

## ISSUING GUIDELINES

### ALTA Endorsement: 4-06 (Condominium)

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#### **Explanation:**

This endorsement to the Loan Policy insures that the condominium project was created in accordance with state law, that there are no maintenance liens or forfeiture provisions with priority over the lien of the insured mortgage, and that there can be no exercise of a right of first refusal in connection with the current or prior transactions.

The endorsement may be attached to the Owner's Policy.

#### **Underwriting Requirements:**

- (1) The initial examiner of the condominium must verify that the condominium declaration complies with all statutory requirements and that any conditions to creation of the condominium (such as record evidence of completion in some states) have been met.
- (2) All taxes for years prior to the time that the units are entitled to separate assessment must be paid.
- (3) The restrictions disclosed by the examination must not contain any forfeiture or reversionary provision (unless they are, by their express terms, subordinate to the lien of the insured mortgage).
- (4) If the declaration creates a lien for maintenance assessments, all assessments outstanding for the period of time prior to closing must be paid and the declaration must state that the assessment lien is subordinate to the lien of the insured mortgage. In the states of Alabama, Alaska, Colorado, Connecticut, District of Columbia, Florida, Massachusetts, Minnesota, Nevada, Oregon, Pennsylvania, Rhode Island, Washington, and West Virginia state law provides that certain condominium assessments have priority over first mortgages. In those states, do not issue the ALTA Endorsement 4 on first mortgages unless you delete paragraph 4 or unless you add an exception pursuant to our local underwriting guidelines; otherwise, you should issue the ALTA 4.1 endorsement in those states or you should secure specific underwriter approval. In many states, assessment liens are superior to all mortgages except first mortgages. In all states issue only the ALTA 4.1 endorsement on Loan policies covering subordinate mortgages unless you secure Underwriter approval to issue the ALTA 4 endorsement.

- (5) If the declaration creates a right of first refusal, you must verify with the association that the right is waived or ineffective as to the current and prior transactions.
- (6) If the condominium creates commercial condominium units, then you must verify that any prior restrictions do not prohibit use for commercial purposes; otherwise, you must delete the first sentence of paragraph 3.
- (7) Do not issue this endorsement if you know of any significant encroachment or boundary conflicts.

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**Issuing guideline applies to the following Endorsement(s):**

ALTA 4-06 Condominium - 2006 ALTA Owner's or Loan Policy