abstract problems. Doesn't the abstract be brought up to date and a search done to make sure that all the things are in order like you found in your situation, even if you buy title insurance?

**Mark Wald:** My understanding of title insurance, if I buy title insurance, and something happens behind me, I have the title insurance to protect me.

**Rep. Kasper:** Wouldn't the abstract still in that process be brought up to date?

**Mark Wald:** I cannot answer that.

**Chair Keiser:** If you checked into title insurance, and mistakes were made, would the title insurance company issue insurance that much faster? They will want to insure a property that is correct in all its information.

**Mark Wald:** I would understand that if there is a title insurance that gets involved; it is no different than health insurance, they ask a series of questions and then they determine rates etc. I did not go into detail, and have not researched that.

**Ron Tholkes - Munich farmer and Director of Farm Credit it Grand Forks:(41.5)** I am here in support of bill HB1483. I am in a situation where an abstract for some of our family was misplaced or lost; in order for us to sell or transfer, we no other option other than redoing the abstract. The last abstract update and title opinion cost me \$460.00 for  $\frac{3}{4}$  of land. If I had to redo an abstract today with all the entries, it would cost around \$1500.00, depending on the number of entries. My point for this testimony is that I would like to be given the option to purchase title insurance instead of replacing the abstract. Right now I do not have that option. I can't compare the cost. I am not sure what the comparison would be. Time could be an issue. Personally my generation still has the mindset of wanting the abstract to be available to me, but I am not so sure that it will be the mindset of future generations.

**John Stevenson - Employee of Farm Credit Services in Minot:(45.7)** I would like to offer testimony that might answer some of your questions in regards to abstracts verses title insurance. Surely a title insurance company is not going to issue a title insurance policy without checking for previous flaws. A title must be clear before it is passed. That is our concern as a lender; to have our mortgage position protected. The reason we are supporting passage of this bill is currently there is a duplication that occurs. Under the current system, the law requires that the abstractor certify the title and then the attorney would read that abstract and give there opinion. That is where the flaws in title issues would come out to be corrected. At that time we usually will close the loan and file the mortgage, the abstract is brought up to date again to show that

recording and the attorney will again look at that and say that everything has been corrected. That cost gets passed on to the borrower. What the option that we seek is, under title insurance, definitely the title is still checked, the process is still the same because the title insurance is not going to issue a policy if there is any flaws that they are going to be liable for. Under the current law the abstract is required, the attorneys opinion is required, and then the title insurance company will come in and do their process. That would be a duplication if you are going to go with pure title insurance. You would eliminate a certification on an abstract and you would eliminate a title opinion by an attorney. Definitely the title insurance company and us as lenders want that title checked for flaws. Title insurance policy under current law is probably not much of a savings, but the borrower still has a choice. The first move to title insurance is not much of a difference, but after that you will see a difference. It will be cheaper and much faster. That is what we are getting at. **(Tape 1, Side B begins)**

**Rep. Thorpe:** Isn't this similar to what oil companies have their own legal people do?

**John Stevenson:** Yes, it would be and the way it would be similar is that their representative is checking their title and making sure that it is clear.

**Rep. Nottestad:** Is there any assurance that the counties that are slower in abstracting would get title insurance any faster?

**John Stevenson:** Probably not, but also the competitive nature would be in there if they are not getting this completed, then the title insurance may choose some other manor to get their title information.

**Rep. Nottestad:** If an abstractor is still required give the information to sell the policy then the speed is in essence still a problem.

**John Stevenson:** Yes

**Rep. Kasper:** Under this bill the abstract does not go away - is that correct?

**John Stevenson:** Yes

**Rep. Kasper:** Under current law, without this bill, what I think I have heard said is that you can do everything you would like to do now under current law without this bill; except for some time constraint. Is that correct?

**John Stevenson:** What I think the difference would be: The requirement by law that the title be updated by an abstractor and an attorney issue an opinion.

**Rep. Kasper:** What I think this bill does is replaces the attorneys opinion with title insurance - is that the main purpose of the bill?

**John Stevenson:** I think this bill would have more of an impact on title attorneys than it would on abstractors. The abstractors are still necessary in either case.

**Chair Keiser:** I think there is some confusion on what title insurance does for the owner of the land. There are two forms of title insurance; one for the lender and one for the buyer. If the buyer wants title insurance, they have to get their own, correct?

**John Stevenson:** That is correct, but there is a definite cost savings if they purchase the owners policy at the same time. In the end the cost savings is much greater with title insurance; as time goes by it becomes more expensive the more extensive an abstract becomes.

**Rep. Boe:(6.6)** If I wanted to have my attorney go to the register of deeds office, research the title, issue me the title opinion, and purchase the insurance, if we adopted this law?

**John Stevenson:** If the title insurance company were comfortable with the information they received on the title, whatever the source, they could issue the title policy. Under current law,

the title insurance company is required to have an abstract and have an attorney read that abstract with an opinion.

**Rep. Boe:** Is that the case in all the land transactions or only in ag transactions?

**John Stevenson:** It is true from the standpoint of title insurance before a title insurance policy can be issued. If we choose at this time to lend money on land we will get the abstract and have the abstractor update it, and get a title opinion so that we know the title is clear. We as lenders must prove that we have a first mortgage position, so we have an attorney sign off on that. It is safe business practice to have an abstractor update that title and certify it.

**Rep. Boe:** What triggers this portion of the law is that I am seeking financing?

**John Stevenson:** What triggers this portion of the law is if you choose title insurance. Then you are required to have the title brought up to date by an abstractor, and have an attorney give an opinion before a policy can be issued.

**Rep. Kasper:(9.2)** Without this bill, I believe, he could still do things in this manner. If this bill is not passed, he could still do what he is concerned about?

**John Stevenson:** Yes that is correct.

**Chair Keiser:** As a lending institution and as a customer, if I come to you and I am requesting significant financing and I have an updated abstract that has been certified, an attorney has reviewed it, and I go out and get title insurance, I have more security in more people being involved and accountable. What this bill would do in some occasions the lending institutions, if comfortable, would go strictly with the title insurance and maybe make the deal.

**John Stevenson:** Both would not be required. **(Referred to sheet comparing Title Insurance and Attorney Title Opinion).**

**Rep. Vigessa:** If this bill passes and several years go by, and a piece of property has been sold several times, and has two or three counties involved, and the abstract has not been updated at any point, and someone wants to borrow the money for this property; could it be such that the abstract has never been updated and would you then say the abstract needs to be updated?

**John Stevenson:** We will say that we need evidence of clear title. Currently we would ask for the abstract to be updated.

**Rep. Kasper:** You made a good case for purchasing title insurance. But, again, can anyone currently do that today if they so choose?

**John Stevenson:** Yes, that is correct.

**Claude Sem - CEO of Farm Credit Services, Minot:** I am here in support of HB 1483 (See Attached Testimony)

**Mike O'Keefe - CEO of Farm Credit Services, Mandan:(24.6)** I am here in support of HB 1483 (See Attached Testimony)

**Rep. Nottestad:** When you are looking at updating an abstract for a loan, do you require both the surface and the mineral rights in an abstract to be researched?

**Mike O'Keefe:** No, we are only concerned about the surface for our loan.

**Rep. Nottestad:** Oil land apparently is a whole different issue, is that correct?

**Mike O'Keefe:** Yes, that is an issue we understand.

**Chair Keiser:** Anyone else here in support of HB1483?

**Chair Keiser:** Now we will hear anyone here in opposition of HB1483.

**Grant Shaft- Attorney with Shaft, Reis & Shaft, Grand Forks, ND:** I am here in opposition to HB 1483. (See Attached Testimony and Settlement Statements)

**Rep. Thorpe:(48.0)** In your comparison of ND and Minnesota, is that estimated after the flood of 1997 in Grand Forks County?

**Grant Shaft:** It would be estimated as of today. That same \$110 fee was \$90 in 1997.

**Rep. Kasper:** Under ND law today, who sells the title insurance?

**Grant Shaft:** The agent sells the title insurance company would.

**Rep. Kasper:** Who owns those title insurance companies?

**Grant Shaft:** It varies, some like our agent sells and is owned by our law firm, but there are privately owned companies as well.

**(Tape 2, Side A)**

**Rep. Kasper:** Can entities be jointly owned and sell title insurance, and make commissions from the sales?

**Grant Shaft:** It is my opinion that they can, to be clear, this opinion can be debated. They will have to deal with some RESPITE issues (Real estate Settlement Practices Act), a federal law that regulates various entities that provide services in residential real estate transaction. Banks, Abstractors, Title Companies, Appraisers, etc.

**Rep. Kasper:** In your opinion, is there a conflict if a lender provides the mortgage and sells the title insurance?

**Grant Shaft:** There is another layer in the conflict. Perhaps the biggest conflict is that typically the lender has security at issue. What a lender is concerned about when that get the loan, is that they have a first position mortgage. If it is a first position that they are making. They do not have the marketability of that title or the owners interests as first priority at that point. There could be a conflict.



**Jim Horner - Lobbyist for ND Land Title Association: (1.3)** I am here in opposition to HB1483. (See Attached Testimony)

**Rep. Nottestad:** There were some insinuations made earlier about some offices not having fax machines and things like that. I would like for you to talk about that. Are you that far behind in some areas.

**Jim Horner:** You have to remember each one of these is a separate independent business, and some of them refuse to buy it. There are very few that will do that because they are in a county that has very little business and any investment that they make comes right out of their pocket. Most of us today are very technology savvy. We have to be for the most part.

**Rep. Nottestad:** In 1999 this bill was before us; why now is it before us again and 5 five years later at that if there were so many that are not doing their job or are slow?

**Jim Horner:** Because nobody complained. The two bills are different. The bill in 1999 only did away with the attorneys opinion, not the abstract.

**Rep. Nottestad:** Are you saying that since 1999 there have been no complaints on abstracts?

**Jim Horner:** I have never seen any, but I would have to refer that to the boards examiners. I did asked the board before testimony if they had received any from Farm Credit, and they said that they have received one complaint.

**Rep. Torpe:** Many of our counties have become quite small, and I would like to know what provisions have been made for abstractors that serve more than one county?

**Jim Horner:** There are some that combine counties, and that is the only way that they can survive.

**Rep. Nottestad:** You said you also sell title insurance through your company if I understand correctly, or you are an agent?

**Jim Horner:** Our company is an agent for seven different title insurance companies. I was hoping someone would ask about the risk of carrying prior title insurance policies. That is not true. From one owner to the next things can change depending on the owner.

**Rep. Thorpe:** Wouldn't the fact that there are four title insurance companies for sale that cannot be sold be an argument to do what this bill proposes?

**Jim Horner:** I don't know. There might be other circumstances that would effect that.

**John H. MacMaster-Licensed Abstractor in Williston, ND: (19.1)** I am here in opposition to HB 1483. My family has been in business since 1907 and we have 619,000 documents on record. I have experience with a customer that came into our office with an abstract that dates back to 1907. This man was buying a quarter of land, he had approval and everything that he needed. It consisted of only a few pages. Today there are 50, 60, 70 pages or more to a document. The industry has changed drastically and we are for the most part keeping up with the technology changes. The consumer on the other hand does want everything done right. The consumer may not be trained in real estate title, even some relators don't know the difference between a deed and an abstract. My business requires education, training, experience, and licensing. I feel this law will open the door for many inadequately trained people who will be using this big word that corporations can adequately determine the risk of insuring titles. Eliminating the attorneys, it would be a drastic mistake in my opinion. We work with all the attorneys, and they have been trained and they follow all of the laws required. Most of us are

very careful with our work; there are a few people that ruin it for everybody. We are not all perfect, but we are all doing our best.

**Rep. Thorpe:(27.9)** Could you answer for me; previously we had a testifier that comes from 4 generations of farmers and ranchers that had a fee of \$20,000 to update an abstract, and it caused a lag in time for the loan to be completed. That seems excessive to me, do you have any light to shed on a situation like that?

**Chair Keiser:** If I may interrupt, we have other information on that. There were mineral rights involved, etc. John does not have to comment on something he was not involved in.

**Chair Keiser:** When the abstractors are not turning over work in some of those counties, could it be as a result of the recorders responsible to get them out being behind?

**John MacMaster:** Ideally the information should be right up to date.

**Downey Larson-Licensed Abstractor for ND: (33.2)** I am here in opposition of HB 1483. (See Attached Testimony)

**Gabe Hermes - Wahpeton, ND: (39.1)** I am here in opposition of HB 1483. (See Attached Pricing Handout) I would like to touch a couple of questions that have been raised during this mornings testimony. There is only one abstract company without a fax machine. I know that because I am the secretary of the association. ND abstractors are currently regulated with the \_\_\_\_\_ law for \_\_\_\_\_ errors and admissions insurance, and are licensed after the office is licensed. Working in Minnesota there are no requirements. In 2002 and 2003 a woman came in with only an abstractors license to our office and worked while the volumes were high on many abstracts. We are still correcting those today. I must disagree with Lobbyist Jim Hoerner. The out of state companies are here now. This statute, the way it is written, doesn't allow him to.

I have a statement here that I am taking to the Insurance Commissioners office today. We have been working with them because the last line of the bill, if it is not changed there, says that the insurance written without the title evidence, it must have their certificate of authority revoked. This is property in Richmond County. We have the only certificate of authority to issue title insurance in Richmond County. They obtained no evidence from us. To issue title insurance on this property they charged 5 or 6 hundred dollars. They have no clue what they have got. This is an out of state company and they didn't do anything. You will see that more often. They are trying to do it now the way the law is, and we are trying to police it and keep them from doing it; Protecting the consumers so that their real estate and their investment is protected. Please vote a do not pass on this bill.

**Rep. Clark:** Concerning the Certificate of Authority violating this section must be revoked; is that the present language?

**Gabe Hermes:** Yes, it is now, but if you eliminate the requirement to obtain that title evidence, there is no requirement. You must adequately determine the risk. It leaves it wide open.

**Chair Keiser:** Some comments on the ability in ND to bring any bill to committee and it will be heard. I would like Mike O'Keeffe to come back up and clear up a few questions after clearing up some information in his testimony after speaking with his loan officer on the two loans presented.

**Mike O'Keeffe:** (46.6) The loan being in ND and SD consisting of 6,600 acres, and the cost for title insurance being \$4700 and the \$26,000 for abstracting (two charges, updating surface and mineral rights for \$17,000 and \$9,000 for updating to prior).

Page 19

House Industry, Business and Labor Committee

Bill/Resolution Number HB 1483

Hearing Date 2-9-2005

**Chair Keizer:** Anyone here to testify in a neutral position? No one there. Committee adjourned.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1483

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 2-9--05

Tape Number	Side A	Side B	Meter #
4	xx		20.0-31.4
Committee Clerk Signature <i>Sam Dever</i>			

Minutes: (This is afternoon discussion on HB 1483)

**Chair Keiser:** We heard this earlier; what are your wishes?

**Rep. Dosch:** It sounds that the primary concern was the time lags and getting some of the counties to move forward in a timely manner. The senate bill addresses that issue. Maybe we should give that a chance to go through and see if that takes care of the problem.

**Rep. Boe:** We heard testimony on lack of competition. I looked up in century code, 43-01-19, allows the county register of deeds to also do abstracts and charge a fee. There already is competition in the county.

**Rep. Kasper:** I move a DO NOT PASS.

**Rep. Nottestad:** I SECOND.

**Rep. Dosch:** 93% of the e-mail I received was against this bill so it's hard for me to support it.

**Chair Keiser:** Call the roll.

**VOTE:** 13 Yes, 0 No, 1 Absent **DO NOT PASS** -passed; Rep Boe will carry the bill.

Date: 2-9-05

Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1483

House INDUSTRY, BUSINESS AND LABOR Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Rep. Kasper Seconded By Rep. Nottestad

Representatives	Yes	No	Representatives	Yes	No
G. Keiser-Chairman	/		Rep. B. Amerman	/	
N. Johnson-Vice Chairman	/		Rep. T. Boe	/	
Rep. D. Clark	/		Rep. M. Ekstrom	/	AB
Rep. D. Dietrich	/		Rep. E. Thorpe	/	
Rep. M. Dosch	/				
Rep. G. Froseth	/				
Rep. J. Kasper	/				
Rep. D. Nottestad	/				
Rep. D. Ruby	/				
Rep. D. Vigesaa	/				

Total (Yes) 13 No -0-

Absent -1- AB Ekstrom

Floor Assignment Rep. Boe

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
February 10, 2005 7:19 a.m.

**Module No: HR-27-2353**  
**Carrier: Boe**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1483: Industry, Business and Labor Committee (Rep. Keiser, Chairman)**  
recommends **DO NOT PASS** (12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING).  
HB 1483 was placed on the Eleventh order on the calendar.



**2005 TESTIMONY**

HB 1483

**Testimony on HB 1483**

**by Steve Tomac**

**Executive Director, North Dakota Farm Credit Council**

**February 9, 2005**

Mr. Chairman and members of the Industry, Business, and Labor Committee, for your record my name is Steve Tomac. I am the Executive Director of the North Dakota Farm Credit Council. As evidenced by the full committee room, this has become an emotional issue for some. Let me say at the outset, Farm Credit is not here to put anyone out of business. We have a very large investment in rural North Dakota and as we help equip our farmers for the 21<sup>st</sup> Century, we believe they should have a choice in the method of title review. HB 1483 gives them a choice.

Farm Credit associations are cooperatives that were created by Congress in 1916 and are charged with serving every rural county in the United States. Each cooperative is governed by a board of directors who are elected by the members. The four Farm Credit cooperatives in North Dakota have a large investment in rural North Dakota. With a combined customer base of about 18,000 farmers, Farm Credit associations in North Dakota have outstanding loans that exceed \$2.3 billion.

Farm Credit is the major agricultural real estate lender in North Dakota. As we bring interest rates from Wall Street to rural North Dakota, we get caught in a time crunch. In more and more cases, the interest rate products expire before the loan can be closed. The delay is predominately due to the time it takes to abstract. The abstracting commonly takes from 4-6 weeks in many counties. In some counties it routinely takes 2-6 months thereby denying our customers the opportunity to do rate locks without a penalty.

We believe that HB 1483 will help correct that by allowing the consumers a choice between abstracting and title insurance. Under current law (26.1-20-05 of the North Dakota Century Code) title insurance may not be issued unless the title evidence is received from an abstracter and an attorney examines the title evidence. HB 1483 removes those mandates and allows the underwriters of title insurance companies to determine what information is necessary before issuing a title insurance policy.

Does the consumer need the protections that are mandated under the current law?

Some may feel that consumers enjoy the benefit of having an attorney review the title evidence. Of course the cost of that review is borne by the consumer who isn't given the choice under the present law. Nonetheless, the real question of consumer protection typically comes 4-40 years after the fact when the title is transferred again. What recourse does the consumer have at that point? It is my understanding that the statute of limitations of an attorneys' opinion is 2 or 3 years while an owners title insurance policy the coverage is effective until the owner transfers title to someone else.

North Dakota and Oklahoma are the only two states that still have a statutory requirement for abstracting prior to issuing title insurance. In Montana and South Dakota, abstracting is rarely done and title insurance is the preferred method of title review. In Minnesota, consumers have choice but the preferred method is still abstracting. North Dakota's present law requiring abstracting before the title insurance policy can be issued makes the use of title insurance more costly than in other states.

I would say that most everyone here has probably bought title insurance whether they know it or not. Most residential loans require title insurance because they are sold on the secondary market. The removal of these two mandates will have a nominal effect because the residential financial market loosely interprets the law. Once the original title insurance policy is put in place, abstracting and title opinions aren't used anyway.

The North Dakota Century Code requires an abstractor to have a plant within the county that they abstract. It therefore becomes cost prohibitive to have more than one abstractor in most counties. With the restrictive abstract plant law that abstracters enjoy come the responsibility to provide service. Yet some abstractors have done little to improve their ability to provide good service. Farm Credit was surprised to learn that some abstractors do not even have fax machines. Since this bill was last introduced in 1999 we have patiently waited for abstractors to modernize and improve their business. Some have and most of the abstractors provide very good service but, as is often the case, a few make it bad for the rest.

During the past couple of years we have become aware of the situations our customers have found themselves in while at the mercy of those who hold a monopoly in rural North Dakota. For example, on Tuesday of the 2<sup>nd</sup> week in January one of our loan officers reported that he called a county abstractor to give them a heads up on an abstract that was coming and he was told it would be around Easter before it would ready. In fairness to that abstractor, the abstract was returned within a week after we introduced this bill. Farm Credit has documented many examples of abstracts that have taken 4 to 10 months to complete. Whether the reason be lack of trained help or failure to invest in technology, this type of turnaround is unacceptable. The consumers have no choice and it denies them their opportunities.

The opponents of this bill might suggest that HB 1483 will force some county abstractors out of business and leave the consumer with nothing. We believe these fears are unfounded. The removal of the two mandates simply gives the consumer a choice. We believe our customers will still chose abstracts except when they are under a short timeline. Keep in mind, we've used abstracts for over 100 years and that will not change overnight. In Minnesota, which operates under a similar law, abstracting is still the preferred method by Farm Credit customers. In Montana, the abstractors' state that the revenue lost in abstracting was replaced by writing

title memos for title insurance and by selling title insurance. In South Dakota, the abstracters receive a portion of each title insurance policy sold within their county. On the 2<sup>nd</sup> point about leaving the consumer with nothing, we understand there are some counties which may not generate enough revenue to have a business. The rhetorical question is...will those abstracters be able to survive in business anyway? HB 1483 will give the consumer more choices in title review, not less.

The Committee should be aware that SB 2082 has been heard by the Senate Political Subdivisions Committee. SB 2082 broadens the disciplinary powers of the Abstracter Board as it tries to address some of the problems. We have supported SB 2082 and have offered amendments but feel that it does not solve the problem. Regulation is no substitute for competition. Regulation will not help modernize the system. Regulation can only react after a problem is recognized. Regulation does not refund the duplicate cost. Regulation will not bring North Dakota closer to the national market. And, having abstracters regulated by their neighboring abstracters becomes very difficult. SB 2082 does not solve the problem.

Mr. Chairman, as you and the members of this Committee wade through the confusing information that is forth coming, I know you'll ask the simple question and the only question the Committee needs to answer.... does the consumer need the protections that are mandated under the current law?

We stand before you today without other options. On one hand, we have a national market for agricultural loans which is similar to the residential market and gives a narrow window to do rate locks. On the other we are one of two states that still require abstracting for both methods of title review. The consumer is left with no choice but to wait. Abstracters have no incentive to modernize. HB 1483 gives the consumer a choice.

Thank you Mr. Chairman, and Representatives of the Committee.

My name is Dan Price, owner/operator of Missouri River Feeders and Price Cattle Ranch. My brother and I are fourth generation farmers and ranchers.

This past year we have spent \$20,000 on getting our abstracts updated. This cost was incurred JUST due to refinancing loans. Also, our loan process was slowed down because we had to wait for the abstracts to be updated.

We do feel there is a monopoly in this area and we are at the mercy of one option. As a land owner, there has been no recourse to recoup the costs incurred, and this seriously affects my business opportunities.

Please support House Bill 1483.

**Industry, Business and Labor Committee**

**Bismarck, ND**

**February 9, 2005**

**RE: House Bill 1483**

**"NO" Vote**

I am a 3<sup>rd</sup> generation abstracter. My grandmother was an abstracter and my father is currently an abstracter-- I grew up in my office. I now run Ramsey County Abstract in Devils Lake with my father. Our company has been incorporated since 1899 and provides abstracts, title insurance, and loan closings. I love working with my family in North Dakota. North Dakota is a great place to live and raise a family.

I have been involved in the title industry my whole life. During this time, there have been periods of feast and famine, as in every business. The North Dakota Legislature controls, to a large degree, the abstract business. The maximum fees for abstracting are set by the legislature; in addition, the laws require the abstract company to maintain a complete and up-to-date set of real estate records (similar to the County Recorders Office) in the county for which it is granted a Certificate of Authority (the company's license to operate in and for said county). The company is also required to carry errors and omissions insurance. The maintaining of the real estate records is expensive, not only the microfilming and /or photocopying, but the employee hours to label, file and then index each and every instrument to an index system, which is very time consuming. An instrument is every deed, mortgage or other document submitted to the County Recorder for recording.

In addition, the individual abstracter is required to pass a state exam before he or she is issued a Certificate of Registration which allows them to be in charge of an abstract company. The state then has continuing education requirements on these individuals. The licensed attorneys who examine these abstracts are also highly educated, tested, and are also subject to continuing education requirements in North Dakota. House Bill 1483 would not require anyone in the issuance of title insurance to take a competency test or be subject to continuing education requirements.

So now along comes Farm Credit Services and their bill 1483 which would effectively make the investment in the abstract company worth a lot less and would now allow someone approved by an out-of-state title insurance company to do the searching and examination of the title records. No one knows at this point how the search will be made - maybe by a telephone call to the local County Recorders office. In addition, this system, if passed, will even further the loss of tax revenue to the state of North Dakota. In the recent past, with the big number of residential refinances, there have been closing companies, mortgage brokers, and finance companies obtaining title information from various sources, i.e. County Recorders, Private Investigators, Credit Information Systems, and Abstracters, wherein title insurance obviously has been written out-of-state because the original mortgage has been assigned. The assignment of that mortgage would indicate a Mortgagees title insurance policy had been written on the property, and who knows whether or not the policy was written by a title insurance company licensed in North Dakota and the applicable taxes paid to the state of North Dakota. House Bill 1483 would certainly extend the possibilities for the above to take place.

The local abstracter in many cases does more than just typing abstracts. We are required to be experts in various areas: surveys, legal descriptions, title standards, etc. There are daily instances where we will see an error and contact the lender, customer, realtor, or county recorder. These interceptions save the customers money and help to assure that the title transfers go smoothly.

Farm Credit Services has cited cost per acre in comparing title services. This comparison does not work with title insurance. For example, in our area 1,000 acres of pasture at \$175 per acre = \$175,000 wherein in the valley 1,000 acres of land at \$1500 per acre = \$1,500,000. Since the title insurance premiums are based on the dollar amount of the policy, there could be a marked difference in the title insurance premiums on a per acre basis.

Our North Dakota title problems are very minimal and this is due to the system employed over our past history. The Farm Credit Services lobbyist stated at a meeting with the North Dakota Land Title Association that 95+% of the time there are no problems. This is a pretty good customer satisfaction percentage for an industry spread across North Dakota, especially with the variety of title issues involved when you consider they run from large cities to bare farm land to lands sitting over coal and oil.

You will find the abstracters in this state are professional, knowledgeable and extremely hard working. Our turn-around time for an abstract update in our office is typically 2-3 business days. If title insurance is required an additional 2-3 business days are needed. Please remember that this is a review of the entire history of the property, which is needed in order to uncover prior defects in the title. This is exceptional service when considering all of the many places that we must research. The land indexes, the tax records, the central indexing system, and numerous indexes in the Clerk of Court.

In conclusion, abstracters are in general good community members. I know abstracters who have served in many different capacities: from Mayors and County Commissioners to Hospital Boards and Community Development Corporations. We are community volunteers, elected officials and employers in North Dakota. Let us not harm one industry because of the alleged actions of a few, especially since the supporters appear to only be interested in furthering their own profit margins. Should we in North Dakota, by one stroke of the legislative vote, opt to gut one industry with a presence in every county to accommodate big lenders and big out-of-state title insurance companies?

Please vote to support the economy of North Dakota and to protect the consumers of our state. I thank you for your patience in hearing my testimony and urge a "No" vote on this legislation.

Sincerely,



Downey Larson,

Ramsey County Abstract



HB 1483  
TITLE INSURANCE

Introduction

Mark Wald, rural Mandan, ND

Position

Support house bill 1483

Concerning title insurance issuing prior to abstracting and legal review

Reasons

- 1) Allows consumers to have a choice of title transfer without duplicate costs that the current system imposes. (getting updated abstracts, then a legal review, then paying again for title insurance)
- 2) Superior consumer protection- title problems are not found until transferred years later
  - a) Purchased a duplex- owner was in the air force transferred to Fortuna, ND. Abstracting and legal work was completed. 2-3 years later duplex was refinanced and I found out abstract work and title opinion was wrong. I was paying for some other home. This took months to resolve due to seller transferring from Fortuna, ND.
  - b) Purchased some land, During the review process ONE acre was not deeded and recorded correctly. This delayed the closing 2-3 months. The sellers felt I was delaying the closure and the financial institution nearly lost the favorable interest rate.
- 3) Turnaround time for title insurance expected to be 2-3 days rather than weeks or months at a less of a cost than abstracting and title review.
  - a) Refinanced property started in May 04 due to favorable interest rate. I received final title opinion and recording information January 2005. I nearly lost the favorable interest rate due to this delay.
- 4) Abstractors should be able to continue their revenue source by selling this new Title insurance option if HB 1483 is passed.

Conclusion

Everybody wins by passing this bill. Title transfers will be completed in less time. Title companies will not be effected in a negative way by shifting their business to selling title insurance. Consumers will have an option for better protection by having the title insurance feature available without additional costs.

**Testimony Before the North Dakota Legislative Committee in Support of  
House Bill 1483**

Mr. Chairman and members of the Industry, Business and Labor Committee, my name is Dennis Laumb from Valley City. I am in favor House Bill 1483 because it gives constituents the choice to either purchase an abstract and title opinion or title insurance. Under the current law, constituents who wish to take advantage of the benefits of title insurance have no choice but to pay for both options, thereby increasing the cost of access to title insurance.

We need to modernize North Dakota law to be consistent with neighboring states that have provided this choice for many decades. The benefits of this proposed law have been time-tested in those states. New and more efficient ways of doing title work will not happen unless a change in state law provides opportunity and incentive.

Title insurance is attractive because it affords many protections not available through the abstract and title opinion process. Title insurance operates as an insurance policy for the protection against a disputed title and some unrecorded claims. As with every form of insurance, title insurance provides for a formal claims procedure.

By legislating title insurance, you would also be providing abstractors, lenders, realtors and other professionals the opportunity to bring value to their customers through the form of choice and education.

For these reasons, I encourage members of the Legislature to support the passage of House Bill 1483 which provides for choice without duplication. Thank you.

*Testimony submitted by Dennis Laumb, Valley City Farmer, Director of  
AgCountry Farm Credit Services in Fargo and Chairman of the North Dakota  
Farm Credit Council.*

**Testimony Before the North Dakota Legislative Committee in Support of  
House Bill 1483**

Mr. Chairman and Members of the Industry, Business, and Labor Committee, my name is Claude Sem, CEO of Farm Credit Services of North Dakota which is located in Minot North Dakota. I am in favor of House Bill 1483, a bill that promotes modernization and customer choice.

Managing a business today has changed considerably over the last several decades. Time has become a commodity and wasting it costs money. While most abstracts are completed on a timely basis, there have been occasions where due to delays in abstract processing, it ends up costing our business, and our customer's, money. Since this turnaround time varies so greatly across the state and is somewhat unpredictable depending upon the time of year and other circumstances, it is difficult if not impossible for Farm Credit Services to commit to a quick closing date to its customers on a real estate mortgage loan, no matter how streamlined the internal FCS programs may be. Time is extremely important in this rising interest rate environment. When locking in an interest rate at Farm Credit, we have a limited time to utilize the funds before it is necessary to add on extension fees. This is the same as for secondary market loans which you may be familiar with. Excessive time lapses may, or has, cost the customer money.

Many of us here can relate to concerns you have had when updating abstracts. In the past we have met with the abstracter's board of examiners and aired our dissatisfaction with customer service provided.

The Examiners Board did respond in writing, acknowledging that they have little statutory power or authority over the activities of its members. Our case to them was related to abstracting costs that, again, the customer paid.

House Bill 1483 gives the customer a choice and modernizes the existing statute. Farm Credit is here not to take jobs away from rural America, but instead to foster a growing agricultural community. Simply put, we cannot expect to grow and meet customer demands with statutes that were established many years ago.

If House Bill 1483 passes, it gives the individual bearing the cost a choice. It gives the business a guarantee that our customer will get the best product at the lowest price and completed in a timely and efficient manner. Farm Credit Services will be able to conduct business similar to our neighboring states. We ask for your support of House Bill 1483.

*Testimony submitted by Claude Sem, President/ CEO of FCS of North Dakota in Minot, ND.*

Testimony of James Horner, Lobbyist for the North Dakota Land Title Association for House Bill 1483.

Mr. Chairman and Members of the Committee:

For the record, my name is Jim Horner and I am the lobbyist for the North Dakota Land Title Association. Who and what is this Association? This is an association of the abstract companies and title companies in the State of North Dakota. There is a representation of at least 1 company in every county. At the present time there are 60 different companies, all individual businesses throughout the state. These 60 different companies employ about 400 people. All of these companies together with their employees would like to voice their opposition to HB 1483.

To become an abstract company is no small task. The law requires that you must have in your possession all of the records in the county recorder in the county that you want to abstract in. You have to maintain errors and omission insurance for the protection of consumers in case of errors. All of these records must be kept current and your insurances renewed and paid to keep your license. Also it is required to get a certain number of continuing education hours.

These companies are a business within each community where they are located, employ a number of people in that community. They are interested in making sure that the community grows and prospers so they can do the same. Many abstracters have been on various city and county boards and have been mayors of a community.

We need to work together with a good real estate attorney to make sure that buyers are getting good title to the property they are purchasing. A good real estate attorney is hard to find and is invaluable. The attorney, together with the abstracter, are an invaluable team to provide evidence of title.

Presently North Dakota State Law requires that for a title insurance policy, the evidence of title is to be provided by the abstracter, the holder of the certificate of authority for the county where it is located, and it must be examined by a licensed attorney. This is how the determination of risk is made for a corporation to issue a title policy. The authority is placed in the hands of the professionals able to determine the risk that the record title shows. We strongly believe that this is the very best method for the determination of the quality of the title for purchasers of real estate property.

Let's not forget, real estate property is our homes, our farms, our business, our investments and are of a tremendous value. The right to home ownership is something that is sacred and should not be taken lightly.

HB 1483 would change the law and allow anyone without any qualifications, licensing, insurances for consumer protection, provide the information to determine the risk for insurance purposes. What would be the reason for such a dramatic change?

You have heard that there is a service problem and cost problem. I am not going to say that they

do not exist. However, at a meeting of the association in December, Mr. Tomak from Farm Credit Services was there and spoke for about 45 minutes. I remember him saying that with 95% of the members of our association they did not have a service problem. He also stated that the cost of title work was not a factor. In comparing with other states, sometimes it was higher and sometimes not, depending on what was done.

A 95% approval rating is pretty good for our association, however, we were not satisfied. That is why the Board of Examiners, who is the board appointed by the governor of the state, put together and had introduced SB2082 which would allow temporary certificates of authority to be given if a certificate had to be revoked by the board due to disciplinary problems. This was needed due to the fact that if an abstract company had their certificate revoked, temporarily, another company would be able to service that county.

So why HB1483. The big corporation want to do the title work and write title insurance. This is what they are doing in other states and no matter what is being said about service and price, it is for profit of a big corporation only. They need this change to do the title work themselves. They want to eliminate the need for the abstracter and attorney for title exams. If this happens, the state will be deluged by title defects and many consumers will have to be involved with title clearance work and fees. If you eliminate the professional in any profession and use anyone, you are going to have an inferior product.

The argument can be made that even if there is a title problem, the consumers have insurance. Will they?? Who will see that they get it. Most of the large corporations are lenders and are looking out for their own protection only.

There are different coverages under title insurance, and different insured parties. A lenders title insurance policy insures only the lender and there must be an owners policy for the protection of the consumer. Will this be issued. If the consumer does not have an abstract together with an attorneys opinion what do they have.

So why HB1483. No matter what they are saying today, I know that these large corporation want to write the title insurance themselves, (which they could do today) however they want to eliminate the professionals that provide title services themselves and charge for it.

Title insurance is similar to any other insurance. It is based upon the claim being made and like any other insurance it is not a joy to use. I do not want to have an accident just to be able to use my car insurance, or have damage to my house in order to use homeowners insurance. Do I want to be sick so I can use hospital insurance, and last, I do not want to use my life insurance policy.

All of the 60 companies in the State of North Dakota, together with all of their employees would ask that you vote, do not pass on HB1483.

Thank You

  
Jim Horner, Lobbyist, North Dakota Land Title Association

HB 1483 – Testimony before the North Dakota Legislative Committee in Support of  
House Bill 1483

Mr. Chairman and members of the Industry, Business and Labor Committee, my name is Mike O'Keeffe and I am CEO/President of Farm Credit Services of Mandan.

Before you is House Bill 1483 removing the mandates that title insurance may not be issued unless the title evidence is received from an abstractor and an attorney examines the title evidence. I have no interest in a title insurance company and Farm Credit Services of Mandan has no intent to begin selling title insurance.

The first issues are the technical issues of the bill. They are rather simple – removal of the mandates. The second sets of issues become the reason why?

Farm Credit Services in North Dakota has 18,000 farm and ranch customers and over \$2.3 billion in loans. We have needed a good working relationship with abstractors to process the volume of agricultural real estate loans we handle and in fact, we have had a good relationship with many county abstractors. Raising this issue of title insurance is a business case for our customers and others who purchase agricultural real estate. A business case supported by 1) consumer service 2) consumer cost and 3) consumer choice.

If service can't be efficiently and effectively delivered to the customer, business changes are needed. Access to national money markets has come to agricultural lending as it has to residential and commercial lending. Many of these loan products have front end time lines that cause us to seek ways to speed up the lending process. At the risk of retribution from abstractors, Farm Credit couldn't remain silent. The real estate consumer and business community has had a needed service from all county abstractors but those few abstractors who take excessive time to turn around work product impacts decisions and opportunities consumers need to make in purchase decisions and loan pricing decisions of agricultural real estate.

My second business case point is cost. Late last year Farm Credit Services of Mandan did a cost comparison on the closing costs of abstracting and attorneys opinion in southwestern North Dakota to title insurance and attorney costs in Montana and South Dakota. The 2004 study of 26 loans indicated that it cost an average of \$.76/acre for those loans in Montana and South Dakota which used title insurance and \$1.08 per acre for those in North Dakota requiring abstracting. A similar study in 2003 found that loans closed with title insurance in Montana and South Dakota cost an average of \$.62/acre while the abstracting in North Dakota cost an average of \$2.13/acre. One large ranch on the North Dakota – South Dakota border was particularly interesting and had a significant impact of the 2003 study. The title insurance cost for the 6600 acres in South Dakota was \$4700 and the costs for abstracting and opinion for the 7900 acres in North Dakota was over \$26,000.

Any savings between abstracting and title insurance remains with the consumer. Those dollars stay in the communities with the consumer. It is really a matter of competition. In comparison to title insurance, if abstracting were less costly and would consistently provide the service, abstracting would probably win most times because of tradition – “that is just how it always has been done in North Dakota.” In a business case for the customer, Farm Credit competes with

other agricultural lenders. That competition makes both us better in delivering service and cost value to the customer. That doesn't exist with title evidence. There isn't a choice.

That is my third point in the business case – choice.

When it comes to choosing abstracting or title insurance for agricultural properties, you may hear the opponents saying, it will put abstractors out of business. That is not Farm Credit's intention. Abstractors may need to assess their business and provide themselves alternatives such as selling title insurance or doing title memo work for others, but isn't that a fundamental responsibility of the business to seek ways to remain relevant. In 2004, FCS of Mandan in 20 counties closed just over 180 loans using abstracts. I would venture to say that there were likely 300-400 residential home title transfers in Burleigh and Morton counties with a majority of the title evidence done with title insurance. It isn't the fewer agricultural property title transfers that are the issue to the abstractor's future.

You may hear all that is needed is to communicate better. HB1483 isn't a new concept being proposed. The service, cost and value issues with abstracting existing in 1999 and before. That is why changes such as those being proposed were introduced by others in 1999. We continue to express concerns in 2005 as there are still time and service issues with the current evidence of title process.

I have heard, we just don't know how it is, some abstracts are this thick and others are this thick! We understand some agricultural properties may have more title filings than others. Consumers don't know what the cost of updating abstractors are until after the fact. Title insurance is a cost per \$100 of value. The choice is for the consumer to make.

Opponents may say this bill proposal makes our abstract plants obsolete or worthless if title insurance companies aren't forced to use the abstracting process for title evidence. While I can empathize, businesses constantly make changes to provide customer service and value. Some abstractors to their credit have made changes and are customer focused. Unfortunately, a few have not. And if the issue is totally honest, customer focused abstractors may be hesitant to purchase the abstract plant or to develop means to provide service in some of the rural counties because they know it isn't profitable for them to operate an abstract business there either. In our business, as in yours, if we don't provide service and value, our customer leaves and goes to the competition. Where can the consumer go for an alternative in one of the counties with the "abstract slows"? Or seek title evidence that may be a lower cost?

Some may suggest that if there isn't an attorney looking at the evidence of title, how can one be assured of good title? My question is if title insurance company needs a legal opinion to assure their risk is protected, wouldn't one believe they will secure an attorney for their business interest and risk.

HB1483 gives the consumer a choice. They can use the traditional method of abstracting and title opinion; or they can choose title insurance where the underwriter deals with the risk criteria. In closing, there is a realistic and factual basis to support the why of HB1483 and that is the business case of 1) consumer service, 2) consumer cost and 3) consumer choice.



**North Dakota County Recorders Association  
Ann Johnsrud, President  
201 W 5<sup>th</sup> St  
PO Box 523  
Watford City ND 58854**

Telephone 701-444-3453

e-mail [ajohnsru@state.nd.us](mailto:ajohnsru@state.nd.us)

February 2, 2005

RE: HB 1483

From: Ann Johnsrud, President ND County Recorders Association

Subject: Removal of the requirement for Abstracts of Title and Title Opinions


The North Dakota County Recorders Association supports the ND Abstractors Association in their concerns for HB 1483.

For many years the county Recorders and the Abstractors have worked together for the benefit of all consumers to have accurate and efficient recorded title records.

The ND County Recorders have concerns that HB 1483 may open the door for lenders and others from anywhere in the nation to request or rely on the Recorder to look at title records to find deeds and open mortgages and to determine the risk of insuring the title. There would be no compensation to the Recorder and it would raise the question of liability to the Recorder.

On behalf of the ND County Recorders Association I would ask you to consider these concerns in your discussions on HB 1483.

Feel free to contact me at the above address with any questions you may have.

  
Ann Johnsrud  
McKenzie County Recorder  
President, ND County Recorders Association

**TESTIMONY SUMMARY  
GRANT H. SHAFT  
Shaft, Reis & Shaft, LTD  
HOUSE BILL 1483  
House IBL Committee  
February 8, 2005**

**Members of the Committee:**

My name is Grant H. Shaft. I am an attorney with Shaft, Reis & Shaft, LTD in Grand Forks, ND. Our office is an agent of Chicago Title Insurance Company and through that agency we close and insure residential and commercial transactions in North Dakota and Minnesota. I am also a certified abstractor in the state of North Dakota. For the past 12 years I have served as Chairman of the Real Property, Probate and Trust Section of the State Bar Association and for the past 14 years have been a member of the Title Standards Committee. I appear today on behalf of our firm.

**We oppose House Bill 1483 for the following reasons:**

1. The bill is overbroad in its scope. The concerns of Farm Credit Services can be met without radically changing the way title insurance has been issued in North Dakota for years.
2. The bill will result in North Dakota consumers paying significantly higher costs in their real estate transactions for a significantly inferior product.
  - a. Higher search and examination fees;
    1. MN search and examination fees are \$250-\$350 for a search not prepared by an abstractor and an examination not performed by an attorney;
    2. Grand Forks search and examination fee is \$110 for a search prepared by an abstractor and an examination by an attorney;

**Example of cost comparison between Minneapolis and Grand Forks for an identical transaction on a \$100,000 home with owner's and lender's coverage:**

	ND	MN
Title insurance premium	\$354	\$425
<u>Search and update fee</u>	<u>\$110</u>	<u>\$250-350</u>

**TOTALS****\$365\*****\$675-775\*****\*Based on CTIC quotes for Grand Fork, ND and Minneapolis, MN**

- b. Higher premiums;**
  - 1. More claims as the result of more errors in updates and examinations;**
- c. The perception that a buyer's or borrower's title has been fully examined and determined marketable, when it has not.**
  - 1. When a buyer or borrower is paying \$350 + for a title insurance policy, they are assuming that their title has been fully examined for marketability;**
  - 2. HB 1483 only requires "...information of the type necessary for that corporation to adequately determine the risk of insuring the title to real property." Based on orders that abstractors, county recorders and title companies are already receiving from out of state insurers, we already know what they consider "information of the type necessary". The requests are for the last deed and last mortgage of record. This is quite different from a search and examination from the recorded patent. This can lead to serious title problems that the borrower or buyer is left to fix at a later date for their cost. In other words, the title insurer will get their premium and fee upfront but leave the title baggage with the consumer.**
- 3. There is a significant difference between a law trained title examiner and an in-house examiner who is not law trained.**
  - a. Attorneys complete 3 years of post graduate law school, passage of a state bar examination and multi-state bar examination and are subject to ongoing continuing education throughout their careers. Their licensing is regulated by the state.**
  - b. Typical in-house examiners are trained in short courses conducted by the insurance company with no requirement for continuing education and no statutory regulation.**

**BASED ON THE ABOVE, WE RESPECTFULLY REQUEST THAT HB 1483 RECEIVE A DO NOT PASS FROM THIS COMMITTEE.**

## TITLE SEARCH

### SHAFT, REIS & SHAFT, LTD.

2850 24<sup>th</sup> Avenue South, Suite 302

P.O. Box 5116

Grand Forks, ND 58206-5116

**EFFECTIVE DATE:** January 7, 2005 at 8:00 a.m.

**Your Ref#:**

**TO:** Abstract  
Broadway, Suite 11  
Greenlawn, NY 11740

### **LEGAL DESCRIPTION:**

Lots 1, 2, 3, 4, 5, 6, 7 and 8, in Block 5, Townsite of , North Dakota (Grand Forks County, ND)

**ADDRESS:** 502 4th Street, ND

**NAMES SEARCHED:** George , George E. , Jack , Charan , Odell

*There are **NO** documents relative to unsatisfied state or federal tax liens or judgments in the Office of the Clerk of District Court, Clerk of County Court, County Recorder or Register of Deeds against the above names for the past ten (10) years EXCEPT:*

NONE

**TAXES:** Prior year's taxes and installment of special assessments are **NOT PAID**. The 2004 taxes are due in the amount of \$486.55 if paid by February 15, 2005. The 2005 taxes and installment of specials are due January 1, 2006. The parcel number is

### **DOCUMENTS RECORDED ON OR AFTER December 30, 1998 at 3:00 p.m.:**

- Warranty Deed dated December 18, 1998 and recorded December 30, 1998 at 3:00 p.m. as Doc. No. from Melvin J. and Gladys M. husband and wife, to George E. .
- Mortgage dated December 15, 1998 and recorded December 30, 1998 at 3:00 p.m. as Doc. No. by George E. to Bank for the principal amount of \$19,500.00.

Assignment of Mortgage dated December 23, 1998 and recorded September 13, 1999 at 8:00 a.m. as Doc. No. from Bank to Trust Company of California.

- Auditor's Tax Deed dated October 9, and recorded October 9, at 2:00 p.m. as Doc. No. from Debbie Nelson, Grand Forks County Auditor to Grand Forks County.
- County Deed dated December 2, and recorded December 3, at 9:00 a.m. as Doc. No. from the County of Grand Forks, North Dakota to Charan and Jack
- Warranty Deed dated December 3, and recorded February 17, at 9:00 a.m. as Doc. No. from Jack and Charan , husband and wife, to Odell

*This search does not include Bankruptcy Courts, Federal Courts, or U.C.C. Filings not recorded against the real property. We also do not list satisfactions that are recorded on the property. NOTE: The use of this limited title search is restricted to the party to which it is addressed. **THIS TITLE SEARCH IS NOT A TITLE OPINION. Only a summary of requested information is shown, and not the entire chain of title. THERE IS NO GUARANTEE THAT THE TITLE IS MARKETABLE, OR THAT THE UNSATISFIED ENCUMBRANCES OR LIENS AS SHOWN ARE VALID.***

  
Grant H. Shaft  
SHAFT, REIS & SHAFT, LTD.

C9703

SHAFT, REIS & SHAFT, LTD. ♦ PHONE (701) 772-8156 ♦ FAX (701) 772-9564



Neither a tax deed issued pursuant to any of the provisions of NDCC Ch. 57-28, nor any combination of such deeds, terminates the rights of the owner who owned it prior to its sale for taxes, unless there is:

- (a) A judgment in a quiet title action;
- (b) A Marketable Record Title Affidavit pursuant to NDCC Ch. 47-19.1 (using as a "root of title" the tax deed from the county);
- (c) Marketable title established in a city pursuant to NDCC 57-28-19.1; or
- (d) A deed conveying the prior owner's interest.

**Comment:** Under NDCC 57-28-09, the issuance of a tax deed to the county constitutes prima facia evidence of the regularity of the proceedings leading up to the issuance of the deed, including the expiration of the period for redemption. Under NDCC 57-28-08, the expiration of the redemption period cuts off all of the prior owner's rights in the property and results in a waiver of all errors in the tax sales proceedings except jurisdictional defects.

There is no way of knowing what the courts will consider to be a jurisdictional defect, but historically they have been exceedingly stringent in requiring exact and precise compliance with all of the statutory steps in the tax sales proceedings. Moreover, NDCC 57-45-11 specifically contemplates and authorizes a quiet title action by a prior owner against the tax deed grantee of the county,

which seemingly indicates a legislative lack of confidence in the regularity of tax sales proceedings. For those and other reasons, tax titles are considered inherently suspect in the absence of some curative action or occurrence - such as appropriate use of the provision of the Marketable Record Title Act - to extinguish the title of the party or persons who owned the real property prior to its being lost for unpaid taxes.

Beyond all of this, however, (except in the rather rare case when a third party and not the county is the purchaser at the original tax sale), the prior owner and other persons have various statutory rights of re-purchase or pre-emptive purchase under NDCC 57-28-19 as long as the property remains in the hands of the county. In theory the sale of the property by the county to a third party should terminate these statutory rights, but again historically the courts have been lenient in allowing the holders of such rights to attack the title of purchasers from the county.

Authority: *Remmich v. Wagner*, 41 NW2d 170 (ND 1950).  
*Brink v. Curless*, 209 NW2d 758 (ND 1973).  
*Duchsherer v. Aanerud*, 216 NW2d 279 (ND 1974).  
*Griffith v. Cass County*, 244 NW2d 301 (ND 1976).  
*Regstad v. Steffes*, 448 NW2d 203 (ND 1989).  
NDCC 57-45-11.  
*Peplinski v. County of Richland*, 615 NW2d 546 (ND 2000).

Note: NDCC 57-28-19.1 requires the recording of the

deed from the county to the city, and establishing of record (usually by means of an affidavit) that thereafter the city entered into possession and continued in possession of the deeded property for three months or longer, during which time no lis pendens giving notice of an action challenging the validity of the tax sales proceedings or of the deed to the city was recorded.

**Caveat:** In view of the right of the prior owner to repurchase under NDCC 57-28-19, the Title Standards Committee does not express any opinion as to the marketability of the title held by the County as provided for in the amendment to NDCC 57-28-19.1 by SB 2334 in the 1999 Legislative Session. The Committee is concerned that the conversion of a claim against real property into a claim against the County under NDCC 57-28-19.1 does not include the right of repurchase under NDCC 57-28-19.

**Source:** NDTs 1950 as amended in 1955, 1961, 1988, 1990 and 1998.

The chain of title must be based upon a recorded patent or certified copy of the patent except when the title is founded upon a congressional grant which by its terms does not require a patent, a judgment or a treaty.

Authority: *Patton on Titles*, § 290 (2d ed. 1957).  
12 U.S. Stat. 239, § 14.  
25 U.S. Stat. 676 (school land grants of sections 16 and 36, etc.).

Caveat: See NDTs 1-02 regarding Indian titles.

Note: Federal patents can be obtained from the Bureau of Land Management, Post Office Box 36800, Billings, Montana 59107-6800, (406) 255-2888. State patents can be obtained from the State Land Department, 1707 N. 9<sup>th</sup> Street, Bismarck, North Dakota 58501, (701) 328-2800.

Source: NDTs 1950 as amended in 1961, 1978, and 1988.



SETTLEMENT CHARGES				PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
1. 700. TOTAL SALES/BROKER'S COMMISSION					
BASED ON PRICE \$ @ % =					
Division of Commission (line 700) as follows:					
701. \$	to				
702. \$	to				
703. Commission paid at Settlement					
704.					
2. 800. ITEMS PAYABLE IN CONNECTION WITH LOAN					
801. Loan Origination Fee	%	FIRST SOUTHWEST BANK		530.00	
802. Loan Discount	%				
803. Appraisal Fee to		BIS MAN APPRAISAL		325.00	
804. Credit Report to		DAKOTA CREDIT		54.00	
805. Lender's Inspection Fee to					
806. Mortgage Insurance Application Fee to					
807. Assumption Fee to					
808. COMMITMENT FEE to BANK OF NORTH DAKOTA				150.00	
809. FLOOD CERTIFICATION to FLOOD DATA SERVICES				18.00	
810.					
811.					
812.					
813.					
814.					
3. 900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE					
901. Interest from 10-13-98 to 11-01-98 @ \$8.7123	/day (19 - days)			165.53	
902. Mortgage Insurance Premium for 180	months to FHA			1,060.00	
903. Hazard Insurance Premium for	year to				
904.					
905.					
4. 1000. RESERVES DEPOSITED WITH LENDER					
1001. Hazard Insurance	6 months @ \$	24.17	per month	145.02	
1002. Mortgage Insurance	months @ \$		per month		
1003. City property taxes	months @ \$		per month		
1004. County property taxes	9 months @ \$	31.00	per month	279.00	
1005. Annual assessments	months @ \$		per month		
1006.	months @ \$		per month		
1007.	months @ \$		per month		
1008. Aggregate Accounting Adjustment				(93.04)	
5. 1100. TITLE CHARGES					
1101. Settlement or closing fee to	NORTH DAKOTA GUARANTY & TITLE CO.			140.00	
1102. Abstract or title search to	MANDAN ABSTRACT COMPANY			130.00	
1103. Title examination to	ARLEN RUFF			90.00	
1104. Title insurance binder to					
1105. Document preparation to					
1106. Notary fee to					
1107. Attorney's fee to					
(includes above items numbers; )					
1108. Title insurance to	MANDAN ABSTRACT COMPANY			131.00	
(includes above items numbers; )					
1109. Lender's coverage	131.00 \$	53,000.00			
1110. Owner's coverage	\$				
1111. PREPARE EASEMNT to ARLEN RUFF				100.00	
1112.					
1113.					
6. 1200. GOVERNMENT RECORDING AND TRANSFER CHARGES					
1201. Recording fees: Deed \$		Mortgage \$	19.00	Release \$	13.00
1202. City/county tax/stamps: Deed \$				Mortgage \$	
1203. State tax/stamps: Deed \$				Mortgage \$	
1204.					
1205. RECORD EASEMENT to NORTH DAKOTA GUARANTY & TITLE COMPANY				10.00	
7. 1300. ADDITIONAL SETTLEMENT CHARGES					
1301. PLAT DRAWING to WILLIE EBERLE				120.00	
1302.					
1303.					
1304.					
1305.					
1306.					
1307.					
1308.					
1400. TOTAL SETTLEMENT CHARGES (enter on lines 103, Section J and 502, Section K)				3,386.51	

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.

SELLER 1

SELLER 2

SELLER 3

BUYER 1 STEVEN W. TOWAC

BUYER 2

BUYER 3

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

NORTH DAKOTA GUARANTY & TITLE CO.  
WARNING: It is a crime to knowingly make false statement 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 Sections 1001 and Section 1010.

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 PRICE \$ @ % -					
Division of Commission (line 700) as follows:					
701.		to			
702.		to			
703.	Commission paid at Settlement				
704.					
800. ITEMS PAYABLE IN CONNECTION WITH LOAN (P.D.C.)					
801.	Loan Origination Fee	1.00 %	First Southwest Bank	700.00	
802.	Loan Discount	%			
803.	Appraisal Fee to		Bis-Man App	350.00	
804.	Credit Report to		Dakota Credit	54.00	
805.	Lender's Inspection Fee to				
806.	Mortgage Insurance Application Fee to				
807.	Assumption Fee to				
808.	Contract Underwriting Fee		GE Contract	99.25	
809.	Underwriting Fee		Washinton Mutual	120.00	
810.	Tax Service Fee		WM	81.00	
811.	Flood Fee		First American Tax Ser.	18.00	
812.					
813.					
814.					
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE					
901.	Interest from	05/23/03 to 06/01/03 @ 9.109600	(day ( 9 -days)	81.99	
902.	Mortgage Insurance Premium for				
903.	Hazard Insurance Premium for	1 year to	Farmers Union Ins. (1,660.00B)		
904.	2002 Taxes	1 year to	Morton County Treas. (1,007.27B)		
905.					
1000. RESERVES DEPOSITED WITH LENDER					
1001.	Hazard Insurance	months @ \$	per month		
1002.	Mortgage Insurance	months @ \$	per month		
1003.	City property taxes	months @ \$	per month		
1004.	County property taxes	months @ \$	per month		
1005.	Annual assessments	months @ \$	per month		
1006.					
1007.					
1008.					
1100. TITLE CHARGES					
1101.	Settlement or closing fee to		North Dakota Guaranty & Title Compan	150.00	
1102.	Abstract or title search to		Mandan Abstract	140.00	
1103.	Title examination to				
1104.	Title insurance binder to				
1105.	Document preparation to				
1106.	Notary fee to				
1107.	Attorney's fee to				
	(includes above items numbers:		)		
1108.	Title insurance to		Mandan Ab.	112.60	
	(includes above items numbers:		)		
1109.	Lender's coverage	\$ 70,000.00	\$ 112.60		
1110.	Owner's coverage	\$	\$		
1111.					
1112.					
1113.					
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES					
1201.	Recording:	Deed \$ Mortgage \$ 49.00 Release \$ 13.00		62.00	
1202.	City/county tax/stamps:	Deed \$ Mortgage \$			
1203.	State tax/stamps:	Deed \$ Mortgage \$			
1204.	Assignment of Mtg		County Recorder	10.00	
1205.					
1300. ADDITIONAL SETTLEMENT CHARGES					
1301.					
1302.					
1303.	Plat Service Fee		T Peters	145.00	
1304.					
1305.					
1306.					
1307.					
1308.					
1400. TOTAL SETTLEMENT CHARGES (enter on lines 103, Section J and 502, Section K)				2,123.84	

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.

Refi Sign Docs 5-19-03 Disb 5-23-03

Steven W Tomac

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

North Dakota Guaranty & Title Co. By: Nicole Duerre,  
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 Sections 1001 and Section 1010.

Date

5/19/03

# Midwestern State Title Insurance Requirements Comparison

Prepared By: Kathy Austen  
Assistant Vice President  
Chicago Title Insurance Company

February, 2005

	<u>North Dakota</u>	<u>South Dakota</u>	<u>Minnesota</u>	<u>Montana</u>	<u>Wisconsin</u>	<u>Nebraska</u>
<b>Title Plant required to abstract</b>	Yes	Yes	No	No	No	No
<b>Abstracter License required</b>	Yes	Yes	Yes	No	No	Yes
<b>Pre-License Test for Abstracter License</b>	Yes	Yes	Yes	N/A	N/A	Yes
<b>Continuing Education required to maintain Abstracter License</b>	Yes	No	No	N/A	N/A	Yes
<b>Title Insurance License required</b>	Yes	No	Yes	Yes	Yes	Yes
<b>Pre-License Test for Title Insurance License</b>	No	N/A	No	Yes	Yes	Yes
<b>Continuing Education required to maintain Title Insurance License</b>	No	N/A	No	Yes	Yes	Yes
<b>Abstract/Opinion method available</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Abstract/Opinion method usage</b>	Frequently	Rarely	Often	None	Rarely	Rarely
<b>Statutory Requirements prior to issuance of Commitment/Policy</b>	Title Evidence produced by the holder of a Certificate of Authority (Abstracter/Owner of a Title Plant) & Examination/Opinion of a ND practicing Attorney	Counter-signature of Licensed Abstracter in the county in which the property is located	None	None	None	Public records must be searched
<b>Underwriter determines adequacy of title search &amp; examination</b>	No - Statutory requirements must be met	Yes	Yes	Yes	Yes	Yes
<b>Premium Structure</b>	Risk Premium + Search/Abstracting Fee + Examination Fee	Risk Premium + Search/Abstracting Fee + Examination Fee OR All-Inclusive Premium	Risk Premium + Search/Abstracting Fee + Examination Fee	All-Inclusive Premium	All-Inclusive Premium	All-Inclusive Premium
<b>Typical Turnaround Time - Commitment</b>	?	2 - 7 days	2 - 5 days	2 - 7 days	2 - 5 days	2 - 5 days
<b>Typical Turnaround Time - Policy (post closing)</b>	?	2 - 6 months	5 - 9 months *	3 - 4 months	2 - 4 months	3 - 4 months
<b>Claims Experience</b>	**	**	**	**	**	**
* primarily due to length of time county offices take to return original recorded documents						
** Our claims experience is not affected by the fact that some states require abstracters to maintain title plants and/or be licensed.						
** Neither is it impacted by the fact that in some states attorneys perform the examination and in other states trained examiners determine insurability.						

29-2005

#1483

ND

up to \$50,000 @ \$2.50 per \$1,000 = \$125  
\$50,000 up to \$100,000 @ \$2.00 per \$1,000 = \$100  
\$100,000 up to \$300,000 @ \$1.75 per \$1,000 = 262.50  
\$487.50

MN

up to \$150,000 @ \$3 per \$1,000 = \$450  
\$150,000 up to \$300,000 @ \$2 per \$1,000 = \$300  
\$750

MT

\$300,000 Loan policy \$1328.50.

Grobe Helmes

Richland Abstract, Wahpeton

701-642-3781



July 29, 2003

OWNER

Brent C. Wolfe

**Roberts County Abstract Company**  
 1500 N. 20th St. Suite 200  
 Poncha, NE 68704  
 (405) 388-7979

Phone (605) 698-7272

	\$68,000.00 loan policy as to Lot 9 & W $\frac{1}{2}$ s of Lot 10 of Block 18 in Claire City.	479.00
--	--	--------

Loan \$68,000.00  
\$161.00

Loan #68, du<sup>ed</sup> MD

1618

6479-05

*Myth!  
Gabe!  
this is still  
an issue also.  
5-25-04*

GRUE ABSTRACT COMPANY  
P. O. BOX 559  
WEBSTER, S.D. 57274  
Tel. 605-345-3891 Fax 605-345-4051  
e-mail [grue@jtcetel.com](mailto:grue@jtcetel.com)

January 7, 2004

Richland County Abstract Co.  
Attn: Gabe  
P O Box 910  
Wahpeton, ND 58074-0910

RE: Fedje

Dear Gabe;

I received payment for the title insurance for Fedje. However, I didn't receive the additional \$69.69 I had told you of, which represents the difference between \$176,000 and \$185,000.

If I can be of further assistance please don't hesitate to call.

Sincerely,

Beth Aadland  
Manager

*Loan ND  
\$105,000*

*\$373.75*

*SD = 727.69*

**Remit Payment To:**

Grue Abstract Company  
PO Box 559  
Webster, SD 57274-0559

**INVOICE**

**Billed To:**  
Richland County Abstract Co.  
P O Box 910  
Wahpeton, ND 58074-0910

**Invoice Date:** November 25, 2003  
**Please Pay Before:**  
**Our File Number:** 10705  
**Your Reference Number:**

**Property:**  
1402 446th Avenue  
Grenville, SD 57239  
Day County

**Brief Legal:** 124-53-16  
L. 15 1st Addn. to Original  
Pickerel Lake

DESCRIPTION	AMOUNT
Policy premium for Loan/Mtg	447.50
Endorsements	25.00
Search Fee:	175.00
Sales Tax:	10.50
City Certificate:	
Reissue Credit:	
CANCELLATION FEE:	

Invoice Total Amount Due \$ 658.00

Thank you for your prompt payment.

\*Please show file number on check when making payments.

CANCELLATION FEE OF \$150.00 WILL BE ASSESSED WHERE A FINAL POLICY CAN NOT BE ISSUED.



Shaft, Reis & Shaft, Ltd.

## A. Settlement Statement

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

<b>B. Type of loan</b>			<b>6. File number</b>	<b>7. Loan number</b>	<b>8. Mortgage insurance case number</b>
1. FHA	2. FmHA	3. Conv. Unins.			
4. VA	5. Conv. Ins.				

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

<b>D. Name and address of borrower:</b>	<b>E. Name and address of seller:</b>	<b>F. Name and address of lender:</b>

<b>G. Property location:</b>  <p style="text-align: center;">4005 Gulf Shore Blvd N #302  <span style="background-color: black; color: black;">XXXXXX</span>, FL 34103</p>	<b>H. Settlement agent:</b> Shaft, Reis, & Shaft, Ltd. 2850 24th Ave S. Ste. 302 Grand Forks, ND 58201  <b>Place of settlement:</b> 2850 24th Ave S. Grand Forks, ND 58201  <b>I. Settlement date:</b> 1/28/05
--	---

<b>J. SUMMARY OF BORROWER'S TRANSACTION</b>	<b>K. SUMMARY OF SELLER'S TRANSACTION</b>																																																																																																																																																																
<b>100. GROSS AMOUNT DUE FROM BORROWER:</b> <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td>101. Contract sales price</td><td style="text-align: right;">677,500.00</td></tr> <tr><td>102. Personal property</td><td></td></tr> <tr><td>103. Settlement charges to borrower (line 1400)</td><td style="text-align: right;">4,651.00</td></tr> <tr><td>104.</td><td></td></tr> <tr><td>105.</td><td></td></tr> <tr><td colspan="2" style="text-align: center;"><i>Adjustments for items paid by seller in advance</i></td></tr> <tr><td>106. Cy/Tn Tx to</td><td></td></tr> <tr><td>107. Co Tx to</td><td></td></tr> <tr><td>108. Assess. to</td><td></td></tr> <tr><td>109. Qtr. Assessment 1/28/05 to 04/01/05</td><td style="text-align: right;">1,400.00</td></tr> <tr><td>110.</td><td></td></tr> <tr><td>111.</td><td></td></tr> <tr><td>112.</td><td></td></tr> <tr><td><b>120. GROSS AMOUNT DUE FROM BORROWER</b></td><td style="text-align: right;"><b>683,551.00</b></td></tr> <tr><td colspan="2"><b>200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:</b></td></tr> <tr><td>201. Deposit or earnest money</td><td style="text-align: right;">50,000.00</td></tr> <tr><td>202. Principal amount of new loan(s)</td><td style="text-align: right;">350,000.00</td></tr> <tr><td>203. Existing loan(s) taken subject to</td><td></td></tr> <tr><td>204.</td><td></td></tr> <tr><td>205.</td><td></td></tr> <tr><td>206.</td><td></td></tr> <tr><td>207.</td><td></td></tr> <tr><td>208. Credit in Lieu of Abstract</td><td style="text-align: right;">150.00</td></tr> <tr><td>209. Credit From Realtor</td><td style="text-align: right;">3,000.00</td></tr> <tr><td colspan="2" style="text-align: center;"><i>Adjustments for items unpaid by seller:</i></td></tr> <tr><td>210. Cy/Tn Tx to</td><td></td></tr> <tr><td>211. Co Tx 1/1/05 to 1/28/05</td><td style="text-align: right;">120.84</td></tr> <tr><td>212. Assess. to</td><td></td></tr> <tr><td>213.</td><td></td></tr> <tr><td>214.</td><td></td></tr> <tr><td>215.</td><td></td></tr> <tr><td>216.</td><td></td></tr> <tr><td>217.</td><td></td></tr> <tr><td>218.</td><td></td></tr> <tr><td>219.</td><td></td></tr> <tr><td><b>220. TOTAL PAID BY/FOR BORROWER</b></td><td style="text-align: right;"><b>403,270.84</b></td></tr> <tr><td colspan="2"><b>300. CASH AT SETTLEMENT FROM/TO BORROWER</b></td></tr> <tr><td>301. Gross amount due from borrower (line 120)</td><td style="text-align: right;">683,551.00</td></tr> <tr><td>302. Less amounts paid by/for borrower (line 220)</td><td style="text-align: right;">(403,270.84)</td></tr> <tr><td><b>303. CASH FROM BORROWER</b></td><td style="text-align: right;"><b>280,280.16</b></td></tr> </table>	101. Contract sales price	677,500.00	102. Personal property		103. Settlement charges to borrower (line 1400)	4,651.00	104.		105.		<i>Adjustments for items paid by seller in advance</i>		106. Cy/Tn Tx to		107. Co Tx to		108. Assess. to		109. Qtr. Assessment 1/28/05 to 04/01/05	1,400.00	110.		111.		112.		<b>120. GROSS AMOUNT DUE FROM BORROWER</b>	<b>683,551.00</b>	<b>200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:</b>		201. Deposit or earnest money	50,000.00	202. Principal amount of new loan(s)	350,000.00	203. Existing loan(s) taken subject to		204.		205.		206.		207.		208. Credit in Lieu of Abstract	150.00	209. Credit From Realtor	3,000.00	<i>Adjustments for items unpaid by seller:</i>		210. Cy/Tn Tx to		211. Co Tx 1/1/05 to 1/28/05	120.84	212. Assess. to		213.		214.		215.		216.		217.		218.		219.		<b>220. TOTAL PAID BY/FOR BORROWER</b>	<b>403,270.84</b>	<b>300. CASH AT SETTLEMENT FROM/TO BORROWER</b>		301. Gross amount due from borrower (line 120)	683,551.00	302. Less amounts paid by/for borrower (line 220)	(403,270.84)	<b>303. CASH FROM BORROWER</b>	<b>280,280.16</b>	<b>400. GROSS AMOUNT DUE TO SELLER:</b> <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td>401. Contract sales price</td><td style="text-align: right;">677,500.00</td></tr> <tr><td>402. Personal property</td><td></td></tr> <tr><td>403.</td><td></td></tr> <tr><td>404.</td><td></td></tr> <tr><td>405.</td><td></td></tr> <tr><td colspan="2" style="text-align: center;"><i>Adjustments for items paid by seller in advance</i></td></tr> <tr><td>406. Cy/Tn Tx to</td><td></td></tr> <tr><td>407. Co Tx to</td><td></td></tr> <tr><td>408. Assess. to</td><td></td></tr> <tr><td>409. Qtr. Asses: 01/28/05 to 04/01/05</td><td style="text-align: right;">1,400.00</td></tr> <tr><td>410.</td><td></td></tr> <tr><td>411.</td><td></td></tr> <tr><td>412.</td><td></td></tr> <tr><td><b>420. GROSS AMOUNT DUE TO SELLER</b></td><td style="text-align: right;"><b>678,900.00</b></td></tr> <tr><td colspan="2"><b>500. REDUCTIONS IN AMOUNT DUE TO SELLER:</b></td></tr> <tr><td>501. Excess deposit (see instructions)</td><td></td></tr> <tr><td>502. Settlement charges to seller (line 1400)</td><td style="text-align: right;">48,560.50</td></tr> <tr><td>503. Existing loan(s) taken subject to</td><td></td></tr> <tr><td>504. Payoff of first mortgage loan GreenPoint Mortgage</td><td style="text-align: right;">465,674.17</td></tr> <tr><td>505. Payoff second mortgage loan GreenPoint Mortgage</td><td style="text-align: right;">57,428.65</td></tr> <tr><td>506. Deposit or earnest money</td><td></td></tr> <tr><td>507.</td><td></td></tr> <tr><td>508. Credit in Lieu of Abstract</td><td style="text-align: right;">150.00</td></tr> <tr><td>509.</td><td></td></tr> <tr><td colspan="2" style="text-align: center;"><i>Adjustments for items unpaid by seller:</i></td></tr> <tr><td>510. Cy/Tn Tx to</td><td></td></tr> <tr><td>511. Co Tx 1/1/05 to 1/28/05</td><td style="text-align: right;">120.84</td></tr> <tr><td>512. Assess. to</td><td></td></tr> <tr><td>513.</td><td></td></tr> <tr><td>514.</td><td></td></tr> <tr><td>515.</td><td></td></tr> <tr><td>516.</td><td></td></tr> <tr><td>517.</td><td></td></tr> <tr><td>518.</td><td></td></tr> <tr><td>519.</td><td></td></tr> <tr><td><b>520. TOTAL REDUCTION AMOUNT DUE SELLER</b></td><td style="text-align: right;"><b>571,934.16</b></td></tr> <tr><td colspan="2"><b>600. CASH AT SETTLEMENT TO/FROM SELLER</b></td></tr> <tr><td>601. Gross amount due to seller (line 420)</td><td style="text-align: right;">678,900.00</td></tr> <tr><td>602. Less reductions in amt. due to seller (line 520)</td><td style="text-align: right;">(571,934.16)</td></tr> <tr><td><b>603. CASH TO SELLER</b></td><td style="text-align: right;"><b>106,965.84</b></td></tr> </table>	401. Contract sales price	677,500.00	402. Personal property		403.		404.		405.		<i>Adjustments for items paid by seller in advance</i>		406. Cy/Tn Tx to		407. Co Tx to		408. Assess. to		409. Qtr. Asses: 01/28/05 to 04/01/05	1,400.00	410.		411.		412.		<b>420. GROSS AMOUNT DUE TO SELLER</b>	<b>678,900.00</b>	<b>500. REDUCTIONS IN AMOUNT DUE TO SELLER:</b>		501. Excess deposit (see instructions)		502. Settlement charges to seller (line 1400)	48,560.50	503. Existing loan(s) taken subject to		504. Payoff of first mortgage loan GreenPoint Mortgage	465,674.17	505. Payoff second mortgage loan GreenPoint Mortgage	57,428.65	506. Deposit or earnest money		507.		508. Credit in Lieu of Abstract	150.00	509.		<i>Adjustments for items unpaid by seller:</i>		510. Cy/Tn Tx to		511. Co Tx 1/1/05 to 1/28/05	120.84	512. Assess. to		513.		514.		515.		516.		517.		518.		519.		<b>520. TOTAL REDUCTION AMOUNT DUE SELLER</b>	<b>571,934.16</b>	<b>600. CASH AT SETTLEMENT TO/FROM SELLER</b>		601. Gross amount due to seller (line 420)	678,900.00	602. Less reductions in amt. due to seller (line 520)	(571,934.16)	<b>603. CASH TO SELLER</b>	<b>106,965.84</b>
101. Contract sales price	677,500.00																																																																																																																																																																
102. Personal property																																																																																																																																																																	
103. Settlement charges to borrower (line 1400)	4,651.00																																																																																																																																																																
104.																																																																																																																																																																	
105.																																																																																																																																																																	
<i>Adjustments for items paid by seller in advance</i>																																																																																																																																																																	
106. Cy/Tn Tx to																																																																																																																																																																	
107. Co Tx to																																																																																																																																																																	
108. Assess. to																																																																																																																																																																	
109. Qtr. Assessment 1/28/05 to 04/01/05	1,400.00																																																																																																																																																																
110.																																																																																																																																																																	
111.																																																																																																																																																																	
112.																																																																																																																																																																	
<b>120. GROSS AMOUNT DUE FROM BORROWER</b>	<b>683,551.00</b>																																																																																																																																																																
<b>200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:</b>																																																																																																																																																																	
201. Deposit or earnest money	50,000.00																																																																																																																																																																
202. Principal amount of new loan(s)	350,000.00																																																																																																																																																																
203. Existing loan(s) taken subject to																																																																																																																																																																	
204.																																																																																																																																																																	
205.																																																																																																																																																																	
206.																																																																																																																																																																	
207.																																																																																																																																																																	
208. Credit in Lieu of Abstract	150.00																																																																																																																																																																
209. Credit From Realtor	3,000.00																																																																																																																																																																
<i>Adjustments for items unpaid by seller:</i>																																																																																																																																																																	
210. Cy/Tn Tx to																																																																																																																																																																	
211. Co Tx 1/1/05 to 1/28/05	120.84																																																																																																																																																																
212. Assess. to																																																																																																																																																																	
213.																																																																																																																																																																	
214.																																																																																																																																																																	
215.																																																																																																																																																																	
216.																																																																																																																																																																	
217.																																																																																																																																																																	
218.																																																																																																																																																																	
219.																																																																																																																																																																	
<b>220. TOTAL PAID BY/FOR BORROWER</b>	<b>403,270.84</b>																																																																																																																																																																
<b>300. CASH AT SETTLEMENT FROM/TO BORROWER</b>																																																																																																																																																																	
301. Gross amount due from borrower (line 120)	683,551.00																																																																																																																																																																
302. Less amounts paid by/for borrower (line 220)	(403,270.84)																																																																																																																																																																
<b>303. CASH FROM BORROWER</b>	<b>280,280.16</b>																																																																																																																																																																
401. Contract sales price	677,500.00																																																																																																																																																																
402. Personal property																																																																																																																																																																	
403.																																																																																																																																																																	
404.																																																																																																																																																																	
405.																																																																																																																																																																	
<i>Adjustments for items paid by seller in advance</i>																																																																																																																																																																	
406. Cy/Tn Tx to																																																																																																																																																																	
407. Co Tx to																																																																																																																																																																	
408. Assess. to																																																																																																																																																																	
409. Qtr. Asses: 01/28/05 to 04/01/05	1,400.00																																																																																																																																																																
410.																																																																																																																																																																	
411.																																																																																																																																																																	
412.																																																																																																																																																																	
<b>420. GROSS AMOUNT DUE TO SELLER</b>	<b>678,900.00</b>																																																																																																																																																																
<b>500. REDUCTIONS IN AMOUNT DUE TO SELLER:</b>																																																																																																																																																																	
501. Excess deposit (see instructions)																																																																																																																																																																	
502. Settlement charges to seller (line 1400)	48,560.50																																																																																																																																																																
503. Existing loan(s) taken subject to																																																																																																																																																																	
504. Payoff of first mortgage loan GreenPoint Mortgage	465,674.17																																																																																																																																																																
505. Payoff second mortgage loan GreenPoint Mortgage	57,428.65																																																																																																																																																																
506. Deposit or earnest money																																																																																																																																																																	
507.																																																																																																																																																																	
508. Credit in Lieu of Abstract	150.00																																																																																																																																																																
509.																																																																																																																																																																	
<i>Adjustments for items unpaid by seller:</i>																																																																																																																																																																	
510. Cy/Tn Tx to																																																																																																																																																																	
511. Co Tx 1/1/05 to 1/28/05	120.84																																																																																																																																																																
512. Assess. to																																																																																																																																																																	
513.																																																																																																																																																																	
514.																																																																																																																																																																	
515.																																																																																																																																																																	
516.																																																																																																																																																																	
517.																																																																																																																																																																	
518.																																																																																																																																																																	
519.																																																																																																																																																																	
<b>520. TOTAL REDUCTION AMOUNT DUE SELLER</b>	<b>571,934.16</b>																																																																																																																																																																
<b>600. CASH AT SETTLEMENT TO/FROM SELLER</b>																																																																																																																																																																	
601. Gross amount due to seller (line 420)	678,900.00																																																																																																																																																																
602. Less reductions in amt. due to seller (line 520)	(571,934.16)																																																																																																																																																																
<b>603. CASH TO SELLER</b>	<b>106,965.84</b>																																																																																																																																																																

File:  
Loan:

L. SETTLEMENT CHARGES

700. TOTAL SALES/BROKER'S COMMISSION				Division of commission	PAID FROM	PAID FROM
price \$677,500.00 @ 6.00% = \$40,650.00 (line 700) as follows:					BORROWER'S FUNDS AT SETTLEMENT	SELLER'S FUNDS AT SETTLEMENT
701.	\$20,325.00	to	<del>Carroll</del> Realty			
702.	\$20,325.00	to	<del>Carroll</del> Realty Company			
703.	Commission paid at Settlement					40,650.00
704.	Selling Bonus			to <del>Carroll</del> Realty		3,000.00
				800. ITEMS PAYABLE IN CONNECTION WITH LOAN		
801.	Loan origination fee			to		
802.	Loan discount			to		
803.	Appraisal fee			to <del>Carroll</del> Carroll	500.00	
804.	Credit report			to Bank	21.00	
805.	Lender's inspection fee			to		
806.	Flood Certification fee			to Bank	20.00	
807.				to		
808.				to		
809.				to		
810.				to		
811.						
				900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE		
901.	Interest from 1/28/05	to 2/1/05	@ /day			
902.	Mortgage insurance premium for years to					
903.	Hazard insurance premium for years to					
904.						
905.						
				1000. RESERVES DEPOSITED WITH LENDER		
1001.	Hazard insurance			months @ per month		
1002.	Mortgage insurance			months @ per month		
1003.	City property taxes			months @ per month		
1004.	County property taxes			months @ per month		
1005.	Annual assessments			months @ per month		
1006.	Flood insurance			months @ per month		
1007.				months @ per month		
1008.	Aggregate Adjustment					
				1100. TITLE CHARGES		
1101.	Settlement or closing fee			to Shaft, Reis & Shaft, Ltd.	170.00	
1102.	Abstract or title search			to		
1103.	Title examination			to		
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 \$ 1,615.00	to <del>Carroll</del> Bank & Cliff			1,615.00	
(includes above items numbers:				1102, 1103, 1104	)	
1109.	Lender's coverage			\$350,000.00		
1110.	Owner's coverage			\$677,500.00		
1111.	Copies/Tele/Fax Adminis.			to <del>Carroll</del> Bank & Cliff	25.00	
1112.	Fed Ex/shipping/handling			to <del>Carroll</del> Bank & Cliff		33.00
1113.						
				1200. GOVERNMENT RECORDING AND TRANSFER CHARGES		
1201.	Recording fees:	Deed \$10.00	Mortgage \$180.00	Releases \$20.00	190.00	20.00
1202.	City/county tax/stamps:	Deed		Mortgage \$700.00	700.00	
1203.	State tax/stamps:	Deed \$4,742.50		Mortgage \$1,225.00	1,225.00	4,742.50
1204.	Record Cert. Approval				10.00	
1205.						
				1300. ADDITIONAL SETTLEMENT CHARGES		
1301.	Survey to					
1302.	Pest inspection to					
1303.	Processing Fee			to <del>Carroll</del> Realty	175.00	
1304.	Processing Fee			to <del>Carroll</del> Properties		110.00
1305.	Obtain County Estoppel Letter			to <del>Carroll</del> Bank & Cliff		5.00
1306.						
1400. TOTAL SETTLEMENT CHARGES (enter on lines 103, Section J and 502, Section K)					4,651.00	48,560.50

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 the HUD-1 Settlement Statement.

Borrower: \_\_\_\_\_

Seller: \_\_\_\_\_

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 statement 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. Settlement Statement**U.S. Department of Housing  
and Urban Development

OMB No. 2502-0265

**B. Type of Loan**

1 ☐ FHA 2 ☐ FmHA 3 ☐ Conv. Unins 6. File Number 113013 7. Loan Number 05000005 8. Mortgage Insurance Case Number  
4 ☐ VA 5 ☐ Conv. Ins.

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

D. NAME OF BORROWER: John [REDACTED] and Dawn [REDACTED]

ADDRESS OF BORROWER: [REDACTED] Drive, Grand Forks, ND 58201

E. NAME OF SELLER: Timothy M. [REDACTED] and Catherine [REDACTED]

ADDRESS OF SELLER: [REDACTED] Court, Marco Island, FL 34145

F. NAME OF LENDER: [REDACTED] Financial Corporate Center

ADDRESS OF LENDER: [REDACTED] Avenue, Grand Forks, ND 58201

G. PROPERTY LOCATION: [REDACTED] Blvd. N., #302  
[REDACTED] FL 34103

H. SETTLEMENT AGENT: [REDACTED] &amp; Cliff, P.A.

PLACE OF SETTLEMENT: [REDACTED] Financial Center, Suite 300, 599 Ninth Street N., [REDACTED] FL 34102  
[REDACTED] Financial Center, Suite 300, 599 Ninth Street N., [REDACTED] FL 34102

I. SETTLEMENT DATE: 1/28/2005

**J. SUMMARY OF BORROWER'S TRANSACTION**

100. GROSS AMOUNT DUE FROM BORROWER  
101. Contract sales price 677,500.00  
102. Personal property  
103. Settlement charges to borrower (line 1400) 6,527.25  
104.  
105.  
Adjustments for items paid by seller in advance  
106. City/town taxes to  
107. County taxes to  
108. Assessments to  
109. Qtr. Assessment 1/28/2005 to 4/1/2005 1,400.00  
110. to  
111. to  
112. to

120. GROSS AMOUNT DUE FROM BORROWER ▶ 685,427.25

**200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER**

201. Deposit or earnest money 50,000.00  
202. Principal amount of new loan(s) 350,000.00  
203. Existing loan(s) taken subject to  
204.  
205.  
206. Principal amount of seller financing  
207.  
208. Credit in Lieu of Abstract 150.00  
209. Credit From Realtor 3,000.00  
209a  
209b  
Adjustments for items unpaid by seller  
210. City/town taxes to  
211. County taxes 1/1/2005 to 1/28/2005 120.84  
212. Assessments to  
213. to  
214. to  
215. to  
216. to  
217. to  
218. to  
219. to

220. TOTAL AMOUNTS PAID BY OR IN BEHALF OF BORROWER ▶ 403,270.84

**300. CASH AT SETTLEMENT FROM/TO BORROWER**

301. Gross amount due from borrower (line 120) 685,427.25

302. Less amounts paid by/for borrower (line 220) 403,270.84

303. CASH ☒ From ☐ To BORROWER ▶ 282,156.41**K. SUMMARY OF SELLER'S TRANSACTION**

400. GROSS AMOUNT DUE TO SELLER  
401. Contract sales price 677,500.00  
402. Personal property  
403.  
404.  
405.  
Adjustments for items paid by seller in advance  
406. City/town taxes to  
407. County taxes to  
408. Assessments to  
409. Qtr. Assessment 1/28/2005 to 4/1/2005 1,400.00  
410. to  
411. to  
412. to

420. GROSS AMOUNT DUE TO SELLER ▶ 678,900.00

**500. REDUCTIONS IN AMOUNT DUE TO SELLER**

501. Excess deposit (see instructions)  
502. Settlement charges to seller (line 1400) 48,560.50  
503. Existing loan(s) taken subject to  
504. Payoff of first mortgage loan 465,674.17  
GreenPoint Mortgage  
505. Payoff of second mortgage loan 57,428.65  
Greenpoint Mortgage  
506. Principal amount of seller financing  
507.  
508. Credit in Lieu of Abstract 150.00  
509.  
509a  
509b  
Adjustments for items unpaid by seller  
510. City/town taxes to  
511. County taxes 1/1/2005 to 1/28/2005 120.84  
512. Assessments to  
513. to  
514. to  
515. to  
516. to  
517. to  
518. to  
519. to

520. TOTAL REDUCTIONS IN AMOUNT DUE SELLER ▶ 571,934.16

**600. CASH AT SETTLEMENT TO/FROM SELLER**

601. Gross amount due to seller (line 420) 678,900.00

602. Less reductions in amount due seller (line 520) 571,934.16

603. CASH ☒ To ☐ From SELLER ▶ 106,965.84

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
SETTLEMENT STATEMENT

PAGE 2

L. Settlement Charges			Paid From Borrower's Funds At Settlement	Paid From Seller's Funds At Settlement
700. TOTAL SALES/BROKER'S COM. based on price	677,500.00 @ 6.00 % =	40,650.00		
Division of Commission (line 700) as follows:				
701. 20,325.00	to [Redacted] Realty			
702. 20,325.00	to [Redacted] Realty Company			
703. Commission paid at Settlement				
704. Selling Bonus	to [Redacted] Realty			40,650.00
800. Items Payable In Connection With Loan				3,000.00
801. Loan Origination Fee	% to			
802. Loan Discount	% to			
803. Appraisal Fee	to Carroll & Carroll		500.00	
804. Credit Report	to Alerus		21.00	
805. Lender's Inspection Fee	to			
806. Mortgage Insurance Application Fee	to			
807. Flood Certification Fee	to Alerus		20.00	
808.	to			
809.	to			
810.	to			
811.	to			
812.	to			
813.	to			
814.	to			
815.	to			
900. Items Required By Lender To Be Paid In Advance				
901. Interest from 1/28/2005 to 2/1/2005 @	/day			
902. Mortgage Insurance Premium for	months to			
903. Hazard Insurance Premium for	years to			
904.	years to			
905.	years to			
1000. Reserves Deposited With Lender				
1001. Hazard insurance	months@	per month		
1002. Mortgage insurance	months@	per month		
1003. City property taxes	months@	per month		
1004. County property taxes	months@	per month		
1005. Annual assessments	months@	per month		
1006.	months@	per month		
1007.	months@	per month		
1008.	months@	per month		
1009.	months@	per month		
1100. Title Charges				
1101. Settlement or closing fee	to			
1102. Abstract or title search	to First American Title		75.00	
1103. Title examination	to			
1104. Title insurance binder	to			
1105. Document preparation	to			
1106. Notary fees	to			
1107. Attorney's fees	to			
(includes above items numbers:	to [Redacted] & Cliff			
(includes above items numbers:	to [Redacted] & Cliff		3,162.50	
1109. Lender's coverage: Risk Premium 25.00	INS AMT: 350,000.00			
1110. Owner's coverage: Risk Premium 3,462.50	INS AMT: 677,500.00			
1110a Endorsements: FF9-348.75; ALTA 4-25.00; ALTA 6-25.00; ALTA 8.1-25.00;				
1111. Copies/Telc/Fax/Adminis	to [Redacted] & Cliff		25.00	
1112. FedEx/shipping/handling	to [Redacted] & Cliff			
1113.	to			33.00
1200. Government Recording and Transfer Charges				
1201. Recording Fees: Deed \$10.00; L-Mortgage(s) \$180.00; S-Mortgage(s) ; Releases \$20.00			190.00	20.00
1202. City/county tax/stamps: Deed ; L-Mortgage(s) \$700.00; S-Mortgage(s)			700.00	
1203. State tax/stamps: Deed \$4,742.50; L-Mortgage(s) \$1,225.00; S-Mortgage(s)			1,225.00	4,742.50
1204. Record Cert. Approval	Clerk of the Court		10.00	
1205.				
1300. Additional Settlement Charges				
1301. Survey	to			
1302. Pest Inspection	to			
1303. Roof Inspection	to			
1304.	to			
1305. Processing Fee	to [Redacted] Realty		175.00	
1306. Processing Fee	to [Redacted] Properties			
1307. Obtain County Eatoppel Letter	to [Redacted] Properties			110.00
1308.	to			5.00
1309.	to			
1400. Total Settlement Charges (enter on lines 103, Section J and 502, SectionK)			6,527.25	48,560.50

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 the HUD - 1 Settlement Statement.

John M. [Redacted]

Borrower

Timothy M. Gorman

Seller

Dawn K. [Redacted]

Borrower

Catherine Gorman

Seller

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

Settlement Agent

Ross Lanier Deifik &amp; Cliff, P.A.

**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 fine and imprisonment. For details see: Title 18 U.S. Code Section 1001 and Section 1010.

1/28/2005 Date  
113013