

# Alabama Title Insurance Practice Test (Sample)

## Study Guide



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## **Questions**

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- 1. According to Alabama Code 35-4-24, which of the following is NOT a designated officer for taking acknowledgments?**
  - A. Registrars of the federal court**
  - B. Judges of circuit and district courts**
  - C. Judges of the court of probate**
  - D. Registers of the circuit court**
- 2. Which of the following is NOT shown on Schedule A of the title commitment?**
  - A. Names of proposed insureds**
  - B. Name of existing title holder**
  - C. Exceptions from coverage**
  - D. Legal description of the subject property**
- 3. What is generally a requirement for obtaining a title insurance agent license in Alabama?**
  - A. Must have a degree in law**
  - B. Must be at least 21 years old**
  - C. Must be a resident or employed full-time by an agent**
  - D. Must pass a comprehensive state exam**
- 4. In Alabama, ad valorem taxes owed to the state are paid:**
  - A. Monthly**
  - B. In advance**
  - C. Quarterly**
  - D. In arrears**
- 5. Which action is essential before a title commitment can be finalized?**
  - A. Conducting a market analysis of the property**
  - B. Completing a title search**
  - C. Setting an insurance premium rate**
  - D. Establishing a warranty for the property**

- 6. The phrase "the invalidity or unenforceability of any assignment of the insured mortgage" is classified as what under the loan policy?**
- A. Condition**
  - B. Requirement**
  - C. Covered Risk**
  - D. Exclusion from Coverage**
- 7. When can an insured party expect to see the policy coverage outlined in?**
- A. At the time of closing**
  - B. In the preliminary title report**
  - C. Within the loan commitment documentation**
  - D. In the recorded deed**
- 8. How many acres are in the S 1/2 of the NW 1/4 of the NW 1/4?**
- A. 80 acres**
  - B. 60 acres**
  - C. 40 acres**
  - D. 20 acres**
- 9. In which scenario is a statement regarding CPL coverage NOT required?**
- A. Mortgage refinance when the lender requests CPL**
  - B. Transfer of a possessory interest in the subject property**
  - C. Mortgage refinance without prior CPL request**
  - D. Transfer of an ownership interest in the property**
- 10. An increase in the amount of land due to permanent withdrawal of a river or sea is known as?**
- A. Accretion**
  - B. Alluvion**
  - C. Avulsion**
  - D. Reliction**

## **Answers**

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1. A
2. C
3. C
4. D
5. B
6. C
7. B
8. D
9. C
10. D

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## **Explanations**

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**1. According to Alabama Code 35-4-24, which of the following is NOT a designated officer for taking acknowledgments?**

- A. Registrars of the federal court**
- B. Judges of circuit and district courts**
- C. Judges of the court of probate**
- D. Registers of the circuit court**

In Alabama, the law specifies certain individuals who are authorized to take acknowledgments, which are essentially necessary for validating the signing of certain documents. Acknowledgments are typically done by public officials who are considered reliable and trustworthy. Under Alabama Code 35-4-24, not all court officials or registrars have the authority to take acknowledgments. While judges of circuit and district courts, as well as judges of the court of probate, possess this authority due to their roles within the judicial system, registrars of the circuit court fulfill specific functions related to the filing and maintenance of public records rather than taking acknowledgments. The key distinction here is that registrars of the federal court do not have the same standing regarding acknowledgments as the other positions listed. They are generally involved in administrative tasks and do not serve the same role in taking acknowledgments under the Alabama Code. Therefore, this makes registrars of the federal court the correct answer since they are not designated officers authorized for this particular purpose.

**2. Which of the following is NOT shown on Schedule A of the title commitment?**

- A. Names of proposed insureds**
- B. Name of existing title holder**
- C. Exceptions from coverage**
- D. Legal description of the subject property**

Schedule A of the title commitment outlines key information related to the title insurance policy. It is primarily focused on the specifics of the transaction and the parties involved. The schedule includes the names of proposed insureds, which identify who is covered by the title insurance, as well as the name of the existing title holder, providing context of who currently owns the property. Additionally, the legal description of the subject property is included to clearly define the exact boundaries and characteristics of the property being insured. This information is essential for both the title insurer and the insured parties to understand what property is being discussed. In contrast, exceptions from coverage are not included in Schedule A. Instead, these exceptions are detailed in Schedule B of the title commitment. This separation is important because it differentiates the affirmative coverage provided by the insurer from potential risks and exclusions that a buyer or lender should be aware of. Therefore, the presence of exceptions belongs on Schedule B, not Schedule A, confirming that option regarding exceptions from coverage is the answer to the question.

**3. What is generally a requirement for obtaining a title insurance agent license in Alabama?**

- A. Must have a degree in law**
- B. Must be at least 21 years old**
- C. Must be a resident or employed full-time by an agent**
- D. Must pass a comprehensive state exam**

To obtain a title insurance agent license in Alabama, it is essential that the individual is either a resident of Alabama or is employed full-time by a title insurance agent. This requirement ensures that the agent is familiar with the local laws and practices that govern title insurance within the state, which is critical for properly facilitating real estate transactions and addressing specific regional concerns. The requirement to be a resident or employed full-time not only establishes a level of commitment to the profession but also helps maintain a stable network of agents who can effectively serve their clients. Being locally based or employed ingrains an understanding of the nuances of Alabama's title insurance landscape and allows for better service and accountability in the industry. While having a degree in law or passing a comprehensive state exam may be beneficial or even necessary for other licensing avenues, they are not specific requirements in Alabama for title insurance agents. Similarly, while being at least 21 years old may be a general criterion for many legal professions, the focus here is on residency or employment status, which directly ties to operational capability in the title industry.

**4. In Alabama, ad valorem taxes owed to the state are paid:**

- A. Monthly**
- B. In advance**
- C. Quarterly**
- D. In arrears**

In Alabama, ad valorem taxes, which are based on property value, are paid in arrears. This means that taxes are assessed on property for the previous year and are due afterwards. The system of paying in arrears is common for property taxes across many states, as it allows the tax authority to evaluate property values and establish the tax amounts based on the previous year's data. When ad valorem taxes are paid, property owners typically receive a bill detailing the amount owed, which reflects the value of the property from the previous year's assessment. This payment structure ensures that property taxes are calculated based on accurate and timely assessments and gives property owners time to budget for tax payments based on the tax year that has already occurred. The other payment frequencies, such as monthly, in advance, or quarterly, do not align with how ad valorem taxes are structured in Alabama. Monthly payments would require a different assessment model, while payments in advance would imply paying for taxes before they are assessed, which does not apply here. Quarterly payments could be confusing, as they imply installments rather than the complete assessment of taxes that are due. Therefore, understanding that ad valorem taxes in Alabama are specifically paid in arrears clarifies the nature of tax obligations for property owners.

**5. Which action is essential before a title commitment can be finalized?**

- A. Conducting a market analysis of the property**
- B. Completing a title search**
- C. Setting an insurance premium rate**
- D. Establishing a warranty for the property**

Before a title commitment can be finalized, completing a title search is essential because it is a critical step in identifying any issues related to the property title. The title search involves investigating public records to verify the ownership and to check for any liens, encumbrances, or claims against the property that may affect the transfer of title. The results of the title search directly inform the title insurer of any potential risks associated with issuing a title insurance policy. Without this step, the insurer cannot ascertain the condition of the title and thus cannot responsibly issue a commitment. This process ensures that the buyer receives a clear title, thereby protecting them from future disputes regarding ownership. While conducting a market analysis, setting an insurance premium rate, and establishing a warranty for the property are important components of real estate transactions, they are not prerequisites for finalizing a title commitment. The title search is fundamental in establishing the necessary groundwork for any subsequent actions related to the title insurance process.

**6. The phrase "the invalidity or unenforceability of any assignment of the insured mortgage" is classified as what under the loan policy?**

- A. Condition**
- B. Requirement**
- C. Covered Risk**
- D. Exclusion from Coverage**

The phrase "the invalidity or unenforceability of any assignment of the insured mortgage" is classified as a Covered Risk under the loan policy because it identifies a potential issue that the title insurance is designed to address. Covered Risks typically involve situations or events that the policy protects against, meaning that if such an event occurs, the title insurance would provide coverage. In this context, if a mortgage assignment is found to be invalid or unenforceable, it can significantly impact the lender's ability to recover funds. Therefore, the title insurance policy would cover this risk, providing the lender with protection against this particular issue. This classification underscores the importance of ensuring that all assignments related to the mortgage are valid and enforceable, which is central to the financial security and legal standing of the loan. By categorizing it as a Covered Risk, the policy assures the lender that they will be protected against financial loss arising from this specific concern regarding the assignment of the mortgage.

**7. When can an insured party expect to see the policy coverage outlined in?**

- A. At the time of closing**
- B. In the preliminary title report**
- C. Within the loan commitment documentation**
- D. In the recorded deed**

The policy coverage for title insurance is typically outlined in the preliminary title report. This report is generated before the closing process and provides crucial information about the property, including any liens, encumbrances, or issues that may affect the title. It serves as a snapshot of the status of the title at that point in time and informs the insured parties about the coverage they can expect under their title insurance policy. The preliminary title report is essential for buyers and lenders as it allows them to review and understand the potential risks before finalizing the purchase or loan. While the actual title insurance policy will provide the formal terms and conditions of coverage, the preliminary title report is the document that first presents this critical information for consideration. While the other options may involve aspects of the real estate transaction, they do not specifically address when the insured can first see the policy coverage outlined in a detailed manner. For example, the loan commitment documentation pertains more to the lending aspects rather than title coverage, and the recorded deed refers to the transfer of ownership rather than insurance details. The closing may also present a summary of what's covered, but the detailed policy coverage is primarily found in the preliminary title report.

**8. How many acres are in the S 1/2 of the NW 1/4 of the NW 1/4?**

- A. 80 acres**
- B. 60 acres**
- C. 40 acres**
- D. 20 acres**

To determine how many acres are in the S 1/2 of the NW 1/4 of the NW 1/4, it is essential to understand the way land is divided in the Public Land Survey System (PLSS). First, let's break it down step-by-step. The full section of land consists of 640 acres, which is typically a square mile (1 mile x 1 mile). Each quarter section of a section contains 160 acres. Therefore, the NW 1/4, being one quarter of the section, contains 160 acres. Next, the NW 1/4 of the NW 1/4 refers to a further subdivision of the previous 160 acres. When you take the NW 1/4 of the 160 acres, you end up with 40 acres, since 160 divided by 4 equals 40. Now, when the question specifies the S 1/2 of this 40 acres, it refers to half of that area. Taking half of the 40 acres gives you 20 acres. Therefore, the correct answer indicating how many acres are in the S 1/2 of the NW 1/4 of the NW 1/4 is 20 acres

**9. In which scenario is a statement regarding CPL coverage NOT required?**

- A. Mortgage refinance when the lender requests CPL**
- B. Transfer of a possessory interest in the subject property**
- C. Mortgage refinance without prior CPL request**
- D. Transfer of an ownership interest in the property**

In the context of title insurance and CPL (Closing Protection Letter) coverage, a scenario where a statement regarding CPL coverage is not required typically involves situations where the lender does not request such coverage. In the case of a mortgage refinance without prior request for CPL, it indicates that the lender's requirements do not include needing that specific coverage for the transaction. This situation differs from scenarios like mortgage refinances when the lender explicitly requests the CPL, which necessitates a statement regarding coverage, or in transactions involving transfers of ownership or possessory interests, which similarly require detailed disclosures about coverage as part of protecting the parties' interests during the transaction. Therefore, the absence of a prior request for a CPL in a refinance scenario leads to the conclusion that a statement regarding CPL coverage is not necessary, as there is no expectation or requirement from the lender for such protection in that particular context.

**10. An increase in the amount of land due to permanent withdrawal of a river or sea is known as?**

- A. Accretion**
- B. Alluvion**
- C. Avulsion**
- D. Reliction**

The increase in the amount of land due to the permanent withdrawal of a river or sea is referred to as reliction. This geological process occurs when water bodies recede, and land that was once submerged becomes exposed. As a result of this withdrawal, new land is created, which the original owner of the land adjacent to the water can claim. This is crucial in the context of property rights and title insurance, as it can affect the boundaries of real estate. Reliction differentiates itself from processes such as accretion and alluvion, which generally involve gradual deposition of soil or sediment over time, leading to land formation. Understanding this concept is important in title insurance because it can impact legal claims to property and the nature of ownership when land changes due to natural forces.