DAKOTA HOMESTEAD
TITLE INSURANCE COMPANY

ISSUING GUIDELINES

ALTA Endorsement: 14.3-06 (Future Advance – Reverse Mortgage)

Explanation:

This endorsement insures against

> (1) invalidity or unenforceability of the insured reverse mortgage as security for Advances;
>
> (2) lack of priority of the lien of the insured reverse mortgage as security for Advances; and
>
> (3) invalidity or unenforceability of the reverse mortgage because of Re-Advances and repayments, lack of outstanding debt before an Advance, and failure to comply with legal requirements for Advances;
>
> (4) failure of the insured mortgage to state the term for Advances,
>
> (5) failure of the insured reverse mortgage to state the maximum amount secured by the insured mortgage,
>
> (6) failure of the mortgagors to be at least 62 years old at Date of Policy,
>
> (7) invalidity or unenforceability of the insured mortgage because of adjustment of interest or addition of interest to principal, and
>
> (8) loss of priority of the insured mortgage caused by adjustment of interest rates and addition of interest to principal. For purposes of the endorsement, interest includes lawful interest based on net appreciation.

This endorsement contains exclusions from coverage (similar to those in ALTA Endorsement 14 and 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 14.3 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 issuance only for a reverse mortgage. Reverse mortgage loans are made to persons, generally one of whom is at least 62. Payments are not due until they die or leave the property. The most common reverse mortgage program is the HUD Home Equity Conversion Mortgage program (HECM) (which contemplates two mortgages; one for the lender and a subordinate mortgage for HUD). Fannie Mae does purchase some separate reverse mortgages under the Home Keeper® program.

Underwriting Requirements:

We require the following:

1. Verify the mortgage discloses that it is a reverse mortgage that secures future Advances. Also verify that it complies with applicable state requirements for disclosure of future Advances in Virtual Underwriter under 17.46.12 "Future Advance Forms to Use for Each State."
2. Verify the mortgage is a HUD HECM mortgage or a Fannie Mae Home Keeper® mortgage. Otherwise, please call our underwriting personnel before issuing this endorsement.
3. Issue for the Amount of Insurance requested by the lender.
4. Secure government issued photo ID for each mortgagor and verify that each mortgagor is at least 62 years of age. Otherwise, delete Subparagraph 2(d) of the endorsement.
5. If the reverse mortgage transaction involves a Power of Attorney, please contact an Underwriter. Do not rely on a POA without Underwriter approval.
6. If the reverse mortgage is a HUD HECM (Home Equity Conversion Mortgage), there will be two mortgages or deeds of trust: a first lien mortgage or deed of trust to a lender and a second lien mortgage or deed of trust to HUD. Generally, you will insure only the lender and the mortgage/deed of trust to the lender on Schedule A, and you will show the HUD mortgage/deed of trust as a subordinate matter on Schedule B. However, at the request of the lender, you may issue one Loan Policy that describes both mortgages/deeds of trust on Schedule A and names both the lender and HUD as their interests may appear. At the request of the lender, you may also note their priority (e.g. First Mortgage/Deed of Trust and Second or Subordinate Mortgage/Deed of Trust) in the Schedule A description of each mortgage/deed of trust.
7. Joinder of both spouses is required.

Issuing guideline applies to the following Endorsement(s):
ALTA 14.3-06 Future Advance – Reverse Mortgage - 2006 ALTA Loan Policy