

## ISSUING GUIDELINES

### ALTA Endorsement: 5-06 (Planned Unit Development)

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#### **Explanation:**

This endorsement is issued in conjunction with Loan Policies. It covers planned unit developments which may include "de minimus" PUD's. A Planned Unit Development will consist of a fee simple interest in a townhouse, patio home or single-family residence together with an appurtenant easement over common elements or together with an undivided interest as co-tenant in common elements.

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

#### **Underwriting Requirements:**

- (1) The examination must not reflect that the present development violates outstanding prior restrictions. For example, sometimes older restrictions prohibit more than one residence on a platted lot and the townhouse development violates such restrictions by multi-unit development.
- (2) The restrictions may not contain forfeiture or reversionary provisions (unless expressly subordinate to the insured mortgage).
- (3) Any maintenance assessment secured by a lien in the restrictions and due prior to the Date of Policy must be paid.
- (4) If the restrictions provide for a maintenance assessment lien, then the declaration must state that the assessment lien is subordinate to the lien of the insured mortgage. Otherwise, you must issue the ALTA Form 5.1 endorsement (which does not insure priority) otherwise;
- (5) If the state has enacted a common interest ownership act (which provides that assessments for six months will attain priority over a previous mortgage), issue the ALTA 5.1 endorsement. Those states include Alaska, Colorado, Connecticut, Minnesota, Nevada, and West Virginia.
- (6) Do not issue this endorsement if you know of any significant encroachments or boundary conflicts.
- (7) If the restrictions provide for a right of first refusal, then you must verify with the association that the right may not be exercised in connection with the current or prior transactions.

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

ALTA 5-06 Planned Unit Development - 2006 ALTA Loan or Owner's Policy