EXTENDED COVERAGE

Definition: “Extended Coverage” is the Company’s term for providing title insurance coverage on an owner’s policy over the five “general” exceptions. Each of them relates to matters that are unrecorded and which therefore are not disclosed by our usual searches. When the Company’s requirements have been met, extended coverage is provided by the issuance of Policy Modification Endorsement, which explicitly deletes any or all five general exceptions from Schedule B of the owner’s policy.

General Exception 1 relates to the rights of parties in possession not shown by the public records. The most common interest falling into this category is the interest of a tenant under an unrecorded lease. Almost all residential leases and most commercial leases are unrecorded. The rights of a purchaser in possession under an unrecorded installment contract would also be covered. Adverse possession issues are an additional concern.

General Exception 2 relates to matters that would be disclosed by an accurate survey. While including matters such as gaps and overlaps in legal descriptions, the most common of such matters relate to encroachments and building line violations. Encroachments may generally be divided into three categories: (1) encroachments of our land’s improvements onto adjoining property; (2) encroachments of adjoining property’s improvements onto our land; and (3) encroachments of improvements onto easements.

Building lines usually are depicted on a plat of subdivision. A building line is, in effect, a private restriction imposed by the developer which provides that no house, porch or other such improvement that blocks the neighbors’ sight lines may be built within a given portion of the lot. Most, but not all, building lines affect the front lot line as viewed from the street. When an improvement that obstructs sight lines is built in the area designated as a building line, the improvement is said to “violate” the restriction (rather than “encroach”). As is the case with encroachments, an adjoining property owner could bring a lawsuit demanding that the violating improvement either be relocated or torn down.
**General Exception 3** relates to unrecorded *easements*. The primary risk in this area relates to utility easements which exist but which were never granted in a recorded document. Practically speaking, the greatest risk to the title insurer occurs when the insured land is vacant, is not substantially improved or when new construction or a new addition is anticipated. In these situations, encountering an unexpected underground easement – such as a water main or drainage pipe - may have severe consequences, including a delay in the construction and increased construction costs.

General Exception 3 also relates to unrecorded *non*-utility easements, such as unrecorded easements for access to adjoining properties. The risk of such easements is especially significant when dealing with larger properties, rural properties and unimproved or partially improved properties.

**General Exception 4** relates to unrecorded *mechanics lien claims*. Under Illinois law, contractors and suppliers of materials are given a lien on the real estate that is the subject of the contract. This lien - which arises as of the date of the contract - is often called a “secret lien” because (unlike most other types of liens) it need not be recorded for it to be enforceable against purchasers and lenders. Before coverage may be given over General Exception 4, evidence is required either that no lienable work has been recently performed or, if it has, that all lien rights arising thereunder have been waived or are unenforceable. When such liens do exist, in many cases we may be able to insure over such liens (usually by means of a title indemnity, a holdback or, in some cases, a personal undertaking).

**General Exception 5** relates to *taxes and special assessments* not of record. If we are aware of any local city, village or township charge that is not being shown on our regular searches, then we should be furnished a letter from the relevant governing body stating that no charges arising thereunder are due or outstanding. An exception should be raised if an outstanding matter is revealed.
## EXTENDED COVERAGE REQUIREMENTS

### RESIDENTIAL PROPERTY

Definition: Land improved with a completed Single-Family House, a Residential Condominium, a Townhouse or an Apartment Building containing no more than 4 residential units

Additional premium is charged.

<table>
<thead>
<tr>
<th>General Exception:</th>
<th>Clearance:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>#1 Possession</strong></td>
<td><strong>ALTA Statement</strong> signed by the owners/sellers and the buyers/borrowers (or their respective attorneys).</td>
</tr>
<tr>
<td></td>
<td>• If leases are disclosed, raise: EXISTING UNRECORDED LEASES AND ALL RIGHTS THEREUNDER OF THE LESSEES AND OF ANY PERSON OR PARTY CLAIMING BY, THROUGH OR UNDER THE LESSEES.~</td>
</tr>
<tr>
<td><strong>#2 Survey Matters</strong></td>
<td><strong>Survey, if available.</strong> No survey required if a condominium.</td>
</tr>
<tr>
<td></td>
<td>• If no survey is available, paragraph 7 on the ALTA Statement (which states that no survey is available) should not be crossed out.</td>
</tr>
<tr>
<td></td>
<td>• If a survey is available, it must be reviewed for encroachments, building line violations and other matters.</td>
</tr>
<tr>
<td></td>
<td>• If the survey is more than 6 months old, some offices require that the owner sign a statement that there have been no improvements/alterations/etc. since the date of the submitted survey.</td>
</tr>
<tr>
<td><strong>#3 Easements</strong></td>
<td>No clearance is required. The possibility of unrecorded easements on improved residential property is taken on risk. Care should be exercised, however, when there is an indication that a future “tear-down” or addition is planned.</td>
</tr>
<tr>
<td><strong>#4 Mechanics Liens</strong></td>
<td><strong>ALTA Statement</strong> signed by the owners/sellers and the buyers/borrowers (or their respective attorneys).</td>
</tr>
<tr>
<td></td>
<td>• If contracts are disclosed, consult with your construction escrow personnel or contact a <em>company underwriter</em>. Additional clearance will be required in order to provide the buyer (and lender) with coverage over unrecorded mechanics lien claims. Such clearance may consist of an owner’s statement, a contractor’s statement and lien waivers and affidavits. In some circumstances, a Title Indemnity, Personal Undertaking or holdback may be required.</td>
</tr>
<tr>
<td><strong>#5 Taxes/Special Assessments</strong></td>
<td>If we are aware of any local city, village or township charge that is not being shown on our regular searches, then we should be furnished a letter from the relevant governing body stating that no charges arising thereunder are due or outstanding. An exception should be raised if an outstanding matter is revealed. The ALTA statement also addresses this.</td>
</tr>
</tbody>
</table>
## EXTENDED COVERAGE REQUIREMENTS

### NON-RESIDENTIAL PROPERTY

An additional premium will be charged

<table>
<thead>
<tr>
<th>General Exception:</th>
<th>Clearance:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>#1 Possession</strong></td>
<td><strong>ALTA Statement</strong> signed by the owners/sellers and the buyers/borrowers (or their respective attorneys).</td>
</tr>
<tr>
<td></td>
<td>• If leases are disclosed, raise: EXISTING UNRECORDED LEASES AND ALL RIGHTS THEREUNDER OF THE LESSEES AND OF ANY PERSON OR PARTY CLAIMING BY, THROUGH OR UNDER THE LESSEES. ~</td>
</tr>
<tr>
<td></td>
<td>• Upon specific customer request this may be amended to recite the tenants by name, for example: EXISTING UNRECORDED LEASES TO THE FOLLOWING-NAMED TENANTS, AND ALL RIGHTS THEREUNDER OF THE LESSEES AND OF ANY PERSON OR PARTY CLAIMING BY, THROUGH OR UNDER THE LESSEES: ~</td>
</tr>
<tr>
<td></td>
<td>• Upon specific customer request an exception may be raised, phrased as follows. In such case, however, the leases may need to be reviewed to verify that they do not contain options to purchase or any other unusual provisions: RIGHTS OF THE FOLLOWING TENANTS, AS TENANTS ONLY, AND OF ANY PERSON OR PARTY CLAIMING BY, THROUGH OR UNDER SAID TENANTS, AS DISCLOSED BY THE ALTA STATEMENT DATED: ~</td>
</tr>
<tr>
<td><strong>#2 Survey Matters</strong></td>
<td><strong>Survey</strong> is required. The survey should be:</td>
</tr>
<tr>
<td></td>
<td>• dated within the last six months – or affidavit of no change if survey older;</td>
</tr>
<tr>
<td></td>
<td>• certified to Chicago Title Insurance Company; and</td>
</tr>
<tr>
<td></td>
<td>• prepared to ALTA/ACSM standards or, at a minimum, Illinois Land Survey/Bar Association standards (but see special certification for farmlands following).</td>
</tr>
<tr>
<td></td>
<td>Consult with a company underwriter if the survey does not meet the above Company requirements. In addition to encroachments and violations, attention should be paid to manholes, swales, ditches, paths and the presence of transformers, poles or other such utility equipment.</td>
</tr>
<tr>
<td><strong>#3 Easements</strong></td>
<td><strong>Utility letters</strong>. If the land, as determined by the Company, is “substantially improved” and there is no indication of ongoing or planned construction on the land, utility letters will not be required.</td>
</tr>
<tr>
<td></td>
<td>• If utility letters disclose an interest or “involvement” in the land, an exception for such matter must be raised, for example: EASEMENT FOR ~ AS DISCLOSED BY UTILITY LETTER FROM ~ DATED ~.</td>
</tr>
<tr>
<td></td>
<td>- continued -</td>
</tr>
</tbody>
</table>
- **Survey**, as above. If the survey discloses unrecorded easements (such as for a sewer main or for access), an exception for such matters must be raised, for example: POSSIBLE EASEMENT ALONG THE SOUTH LINE OF THE LAND AS DISCLOSED BY WATER MAIN DEPICTED ON SURVEY NO. ~ DATED ~ AND PREPARED BY ~.
- If the purchaser is willing to take its owner’s policy “subject to utility letters,” the following should be raised for the owner’s policy: RIGHTS, IF ANY, OF PUBLIC AND QUASI-PUBLIC UTILITIES IN THE LAND. ~

### #4 Mechanics Liens

<table>
<thead>
<tr>
<th>ALTA Statement</th>
<th>signed by the owners/sellers and the buyers/borrowers (or their respective attorneys).</th>
</tr>
</thead>
<tbody>
<tr>
<td>If title was conveyed within the previous 6 months, requiring an ALTA Statement signed by the prior owner(s) should be considered.</td>
<td></td>
</tr>
<tr>
<td>ALTA Statements signed by major tenants also may be required.</td>
<td></td>
</tr>
<tr>
<td>If contracts are disclosed, consult with your construction escrow personnel or a company underwriter. Additional clearance will be required in order to provide the buyer (and lender) with coverage over unrecorded mechanics lien claims. Such clearance may consist of an owner’s statement, a contractor’s statement and lien waivers and affidavits. In some circumstances, a Title Indemnity or Personal Undertaking may be required.</td>
<td></td>
</tr>
</tbody>
</table>

### #5 Taxes/Special Assessments

| If we are aware of any local city, village or township charge that is not being shown on our regular searches, then we should be furnished a letter from the relevant governing body stating that no charges arising thereunder are due or outstanding. In certain localities a specific affidavit or statement form the seller may be required. An exception should be raised if an outstanding matter is revealed. |
EXCEPTION FOR EXTENDED COVERAGE FOR COMMITMENT FOR OWNER’S POLICY

[EXAMINER: Waive those exceptions below relating to general exceptions over which coverage is not requested.]

1. Relative to the deletion of General Exception No. 1 ("Rights or claims of parties in possession not shown by the public records") from our owner’s policy, we note the following:
   (a) Rights of public or quasi-public utilities, if any, in the land.
   NOTE: If it is desired to establish the nonexistence of such rights, we should be furnished with a survey meeting minimum detail requirements for ALTA / ACSM land title surveys certified to Chicago Title Insurance Company.

   (b) Existing leases.
   NOTE: All existing unrecorded leases affecting the land should be produced for our inspection, and this Commitment is subject to such further exceptions, if any, as may then be deemed necessary. If there are no unrecorded leases affecting the land, we should be furnished an affidavit to this effect by the owner of the land.

2. Relative to the deletion of General Exception No. 2 ("Encroachments, over laps, boundary line disputes, and any matters which would be disclosed by an accurate survey and inspection of the premises") from our owner’s policy, we note the following:
   We should be furnished with a survey meeting minimum detail requirements for ALTA / ACSM land title surveys, certified to Chicago Title Insurance Company and this Commitment is subject to such further exceptions, if any, as may then be deemed necessary after a review of said survey.

3. Relative to the deletion of General Exception No. 3 ("Easements, or claims of easements, not shown by the public records") from our owner’s policy, we note the following:
   Rights of public or quasi-public utilities, if any, in the land.

   NOTE: If it is desired to establish the nonexistence of such rights, compliance should be had with requirements noted at 1(a) above.
4. Relative to the deletion of General Exception No. 4 (“Any lien, or right to a lien, for services, labor or materials heretofore or hereafter furnished, imposed by law and not shown by the public records”) from our owner’s policy, we note the following:
   a. We should be furnished an Extended Coverage Statement (Form 3736) executed by all parties holding title to the land during the six months preceding the date of the policy.
   b. We should be furnished satisfactory evidence of the payment in full of the cost of furnishing services, labor and materials in connection with any improvement made on the land within six months of the date of the policy.
   c. Collateral indemnification may be required as a condition to the issuance of extended coverage over General Exception No. 4. This should be discussed with an officer of this Company.

ADDITIONAL MATTERS
There are situations where we will take less in the way of requirements and provide Extended Coverage over all or some of the General Exceptions. For example, if the customer has an old survey and is willing to sign an “Affidavit of No Change to Survey” we will probably accept the older survey. (Though we want to make sure it is certified to Chicago Title – sometimes this is done by a letter from the surveyor.) When we are taking less in the way of requirements than we normally would accept we also try to obtain the “STANDARD EXTENDED COVERAGE QUESTIONNAIRE”.

Since the cost of an ALTA / ACSM survey is high we are sometimes asked to lessen the requirements. This is low risk for vacant lands where the likelihood of any encroachment is minimal if it exists at all. However, adverse possession issues are greater, especially for agricultural land where fence lines and other indicia of ownership are rarely on the property lines. The following are requirements for an acceptable form of certification for vacant agricultural property:
A CURRENT SURVEY CERTIFIED TO CHICAGO TITLE INSURANCE COMPANY CERTIFIED AS TO THE FOLLOWING:

A. ALL FENCE LINES AND OTHER INDICATIONS OF OWNERSHIP VISIBLE ON THE LAND;
B. THE LOCATION OF ALL IMPROVEMENTS ON THE LAND OR A STATEMENT THAT THERE ARE NONE;
C. THE PERIMETER OF THE LAND AS DESCRIBED ON THIS COMMITMENT;
D. THE EXISTENCE OF ANY ENCROACHMENTS OF IMPROVEMENTS LOCATED ON THE LAND ONTO OTHER LAND, OR ENCROACHMENTS ONTO THE LAND BY IMPROVEMENTS LOCATED PRIMARILY ON OTHER LAND;
E. THE LOCATION OF ANY RECORDED EASEMENTS;
F. INDICATIONS OF EASEMENTS ON THE LAND SUCH AS ROADWAYS CROSSING OR ENCROACHING ON THE LAND, POWER POLES, ETC.

The cost of a survey for vacant residential properties is also prohibitive. Often a “spot survey” is provided. This taken together with the “AFFIDAVIT IN LIEU OF SURVEY” will typically be acceptable for survey coverage.

For most recent standards for Minimum Standard Detail Requirements for an ALTA/ACSM Land Title Survey, visit the following website:

http://www.acsm.net
AFFIDAVIT OF NO CHANGE TO SURVEY

Re: Chicago Title Insurance Company ("Chicago Title") Title Order No. ____________

The undersigned, being first duly sworn, does depose and state as follows:

1. That the undersigned is of full legal age and in every respect competent to certify to the statements contained herein;

2. That the undersigned is the owner of record of the property described in the above numbered commitment for title insurance, and has been for the entire time since the date of the survey identified below.

3. To the best of the undersigned's knowledge, the improvements (house, garage, outbuildings, etc.) on the subject property are within the boundary lines and set back lines, if any, of said property, and that there are no encroachments (fence, walkways, driveway, eaves, drains, etc.) by improvements on adjoining property onto the subject property, and that there are no known assertions being made by any adjoining property owner nor by the undersigned against them as to the location of boundary lines or disputes as to occupancy of any portion of the undersigned's property or their property except (list any):

4. That the survey (the "Survey") made by ________________ __________________ date ___ Job/Order No. ______________, is a correct and complete representation of all improvements now located on the property described in the above referenced title commitment, and accurately depicts the current state of facts on the Land.

5. That, subsequent to the date of the Survey, the undersigned has not made or caused to be made any structural improvements or structural additions to existing improvements on the property described in the above referenced title commitment.

6. That the undersigned makes the foregoing statements for the purpose of inducing Chicago Title to issue its policies of title insurance pursuant to the above referenced commitment insuring over matters which would be disclosed by a survey of the land. The undersigned hereby agrees to indemnify and hold harmless Chicago Title from all liability, loss or damage of any nature including reasonable attorney's fees, arising out of any false or inaccurate representation made herein.

DATED: __________
FOR INDIVIDUALS

________________________________  _______________________

FOR CORPORATIONS

Name of corporation

By: ____________________________________ its ______________________

Attest: __________________________________, its ______________________

NOTARY PUBLIC

STATE OF ILLINOIS  )
COUNTY OF  )

I, the undersigned, a Notary Public in and for said County and State aforesaid, DO HEREBY CERTIFY that __________________ personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he signed, sealed and delivered the said instrument as __________ free and voluntary act, for the uses and purposes therein set forth, including the release and waiver of the right of homestead.
GIVEN under my hand and seal, this ______ day of __________, ______.

________________________________
Notary Public.

STATE OF  )
COUNTY OF  )SS.

I, the undersigned, a Notary Public in and for said County and State aforesaid, DO HEREBY CERTIFY that personally known to me to be the President of the aforementioned corporation, and personally known to me to be the Secretary of said corporation, and personally known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that as such President and Secretary, they signed and delivered the said instrument as __________ President and __________ Secretary of said corporation, and caused the corporate seal of said corporation to be affixed thereto, pursuant to authority, given by the Board of __________, of said corporation as their free and voluntary act, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.
GIVEN under my hand and seal this ______ day of __________, A.D. ________.

________________________________
Notary Public.
STANDARD EXTENDED COVERAGE QUESTIONNAIRE

Date:_______

Please answer the following questions to the best of your knowledge and if any answer is “Yes,” give details on reverse hereof.

1. Are you the sellers, mortgagors, or present owner(s) (not selling or mortgaging) of the property known as

__________________________________________________________

(STREET ADDRESS)

described in our order ____________________________ .

Sellers______________________________________________

Mortgagors _________________________________________

Present Owners (Not selling or mortgaging) _________________________________

2. How long have you been familiar with this property? ________ years.

3. Do you know of any unrecorded documents that would affect this property, such as an unrecorded:

   a. Deed? Yes _____ No_____

   b. Mortgage? Yes____ No____

   c. Lease? Yes_____ No_____

   d. Contract or option for the sale of the property? Yes____ No_____

4. Have there been, to your knowledge, any disputes with neighbors over fence or boundary lines, driveways, walks, street or alley locations, or encroachments of buildings?

    Yes ___ No___
5. Are there, to your knowledge, any underground pipes, cables, conduits, ditches, or drain tiles that cross this property? Yes_____ No_____ 

6. Are there any utility poles, wires or lines crossing said premises and serving other property? Yes___ No___ 

7. Are there any joint walks, joint drives, party walls, curtain walls? Yes_____ No__ 

8. Are there any encroachments of buildings, eaves, fire escapes, signs, bay windows, areaways, walks, fences, drives, etc. of our property on adjoining property, including streets or alleys, or of adjoining property over our property? Yes ___No ___ 

9. Have you let any contracts for future work or materials to be furnished to the premises? Yes___ No___ 

10. Has any work or material been furnished to or for the property within the past six months (including site preparation, soil tests, site surveys, demolition, fabrication for future construction, architectural work, etc.)? Yes____ No____ 

11. Has any off site work taken place in the immediate vicinity of the property, such as grading or paving of streets, installation of sewer or water lines in streets, etc. within the past six months? Yes _____ No____ 

12. Have you received notice or do you know of any recent or future planned improvements (Such as street paving, sidewalks, street lighting, surface drainage, etc.) that will or might result in a special assessment against this property? Yes ____No______ 

13. Who occupies this property and by what right? (Include all tenants whether under written or oral leases) 

_________________________________________________________________________ 

_________________________________________________________________________ 

_________________________________________________________________________ 

Signatures and addresses:
COMMITMENT NO:______________________ RESIDENTIAL

AFFIDAVIT IN LIEU OF SURVEY

The undersigned ("Owner") being first duly sworn, under oath, state as follows:

That the Owner of record of the real estate described in Chicago Title Insurance Company’s Commitment referred to above have not made or caused to be made any structural additions or improvements to the existing improvements.

That Owner did not receive any survey at the time we purchased the property, nor have we subsequently obtained a survey.

To the best of our knowledge, we certify that the improvements (house, garage, outbuildings, etc.) on the subject property are within the boundary lines and set back lines, if any, of said property, and that there are no encroachments (fence, walkways, driveway, eaves, drains, etc.) by improvements on adjoining property onto the subject property, and that we know of no assertion being made by any adjoining property owner nor by us against them as to the location of boundary lines or disputes as to occupancy of any portion of our property or their property except (list any):

______________________________
Owner affirmatively states that the land is not affected by or subject to:
I. Rights of way, including those for roads, lanes, driveways or walks across said premises serving other property;
II. Underground installations such as sewers, water pipes, gas or oil pipe lines, conduits, across said premises serving other property;
III. Joint, driveways or walkways; party or curtain walls; beam rights; porches, steps or roofs used in common or joint garages.

The land has access by means of a public road known as ________________________.

The improvements on the land have the address of _____________________________.

The land is improved with: together with:
  single story residence  attached garage
  multi-story residence   detached garage
  no garage

This affidavit is made to induce Chicago Title Insurance Company to provide title insurance coverage over questions of survey on the policy or policies issued under the title commitment mentioned above.

______________________________  ________________________________
owner  owner
Subscribed and sworn to before me this ______ day of _____________, ________.

______________________________
Notary Public