

Michigan State Title Insurance Practice Exam (Sample)

Study Guide



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Questions

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- 1. The ownership of realty implies a collection of rights known collectively as what?**
 - A. Life Estate**
 - B. Fee Simple Estate**
 - C. Leasehold**
 - D. Joint Tenancy**

- 2. What do insurers seek through the subrogation process?**
 - A. To reimburse policyholders**
 - B. To recover paid claims**
 - C. To negotiate settlements**
 - D. To deny future claims**

- 3. What is the name given to publicly available documents?**
 - A. Public Disclosures**
 - B. Public Records**
 - C. Open Files**
 - D. Available Records**

- 4. In order for a new mortgage to hold the first lien position, what must be conducted?**
 - A. Foreclosure**
 - B. Subordination**
 - C. Refinancing**
 - D. Discharge of previous mortgage**

- 5. What is the maximum fine for violating a cease and desist order issued by the commissioner?**
 - A. \$5,000**
 - B. \$10,000**
 - C. \$15,000**
 - D. \$20,000**

6. What is the term for the right of owners to access their property?

- A. Access**
- B. Exit**
- C. Ingress**
- D. Egress**

7. What is the term for joint tenancy ownership specifically for a husband and wife?

- A. Tenancy by the Entirety**
- B. Joint Tenancy**
- C. Common Law Ownership**
- D. Estate in Severalty**

8. What is the legal term for a policy that provides coverage for the owner of the title to a property?

- A. Lender's Policy**
- B. Owner's Policy**
- C. Combined Policy**
- D. Title Insurance**

9. What is required for a personal representative in a supervised probate?

- A. A signed agreement**
- B. A court order**
- C. Consent from heirs**
- D. A special certificate**

10. What is the difference between title insurance and standard insurance?

- A. Title insurance is based on current claims, while standard insurance is future-oriented.**
- B. Title insurance covers historical ownership, while standard insurance covers potential future risks.**
- C. Title insurance is purchased during transactions, while standard insurance is ongoing.**
- D. Title insurance excludes all claims, while standard insurance excludes none.**

Answers

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- 1. B**
- 2. B**
- 3. B**
- 4. B**
- 5. B**
- 6. A**
- 7. A**
- 8. B**
- 9. B**
- 10. B**

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Explanations

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1. The ownership of realty implies a collection of rights known collectively as what?

- A. Life Estate**
- B. Fee Simple Estate**
- C. Leasehold**
- D. Joint Tenancy**

The correct answer is Fee Simple Estate because this term describes the most complete form of ownership in real property. A Fee Simple Estate grants the owner a full set of rights, including the right to use the property, sell it, lease it, inherit it, and exclude others from it. This type of estate is characterized by its indefinite duration, meaning that the owner's rights are not limited to a specific time frame, unlike other types of interests in real estate. In contrast, a Life Estate grants ownership rights only for the duration of an individual's life, after which the property reverts back to the original grantor or their heirs. A Leasehold represents a temporary right to use and occupy the property but does not provide ownership rights; the property ultimately belongs to the lessor. Joint Tenancy describes a form of concurrent ownership where two or more people hold title to a property, but it includes certain limitations and rights of survivorship that differ from the complete rights involved in a Fee Simple Estate. Thus, the concept of ownership related to a Fee Simple Estate is what encapsulates the idea of a full collection of rights in real property, making it the correct choice.

2. What do insurers seek through the subrogation process?

- A. To reimburse policyholders**
- B. To recover paid claims**
- C. To negotiate settlements**
- D. To deny future claims**

In the context of insurance, subrogation is primarily designed to allow insurers to recover costs that they have already paid out on behalf of policyholders. When an insurer pays a claim, it may seek to pursue legal action against the responsible party or their insurance company in order to recover those costs. This recovery process is what subrogation entails, and its goal is to ensure that the insurer does not incur unnecessary losses by effectively passing the financial burden back to the entity that is actually liable for the damages. By focusing on recovering paid claims, insurers can balance their financial obligations and maintain sustainable operations. This process also enables them to keep premium costs down and minimize risk of loss, as they are not simply absorbing the costs of every payout without recourse. Thus, the correct answer highlights the fundamental purpose of subrogation within the insurance framework.

3. What is the name given to publicly available documents?

- A. Public Disclosures**
- B. Public Records**
- C. Open Files**
- D. Available Records**

The term that refers to publicly available documents is "Public Records." Public records encompass a wide array of documents that are maintained by government agencies and made accessible to the public, including property deeds, court records, birth and death certificates, and other vital statistics. The purpose of making these records available is to ensure transparency and accountability in government operations and to provide individuals the ability to verify information or conduct research. Public records are essential in title insurance and real estate transactions, as they provide crucial information about property ownership, liens, easements, and other interests that may affect a property's title. By examining these records, parties involved can assess the risk associated with a title and ensure a clear path for ownership transfer. The other options, while potentially relevant to the discussion, do not accurately capture the specific terminology used within the context of legal documents and information. For example, "Public Disclosures" often relates to specific information that may or may not find its way into public records, and "Available Records" is too vague, lacking the formal recognition that "Public Records" has in legal terminology.

4. In order for a new mortgage to hold the first lien position, what must be conducted?

- A. Foreclosure**
- B. Subordination**
- C. Refinancing**
- D. Discharge of previous mortgage**

For a new mortgage to hold the first lien position, a subordination process must occur. Subordination involves altering the priority of existing liens against a property, allowing a new mortgage to take precedence over previously recorded liens. This is essential because when multiple mortgages are recorded against a property, the priority in which they are paid in the event of a foreclosure is determined by their recording order. In most cases, if a new mortgage is taken out, and it needs to be in the first lien position, it may require subordination of existing liens. This might involve negotiations with the holders of those existing liens to agree to subordinate their interests in favor of the new mortgage. Without this step, the new mortgage might be placed behind existing liens, which can jeopardize its security and repayment structure. Choosing subordination ensures that the new mortgage is recognized as the primary claim against the property, which is crucial from both a risk management and lending perspective. Other options such as foreclosure, refinancing, or discharging previous mortgages do not achieve the necessary position for the new mortgage to be first in line.

5. What is the maximum fine for violating a cease and desist order issued by the commissioner?

- A. \$5,000**
- B. \$10,000**
- C. \$15,000**
- D. \$20,000**

The maximum fine for violating a cease and desist order issued by the commissioner is set at \$10,000. This figure aligns with regulatory frameworks that establish penalties for non-compliance in order to enforce compliance within the title insurance industry effectively. The purpose of these fines is to deter violations and encourage adherence to the rules and regulations designed to protect consumers and maintain the integrity of the insurance market. This specific amount reflects the serious nature of such violations and the potential impact on the public and the industry. Understanding this penalty is crucial for professionals in the field, as it highlights the importance of compliance with commissioner orders and emphasizes the regulatory environment in which title insurance operations must navigate.

6. What is the term for the right of owners to access their property?

- A. Access**
- B. Exit**
- C. Ingress**
- D. Egress**

The term that specifically refers to the right of owners to access their property is typically expressed as "ingress." Ingress denotes the legal right to enter or access a property, while "egress" refers to the right to exit or leave the property. When discussing property rights, ingress and egress are often paired together, as both access and exit are fundamental to property ownership. While "access" might intuitively seem correct, it is a broader term and does not specifically delineate the legal rights associated with entering the property. In a legal or technical context, "ingress" is the precise term used to define the right of access, particularly in real estate and property law. Understanding this distinction is essential for addressing property rights and ensuring that property owners can navigate legal matters related to access to their land effectively.

7. What is the term for joint tenancy ownership specifically for a husband and wife?

- A. Tenancy by the Entirety**
- B. Joint Tenancy**
- C. Common Law Ownership**
- D. Estate in Severalty**

The term for joint tenancy ownership specifically for a husband and wife is known as Tenancy by the Entirety. This form of ownership is unique to married couples and offers several legal protections and benefits. One of the key features of Tenancy by the Entirety is that it provides a right of survivorship, meaning that if one spouse passes away, the surviving spouse automatically inherits the deceased spouse's interest in the property, avoiding probate. Additionally, this type of ownership shields the property from individual creditors of either spouse, since the property is considered owned jointly. This protection helps to secure the marital property from claims that one spouse might face due to personal debts. In contrast, other forms of ownership listed in the options do not possess these specific characteristics. Joint Tenancy allows for multiple owners but is not limited to married couples and typically does not offer the same protections. Common Law Ownership encompasses a broader range of property rights and is not specific to marriages. Estate in Severalty refers to property owned by one individual, lacking the joint rights that Tenancy by the Entirety provides.

8. What is the legal term for a policy that provides coverage for the owner of the title to a property?

- A. Lender's Policy**
- B. Owner's Policy**
- C. Combined Policy**
- D. Title Insurance**

The legal term for a policy that provides coverage for the owner of the title to a property is known as an Owner's Policy. This type of insurance is designed specifically to protect the interests of the property owner in the event that there are issues with the title that were not identified during the title search. An Owner's Policy offers coverage against claims that might arise from defects in the title, such as undisclosed liens, encroachments, or fraud that could affect the property ownership. It ensures that the owner has financial protection and is secure in their ownership rights. Other options, though related to title insurance, serve different purposes. A Lender's Policy typically protects the lender's interests in the event of a title defect, and it is commonly required when financing a property. A Combined Policy offers both lender and owner protections, but it is not specifically tailored solely for property owners. Title Insurance is the overarching term that encompasses various types of title insurance policies, including both Owner's Policies and Lender's Policies, rather than a specific type of coverage for property owners alone.

9. What is required for a personal representative in a supervised probate?

- A. A signed agreement
- B. A court order**
- C. Consent from heirs
- D. A special certificate

In the context of supervised probate, a court order is essential for the appointment of a personal representative. Supervised probate refers to a process where the court closely monitors the administration of the estate, ensuring that all actions taken by the personal representative are approved by the court. This oversight is crucial in situations where there might be disputes amongst heirs, concerns about the validity of the will, or when the estate is particularly complex. The requirement of a court order ensures that the personal representative is duly authorized to act on behalf of the estate and that their actions will have legal backing. This provides a safeguard for the beneficiaries and heirs, as it creates a level of accountability and transparency in the management of the estate. In contrast, while agreements, consents, or certificates may be relevant in other contexts, they do not fulfill the specific legal requirement established in a supervised probate setting for the personal representative's authority.

10. What is the difference between title insurance and standard insurance?

- A. Title insurance is based on current claims, while standard insurance is future-oriented.
- B. Title insurance covers historical ownership, while standard insurance covers potential future risks.**
- C. Title insurance is purchased during transactions, while standard insurance is ongoing.
- D. Title insurance excludes all claims, while standard insurance excludes none.

The correct choice highlights a fundamental distinction between title insurance and standard insurance. Title insurance specifically protects against claims related to past ownership and encumbrances on the property, such as liens, fraud, or undisclosed heirs that may affect the title. This focus on historical ownership means that the insurance policy ensures that the property being purchased has a clear and marketable title, free of issues from previous owners. In contrast, standard insurance products, such as health or auto insurance, are typically concerned with future risks and potential claims that may arise. These insurance types cover events that may occur after the policy is in place, such as accidents or health-related issues, providing coverage for risks moving forward. Understanding this difference clarifies that title insurance serves as protection against issues rooted in the property's past, which can immediately impact its ownership interest, while standard insurance is designed to handle unforeseen future risks in various contexts. This distinction is crucial for individuals and businesses involved in real estate transactions, as it helps them understand the importance of securing a title insurance policy to mitigate risks associated with prior ownership.