

ISSUING GUIDELINES

ALTA Endorsement: 14-06 (Future Advance Priority)

Explanation:

This endorsement insures against

- (1) invalidity or unenforceability of the insured mortgage as security for Advances;
- (2) lack of priority of the lien of the insured mortgage as security for Advances; and
- (3) invalidity or unenforceability of the mortgage because of Re-Advances and repayments, lack of outstanding debt before an Advance, and failure to comply with legal requirements for Advances;
- (4) invalidity or unenforceability of the insured mortgage because of adjustment of interest or addition of interest to principal, and
- (5) loss of priority of the insured mortgage caused by adjustment of interest rates and addition of interest to principal.

This endorsement contains exclusions from coverage (similar to those in ALTA Endorsement 14.1): advances after a bankruptcy, real estate taxes and assessments, federal tax liens filed more than 45 days before the advance, federal or state environmental protection liens, and usury or consumer credit protection or truth in lending law.

We have two versions of the endorsement - one which contains mechanic's lien exception (Endorsement 14 W/MML at paragraph 4.f) and the other which does not contain the mechanic's lien exception (Endorsement 14 WO/MML).

This endorsement is designed for insurance of priority of Advances, regardless of whether the lender knows of the intervening liens and other matters. It is designed for issuance in those states in which Advances will have priority based upon state law according priority to any Advances. It also may be issued in other states if the Advances are obligatory under the loan agreement. It may be issued on commercial or residential transactions.

Underwriting Requirements:

We require the following:

1. Verify the mortgage expressly secures future Advances.
2. Verify the mortgage establishes a maximum time for Advances.
3. Verify the mortgage establishes a maximum amount of Advances.
4. Comply with our underwriting instructions.

Issuing guideline applies to the following Endorsement(s):

ALTA 14-06 Future Advance Priority - 2006 ALTA Loan Policy