



FLORIDA BULLETIN 99-4

TO: ALL OLD REPUBLIC AGENTS AND BRANCH OFFICES
FROM: UNDERWRITING DEPARTMENT
DATE: JUNE 4, 1999
RE: "FLIP" TRANSACTIONS

In recent months, we have been hearing more and more about real estate transactions that are commonly known as "flips." The typical transaction involves three basic players:

"A," the seller of the property in question;
"B," the purchaser from A; and
"C," the ultimate purchaser of the property.

The fourth player is of critical concern, "C's" lender.

There are several scenarios under which a transaction involving A, B and C might take place.

- The contract or agreement between A and B is closed with A conveying the property to B. Thereafter, the contract or agreement between B and C is closed and B conveys the property to C.
- The contract or agreement between A and B is properly assigned to C, and the closing takes place under that agreement with A conveying to C.

Variations of these two scenarios create a great deal of difficulty for the closing office and underwriter. Occasionally, under the first scenario, a closing takes place where the money necessary to close the transactions actually comes from C, and there are no funds available to close the transaction between A and B. In these situations, the HUD-1 closing statements cannot and do not match up with the actual checks disbursed. When the HUD-1 is false, the closing agent is extraordinarily exposed.

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Another problem scenario involves a lack of disclosure among the parties and, eventually, property values that are excessively inflated. C's lender may be unaware of the agreement between A and B. Failure to notify the lender of that transaction may very well be a violation of that lender's general closing instructions.

The purpose of this Bulletin is to enumerate those circumstances under which this Company is willing to underwrite "flip" transactions. You are authorized to issue a title insurance commitment or policy on this Company involving these types of transactions **only** under the following circumstances:

1. The approved transaction is closed under the first scenario set forth above with A conveying to B and B conveying to C, so long as a commitment is issued and a premium is collected on the conveyance from A to B. The commitment must show title vested in A and must require the conveyance from A to B. Further, the transaction between A and B must stand on its own with B providing the necessary funding for that transaction as reflected in a proper and complete settlement statement. Likewise, the second part of the transaction between B and C must be properly documented. The second commitment should show title vested in A and require a conveyance from A to B as well as a conveyance from B to C. Premiums should also be collected on the latter conveyance. All disclosures required by any lender involved must be made and must be clearly documented in the agent's file.
2. Alternatively, the approved transaction must be one as reflected in the second scenario above, whereby the contract between A and B is properly assigned to C so that C now owns the contract. A copy of a typical assignment of contract is attached for your information. The requirement for an assignment of contract must appear in the commitment. This transaction must be properly documented by way of the settlement statement, and that statement must reflect all deposits and payments, including the payment due to B on the Assignment of Contract. Again, necessary disclosures to the lenders and other appropriate parties must be made

In each of the situations immediately described above, the settlement statement(s) must accurately reflect the transactions. Cancelled checks must match the disbursement items shown on each closing statement.

Should you have any reason to believe that **any** transaction is not **bona fide** and **arms-length**, you should not issue this Company's commitment or policy without authority from our Underwriting Department. Please contact us with any questions or comments you might have.

ASSIGNMENT OF CONTRACT

KNOW ALL MEN BY THESE PRESENTS that _____ of _____ County, State of _____, party of the first part, in consideration of the sum of _____ (\$_____) Dollars, and other valuable considerations to me in hand paid by _____ of the County of _____, State of _____, party of the second part, at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, has granted, bargained, sold, assigned, transferred and set over, and by these presents does grant, bargain, sell, assign, transfer and set over unto the party of the second part, his heirs and assigns, forever, a certain land contract bearing date of the _____ day of _____, 19____, made by _____ upon the following described piece or parcel of land, situate and being in the County of _____, State of _____, to-wit:

(legal description)

A portion of the consideration of this assignment being that the party of the second part herein assumes all the obligations and agrees to pay all the payments described in said contract now due or to become due, together with all interest specified in said contract.

And upon the performance of all the terms and conditions and the completion of all payments as set forth in said contract, by the said party of the second part, _____, his heirs and assigns, the party of the first part does hereby authorize the said _____ to make, execute and deliver a good and sufficient deed to the property hereinabove described, in like manner as though the original contract had been made and executed by the said _____ with the said party of the second part, instead of with _____.

To have and to hold the same unto the said party of the second part, his heirs, and assigns forever.

IN WITNESS WHEREOF, the said party of the first part has hereunto set his hand and seal the _____ day of _____, 19____.

SIGNED, SEALED AND DELIVERED IN THE PRESENCE OF:

Witness

Printed Name

Witness

Printed Name

Signature

Printed Name

Signature

Printed Name