

ALABAMA TITLE INSURANCE PRACTICE TEST (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

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THE FULL VERSION STUDY GUIDE**

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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. 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.

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. 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!

Questions

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- 1. Which of the following actions is not included in the Gramm-Leach-Bliley Act recommendations for securing customer information?**
 - A. Locking rooms and file cabinets where records are kept
 - B. Not sharing employee passwords in work areas
 - C. Encrypting sensitive customer information
 - D. Referring business to third party service providers
- 2. What is the time frame noted in ALDOI Insurance Rule 482-1-148-.13(3)(d) for a suspended licensee to apply for renewal without additional course requirements?**
 - A. 9 months
 - B. 12 months
 - C. 18 months
 - D. 24 months
- 3. What is NOT a ground for an individual applying for a title insurance agent license to be denied under the Alabama Title Insurance Act?**
 - A. Probation
 - B. Renewal
 - C. Suspension
 - D. Revocation
- 4. Which of the following best describes the process of post-closing title insurance?**
 - A. Obtaining endorsements for existing policies
 - B. Finalizing documentation for the insured parties
 - C. Ensuring all liens are cleared
 - D. Communicating with the insurer about potential claims
- 5. Which of the following is included in determining if an AfBA entity continues being viable?**
 - A. Operating independently of parent companies
 - B. Providing minimal services
 - C. Performing essential functions by outsourcing
 - D. Offering services exclusively to one provider

- 6. What is NOT another name for an alpha index?**
- A. General index
 - B. Judgment index
 - C. Geographic index
 - D. Name index
- 7. Payments under the ALTA 2006 form policy reduce the amount of insurance by what?**
- A. The amount of the payment
 - B. The amount of the premium
 - C. The amount under arbitration
 - D. The amount of related fees
- 8. On a mortgage finance transaction, what is the first document that must be reviewed with the borrower?**
- A. Note
 - B. Closing Disclosure
 - C. Mortgage/Deed of trust
 - D. Anti-coercion Statement
- 9. Which of the following is NOT an Exclusion from Coverage under the ALTA 2006 form policy?**
- A. Unmarketable Title
 - B. Any governmental police power
 - C. Rights of eminent domain
 - D. Defects or claims created by the Insured Claimant
- 10. What is NOT considered part of a title insurance agent's responsibilities regarding customer information?**
- A. Safeguarding non-public personal information
 - B. Handling escrow deposits
 - C. Distributing closing affidavits
 - D. Ensuring regulatory compliance

Answers

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

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Explanations

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1. Which of the following actions is not included in the Gramm-Leach-Bliley Act recommendations for securing customer information?

- A. Locking rooms and file cabinets where records are kept
- B. Not sharing employee passwords in work areas
- C. Encrypting sensitive customer information

D. Referring business to third party service providers

The Gramm-Leach-Bliley Act (GLBA) is designed to protect the privacy of consumer financial information. One of the key components of the act is the requirement to implement measures to ensure the security of customer information, which includes specific recommendations for safeguarding that data. The action of referring business to third-party service providers does not directly relate to the protective measures outlined by the GLBA for securing customer information. While the act does address the need for financial institutions to take responsibility for the protection of consumer data, it does not list referring third parties as a method of securing that data. In fact, relationships with third-party service providers require additional diligence and oversight under the GLBA, to ensure they maintain appropriate safeguards for customer information. In contrast, locking rooms and file cabinets helps physically secure sensitive information, sharing employee passwords can compromise security, and encrypting data protects it during transmission or storage, all of which are proactive measures explicitly encouraged by the GLBA to maintain the confidentiality and integrity of customer information.

2. What is the time frame noted in ALDOI Insurance Rule 482-1-148-.13(3)(d) for a suspended licensee to apply for renewal without additional course requirements?

- A. 9 months
- B. 12 months**
- C. 18 months
- D. 24 months

The correct choice regarding the time frame for a suspended licensee to apply for renewal without needing to complete additional course requirements is 12 months. This regulation is essential as it provides a specific period within which suspended licensees can regain their active status without further educational prerequisites, reflecting an understanding of the regulatory framework for insurance professionals in Alabama. This rule facilitates the reinstatement process, supporting professionals who may have been temporarily unable to maintain their licensure. Understanding this time frame is crucial for compliance with Alabama's insurance regulations, ensuring that professionals can plan their reactivation accordingly without incurring the burden of extra educational requirements if they apply within that specific time window.

3. What is NOT a ground for an individual applying for a title insurance agent license to be denied under the Alabama Title Insurance Act?

- A. Probation
- B. Renewal**
- C. Suspension
- D. Revocation

The correct answer is that renewal is not a ground for denying an individual applying for a title insurance agent license under the Alabama Title Insurance Act. The context of this answer lies in the fact that the act outlines specific grounds that may lead to denial of a license, which typically pertain to previous actions or statuses such as probation, suspension, or revocation of a license. When discussing the renewal process, it generally pertains to maintaining a previously granted license rather than being a factor that would lead to denial. Renewal usually requires fulfilling certain conditions, but it does not inherently involve negative actions or statuses that could result in a denial of the opportunity to obtain a license. Probation, suspension, and revocation involve serious disciplinary actions that reflect negatively on an individual's qualifications or conduct in relation to their role in title insurance. Probability or ongoing issues could directly impact the assessment of an individual's fitness to be a title insurance agent. Therefore, it's clear that while those grounds can warrant a denial, renewing a license typically does not fall into the same category.

4. Which of the following best describes the process of post-closing title insurance?

- A. Obtaining endorsements for existing policies
- B. Finalizing documentation for the insured parties**
- C. Ensuring all liens are cleared
- D. Communicating with the insurer about potential claims

The process of post-closing title insurance primarily involves the finalization of documentation for the insured parties. After the closing process, it is crucial that all necessary documents are properly completed, executed, and delivered to ensure that the title insurance policy reflects all relevant details and conditions of the transaction. This includes preparing the final policies, endorsements, and any additional required paperwork to provide the insured parties with clear evidence of their ownership and the protections afforded by the title insurance. While obtaining endorsements, ensuring liens are cleared, and communicating with the insurer about potential claims are important aspects of title insurance, they do not encapsulate the overarching process of post-closing activities as comprehensively as the finalization of documentation does. The focus in post-closing is on confirming that all aspects of the transaction have been completed and properly documented, thereby securing the interests of all parties and establishing a clear and unencumbered title.

5. Which of the following is included in determining if an AfBA entity continues being viable?

- A. Operating independently of parent companies
- B. Providing minimal services
- C. Performing essential functions by outsourcing**
- D. Offering services exclusively to one provider

The viability of an Affiliated Business Arrangement (AfBA) entity can be assessed by examining its operational capabilities and the extent to which it is able to meet customer needs. When evaluating whether an AfBA remains viable, one important aspect is how essential functions are performed. If an AfBA entity is relying on outsourcing to perform these essential functions, it is indicative that it may not have the necessary infrastructure or resources to operate independently and maintain long-term viability. Outsourcing can sometimes allow an entity to tap into specialized services or expertise that it does not possess internally, which can sustain operations. However, if an entity's core functions are heavily outsourced rather than performed in-house, it may raise questions about its long-term sustainability and independence, ultimately impacting its viability. In contrast, relying on minimal services or offering services exclusively to one provider would limit the entity's market reach and customer base, which could jeopardize its sustainability. Operating independently of parent companies is also a factor but does not address the core issue of essential functions and their execution. Thus, assessing essential functions performed by outsourcing directly speaks to the sustainability of the AfBA's operations.

6. What is NOT another name for an alpha index?

- A. General index
- B. Judgment index
- C. Geographic index**
- D. Name index

The term "alpha index" refers to an indexing system commonly used in title insurance and real estate transactions, where information is organized alphabetically, typically by the names of individuals or entities involved in property transactions. Each of the options presented refers to types of indexes that might be used in different contexts. The geographic index, while a valid type of index used for organizing records based on geographic location rather than names, is not synonymous with an alpha index. This distinction is crucial because the alpha index focuses on alphabetical sorting of names rather than geographical data. In contrast, a general index is a broader term that may encompass various methods of indexing, including alpha, while a judgment index specifically refers to records of legal judgments against individuals and is often incorporated into title searches. Understanding the differences among these indexes is essential for anyone involved in title searches, as each serves a unique purpose in property records management. The geographic index, by categorizing information based on location, stands apart from the fundamental structure of an alpha index that emphasizes name-based sorting.

7. Payments under the ALTA 2006 form policy reduce the amount of insurance by what?

- A. The amount of the payment**
- B. The amount of the premium
- C. The amount under arbitration
- D. The amount of related fees

The ALTA 2006 form policy specifies that payments made under the policy will directly reduce the amount of insurance coverage available. This means that when a claim is paid out, the value of that payment is subtracted from the overall insurance coverage limit. For example, if the policyholder has coverage of \$100,000 and a claim of \$20,000 is paid, the remaining amount of coverage would then be \$80,000. This approach is designed to clarify how the policy operates, ensuring that insured parties understand their remaining coverage after any claims are settled. The other choices, while related to aspects of insurance and claims, do not directly pertain to the mechanism of reducing the coverage amount following a payment made under the policy.

8. On a mortgage finance transaction, what is the first document that must be reviewed with the borrower?

- A. Note
- B. Closing Disclosure**
- C. Mortgage/Deed of trust
- D. Anti-coercion Statement

The first document that must be reviewed with the borrower during a mortgage finance transaction is the Closing Disclosure. This document provides critical information about the loan terms, including the interest rate, monthly payment amount, and the total closing costs. It also outlines the amount of cash the borrower needs to bring to the closing table and breaks down various charges in detail. Reviewing the Closing Disclosure at the beginning is essential because it ensures that the borrower fully understands the financial implications of the mortgage, including the final terms of the loan as they relate to affordability and total cost. This review is also mandated by the Consumer Financial Protection Bureau (CFPB) regulations, which require that borrowers receive this document at least three business days before closing to allow them to review all terms and costs associated with the mortgage. By addressing this document first, the borrower can clarify any concerns or questions they may have before committing to the loan, which is a vital part of the financing process. This emphasis on transparency and understanding helps protect consumers and promotes informed decision-making.

9. Which of the following is NOT an Exclusion from Coverage under the ALTA 2006 form policy?

A. Unmarketable Title

B. Any governmental police power

C. Rights of eminent domain

D. Defects or claims created by the Insured Claimant

The correct answer is unmarketable title because unmarketable title is a term that refers to a title that cannot be sold or mortgaged due to various legal issues, such as liens, easements, or other encumbrances that may not allow free transfer of ownership. Under the ALTA 2006 form policy, exclusions typically include defects or claims that arise from certain circumstances, such as governmental powers or actions, but unmarketable title itself is not listed as a specific exclusion from coverage. In contrast, any governmental police power refers to the authority of the state to regulate behavior and enforce order within its territory, which can impact ownership rights but is not covered under the title policy. Rights of eminent domain involve the government's right to take private property for public use, which is also excluded from coverage because it affects the title's usability. Defects or claims created by the Insured Claimant signify issues that arise due to the actions or decisions of the insured party themselves, which is a classic exclusion in title insurance policies, as it highlights conflicts or complications that are the result of the insured's own transactions or behaviors. These exclusions highlight situations that the insurer does not cover due to the risk inherent in those specific circumstances.

10. What is NOT considered part of a title insurance agent's responsibilities regarding customer information?

A. Safeguarding non-public personal information

B. Handling escrow deposits

C. Distributing closing affidavits

D. Ensuring regulatory compliance

Distributing closing affidavits is not typically considered part of a title insurance agent's responsibilities regarding customer information. While title insurance agents play a crucial role in facilitating real estate transactions, their primary focus lies in the investigation of title history, issuance of title insurance policies, and protection against claims concerning property ownership. Safeguarding non-public personal information is fundamental to the role of a title insurance agent, as they handle sensitive data throughout the closing process. The protection of this information is mandated by various privacy laws and regulations, making this responsibility central to their duties. Handling escrow deposits is also a key responsibility of title agents. They are entrusted to manage these funds during a real estate transaction, ensuring that all parties fulfill their obligations before the funds are released. Ensuring regulatory compliance is crucial in the role of a title insurance agent. They must adhere to federal and state laws, as well as industry standards, in order to maintain the integrity of the title insurance process and protect both themselves and their clients. In summary, while distributing closing affidavits is part of the overall closing process, it does not directly relate to the handling and safeguarding of customer information, distinguishing it from the other responsibilities listed.

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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