

Alabama Title Insurance Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Don't worry about getting everything right, your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations, and take breaks to retain information better.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning.

7. Use Other Tools

Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly — adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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- 1. What was a notable revision in the ALTA 2006 title policy regarding arbitration?**
 - A. Eliminates arbitration in favor of a jury trial**
 - B. Reduced the threshold for arbitration from \$2 million to \$1 million**
 - C. Increased the threshold for arbitration from \$1 million to \$2 million**
 - D. Made arbitration a requirement for title agents and insureds**
- 2. What would NOT be shown on a survey of a platted subdivision lot?**
 - A. Setback lines**
 - B. Easements**
 - C. Location of buildings**
 - D. Restrictions**
- 3. What does Section 8 of RESPA permit concerning promotional activities?**
 - A. Are not conditioned on the referral of business**
 - B. Are given in exchange for the referral of business**
 - C. Cost no more than \$100 per item**
 - D. Induce the person receiving them to refer business**
- 4. In Alabama, how many years must pass since a tax sale before a purchaser may request a tax deed?**
 - A. 2**
 - B. 3**
 - C. 4**
 - D. 5**
- 5. The purpose of commitment clearing is to ensure compliance with what?**
 - A. Title commitment**
 - B. Title report**
 - C. Title policy**
 - D. Underwriting objections**

6. In the northern half of Alabama, which survey's origin was established by the Meridian and Base Line?

- A. Montgomery**
- B. Huntsville**
- C. St. Stephens**
- D. Birmingham**

7. What must a settlement agent comply with on a purchase/sale with finance?

- A. Contract only**
- B. Loan closing instructions only**
- C. Title commitment only**
- D. I, II, III**

8. Which of the following must accompany a title insurance policy to alert the lender to certain conditions?

- A. Closing Disclosure**
- B. Endorsement**
- C. Title Update**
- D. Regulatory Statement**

9. Which of the following tasks would NOT be considered part of the post-closing process?

- A. Recording the documents**
- B. Disbursing the file**
- C. Transmitting the closed loan package to lender**
- D. Ordering the survey**

10. Closing disclosures are necessary for which type of transactions?

- A. All real property transactions**
- B. Cash transactions**
- C. Commercial transactions**
- D. TILA-RESPA ["TRID"] transactions**

Answers

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

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Explanations

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- 1. What was a notable revision in the ALTA 2006 title policy regarding arbitration?**
 - A. Eliminates arbitration in favor of a jury trial**
 - B. Reduced the threshold for arbitration from \$2 million to \$1 million**
 - C. Increased the threshold for arbitration from \$1 million to \$2 million**
 - D. Made arbitration a requirement for title agents and insureds**

The revision in the ALTA 2006 title policy increased the threshold for arbitration from \$1 million to \$2 million. This change was significant because it reflects a shift in the approach towards resolving disputes in title insurance matters. By raising the threshold, the policy allows for more substantial claims to be resolved through arbitration rather than the lower limit where arbitration might have been seen as more appropriate for smaller disputes. This move is intended to provide greater flexibility for both title agents and insured parties when dealing with significant claims, ensuring that they can seek resolution through judicial proceedings if the stakes exceed \$2 million. This alteration has implications for how title insurance policies are structured and can impact the decisions of parties involved in disputes, encouraging parties to consider the most suitable methods for resolution based on the magnitude of the financial stakes involved. The other choices do not align with the actual changes made in the policy and do not reflect the direction that the ALTA sought to take with respect to arbitration in title insurance matters.

- 2. What would NOT be shown on a survey of a platted subdivision lot?**
 - A. Setback lines**
 - B. Easements**
 - C. Location of buildings**
 - D. Restrictions**

A survey of a platted subdivision lot typically includes several critical elements that impact land use and property rights. Setback lines are often indicated as they define the minimum distance structures must be set back from property boundaries to ensure compliance with local zoning laws. Easements are also marked because they indicate specific rights of access or use on the property by third parties, which is essential for understanding property rights and any limitations on the use of the land. The location of buildings can be shown on the survey to provide clarity on existing structures and their relation to property lines, which is vital for any future modifications or developments. However, restrictions, which often include covenants or limitations on how property can be used or developed, are not typically depicted on a survey. These restrictions are usually found in the property's title documents or homeowner's association agreements rather than being illustrated in a survey. The survey focuses more on physical attributes and boundaries rather than legal restrictions. Therefore, restrictions would not be shown on a survey of a platted subdivision lot.

3. What does Section 8 of RESPA permit concerning promotional activities?

- A. Are not conditioned on the referral of business**
- B. Are given in exchange for the referral of business**
- C. Cost no more than \$100 per item**
- D. Induce the person receiving them to refer business**

Section 8 of the Real Estate Settlement Procedures Act (RESPA) is designed to eliminate kickbacks and referral fees that can lead to increased costs for consumers in real estate transactions. The correct answer states that promotional activities are not conditioned on the referral of business. This is crucial because Section 8 prohibits the giving or receiving of anything of value in exchange for referrals of settlement services. By allowing promotional activities as long as they are not tied to referrals, the law encourages legitimate marketing efforts without the pressure of quid pro quo arrangements. This means that businesses can promote their services and products freely as long as those promotions do not incentivize or require the recipient to refer business back to them. The other choices suggest scenarios that are either explicitly forbidden under RESPA or do not align with the intent to maintain fair market practices in the real estate industry. For instance, offering something valuable in exchange for business referrals runs contrary to the regulations set forth in Section 8, as it potentially creates a conflict of interest and can result in higher costs for consumers. The provision about items costing no more than a certain amount is also specific to different situations under RESPA, but it does not directly address the core of Section 8's intent. Understanding these aspects of Section

4. In Alabama, how many years must pass since a tax sale before a purchaser may request a tax deed?

- A. 2**
- B. 3**
- C. 4**
- D. 5**

In Alabama, the law stipulates that a purchaser must wait a minimum of three years after a tax sale before they can request a tax deed. This timeframe allows for sufficient opportunity for any potential redemption by the former owner of the property, as they have the right to reclaim their property by paying the owed amount along with any applicable interest or fees. Understanding this period is crucial in the context of real estate transactions and property rights, as it protects property owners from losing their property too hastily. The three-year waiting period reflects a balance between the rights of property owners and the interests of purchasers who are acquiring properties through tax sales. This legal framework also emphasizes the importance of ensuring that all parties have fair opportunities to address their rights and obligations regarding the property. If the waiting period were shorter, it could lead to increased disputes and issues with property ownership, which is why the law specifically designates three years as the necessary timeframe for ensuring proper procedure and protection for all involved parties.

5. The purpose of commitment clearing is to ensure compliance with what?

- A. Title commitment**
- B. Title report**
- C. Title policy**
- D. Underwriting objections**

Commitment clearing is a crucial process in the title insurance industry designed to address and resolve any issues or objections raised during the underwriting phase of a title transaction. This process ensures that all concerns identified by underwriters are adequately cleared before the issuance of a title policy. In this context, underwriting objections could refer to various issues that might affect the insurability of a title, such as liens, claims, or defects that need to be resolved to provide a clear title. By clearing these objections, title companies can ensure that the final title policy will be free of defects and provide the necessary protection to the insured party. The other options like title commitment, title report, and title policy are related to the title insurance process but do not specifically pertain to the act of resolving underwriting objections. A title commitment is a preliminary report that outlines the conditions that must be met before a title policy can be issued, while a title report summarizes the status of the title. A title policy, on the other hand, is the final product that provides insurance coverage. However, without addressing underwriting objections through commitment clearing, a title policy cannot be issued with confidence that it will protect against potential claims.

6. In the northern half of Alabama, which survey's origin was established by the Meridian and Base Line?

- A. Montgomery**
- B. Huntsville**
- C. St. Stephens**
- D. Birmingham**

The correct answer is Huntsville because it serves as a reference point for land surveying within the northern half of Alabama, specifically utilizing the Huntsville Meridian and Base Line as a foundation. The Huntsville Meridian, established in the early 19th century, provides a base point for the section and township system of land surveying in this region. This system enables surveyors to accurately describe land locations in relation to the established meridian and base line, facilitating proper land ownership and development. While other cities like Montgomery, St. Stephens, and Birmingham play significant roles in Alabama's geography and land transactions, they do not hold the same surveying significance as Huntsville in relation to the Meridian and Base Line. Montgomery is the state's capital but is based on a different surveying system. St. Stephens, while historically important, does not serve as a surveying origin in this context. Birmingham, known as a major industrial city, also does not pertain to the established survey origins in the northern part of the state. Thus, Huntsville's designation as a surveying origin is central to understanding land descriptions and boundaries in northern Alabama.

7. What must a settlement agent comply with on a purchase/sale with finance?

- A. Contract only**
- B. Loan closing instructions only**
- C. Title commitment only**
- D. I, II, III**

The correct response highlights that the settlement agent must adhere to the title commitment in a purchase/sale transaction involving financing. A title commitment outlines the conditions that must be met for the title insurance to be issued. It includes details about the title search and any issues that may affect the property title, which is critical for the buyer and the lender. In a financed transaction, the lender requires assurance that the title is clear and that the property can be legally claimed and used as collateral for the loan. Therefore, compliance with the title commitment is essential for ensuring that the property transfer is valid and reliable, providing the lender the necessary protections. While the contract and loan closing instructions are important aspects of the real estate transaction, they do not provide the same level of protection regarding the title itself as the title commitment does. Thus, relying solely on the title commitment is crucial for successfully navigating the complexities of a financed purchase/sale.

8. Which of the following must accompany a title insurance policy to alert the lender to certain conditions?

- A. Closing Disclosure**
- B. Endorsement**
- C. Title Update**
- D. Regulatory Statement**

The correct answer is an endorsement, which is a supplemental provision that modifies the coverage of a title insurance policy. Endorsements are critical because they provide additional assurances to the lender about specific conditions or risks related to the property. For instance, if there are certain encumbrances or exceptions that need to be specifically addressed, endorsements will clarify how those issues are handled or covered under the policy. This allows lenders to understand the full implications of these conditions on the property's title. Accompanying documentation like a Closing Disclosure outlines the financial terms of the transaction, while a Title Update typically refers to a current status report on the title without altering policy terms. A Regulatory Statement might address legal obligations or compliance but does not specifically modify the policy's coverage. Endorsements are thus essential for ensuring that all specific conditions affecting the transaction are clearly communicated to the lender.

9. Which of the following tasks would NOT be considered part of the post-closing process?

- A. Recording the documents**
- B. Disbursing the file**
- C. Transmitting the closed loan package to lender**
- D. Ordering the survey**

The task of ordering the survey is typically associated with the pre-closing process rather than post-closing activities. During the pre-closing stage, a survey may be ordered to ensure that the property boundaries are clearly defined and that there are no encroachments or zoning issues that could affect the transaction. Once the closing has taken place, the focus shifts to finalizing the paperwork and fulfilling obligations essential to completing the transaction. In contrast, the other tasks listed—recording documents, disbursing the file, and transmitting the closed loan package to the lender—are standard responsibilities that take place after the closing has been finalized. Recording the documents involves filing the necessary legal papers with the appropriate government office to establish public record of ownership. Disbursing the file refers to the final distribution of documents and funds in accordance with the closing instructions, while transmitting the closed loan package to the lender ensures that the lender has the documentation required to process the loan and manage future payments.

10. Closing disclosures are necessary for which type of transactions?

- A. All real property transactions**
- B. Cash transactions**
- C. Commercial transactions**
- D. TILA-RESPA ["TRID"] transactions**

Closing disclosures are specifically required for TILA-RESPA Integrated Disclosure (TRID) transactions, which include most residential mortgage transactions. The TILA-RESPA regulation was designed to simplify disclosures and provide consumers with clear and concise information about their mortgage terms and closing costs. This requirement applies when a loan is secured by real property, particularly for first-lien mortgages. In TRID transactions, providing a closing disclosure ensures that buyers understand the final terms of the loan, including all fees and costs associated with the transaction, before they finalize the purchase. This process helps protect consumers from unexpected financial surprises and enhances their overall understanding of their mortgage obligations. While closing disclosures do play a role in other types of transactions, such as all real property transactions, cash transactions, and commercial transactions, they are not universally required for each of those categories like they are for TRID transactions. Thus, the focus on TRID transactions captures the essence of the closing disclosure requirement most accurately.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://alttitleinsurance.examzify.com>

We wish you the very best on your exam journey. You've got this!

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