Insurance, Title and Taxes

Insurance

Insurance coverage requirements may vary depending upon the jurisdiction in which the Subject Property is located and Loan type, and are subject to change. Sellers are responsible for ensuring that appropriate insurance coverage is obtained for each Subject Property.

Insurer Requirements

The required insurance must be provided by one of the following insurers:

a) An insurance company whose current rating meets the requirements below:

- For a company rated by A.M. Best Company:
  - A minimum Financial Performance Index of 6 as reported in Insurance Reports - Property/Casualty or Key Rating Guide - Property/Casualty; or
  - A minimum rating of B/III as reported in Insurance Reports - Property/Casualty or Key Rating Guide - Property/Casualty; or
  - A minimum rating of A/VIII as reported in Insurance Reports - International
- For a company rated by DEMOTECH, INC**.**, a minimum rating of A as reported in *First Rate/P&C Financial Stability Ratings*
- For a company rated by Standard & Poor's Corporation
  - A rating of BBBq as reported in Insurer Solvency Review - Property/Casualty Edition; or
  - A minimum rating of BBB as reported in Insurer Solvency Review - Property/Casualty Edition; or
  - A minimum rating of AAisi as reported in International Confidential Rating Service or International Solvency Reports Service

b) An insurance company ("insurer") whose coverage is guaranteed by another company ("re-insurer") under all of the following conditions:

- The re-insurer currently has, at a minimum,
  - An A.M. Best Company rating of B/III or (for non-US insurers) A/VIII, or
  - A Standard & Poor's rating of BBB or AAisi
- The re-insurer assumes by endorsement 100 percent of the insurer's liability for any covered loss payable but unpaid by the insurer for reason of insolvency.
- The re-insurer assumes by endorsement to give the policyholder, the Seller and insurer 90-day written notice before canceling or otherwise terminating the guarantee.
- The above endorsements are attached to each property insurance policy accepted by the Seller on account of the endorsements.

Continued on next page

Insurance (continued)

Insurer Requirements (continued)

c) Lloyd's of London

d) Hawaiian Insurance and Guaranty Company (HIG), for 1-4 unit properties in Hawaii, under the terms of a rehabilitation plan administered by the State's Insurance Commission

e) A State Fair Access to Insurance Requirements (FAIR) plan

f) A State beach, hail or windstorm insurance plan

g) A non-admitted insurance company whose current rating is at least one of the following:

- An A.M. Best rating of A, or
- A Standard & Poor's rating of AA-

h) An insurance company whose coverage is guaranteed by the National Flood Insurance Program (NFIP) under a Standard Flood Insurance Policy issued pursuant to the National Flood Insurance Act of 1968, as amended.

It is the Seller's responsibility to monitor the ratings of insurers. Insurers rated by more than one rating company need only meet one of the rating requirements. The insurer must be licensed to do business in the state in which the Subject Property is located.

Hazard Insurance: Permanent Home Loans

a) Minimum Property Insurance Amounts

The Subject Property must be protected against loss or damage from fire and other hazards included in standard extended coverage endorsements. The coverage should provide for claims to be settled on a replacement cost basis.

The required coverage amount is determined as follows:

- If the unpaid principal balance of the Loan is equal to or greater than the value of the improvements, then the minimum coverage amount must be 100% of the value of the improvements.
- If the unpaid principal balance of the Loan is less than the value of the improvements, then the minimum coverage amount must be the greater of the principal balance or 80% of the value of the improvements.
- The value of the improvements is the total estimated reproduction cost shown on the appraisal or the insurable value of the improvements as established by the insurer. If the policy provides for full replacement cost, then the value of the improvements is not used, and the named coverage amount will be deemed sufficient.

Continued on next page

Insurance (continued)

Hazard Insurance: Permanent Home Loans (continued)

b) Deductible Amount

Unless a higher maximum deductible amount is required by state law, the maximum allowable deductible is the higher of $1,000 or 1% of the face amount of the policy. The deductible clause may apply to either fire, extended coverage, or both. When a policy provides for separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible may be the higher of $2,000 or 2% of the face amount of the policy.

c) Policy Expiration

The policy expiration date may be no earlier than 60 days after the date the Company funds/purchases the Loan.

d) Manufactured Housing – Type of Property

For manufactured housing, the policy must insure the manufactured home as real property, and not as personal property.

e) Policy Information

The policy must:

- Reflect the name of the Mortgagor;
- Contain the insuring agent's signature;
- Reference the full property address.

f) Covered Property

The policy must be exclusive to the Subject Property or clearly delineate coverage and deductible amounts.

Continued on next page

Insurance (continued)

Construction to Permanent Loans

Construction to Permanent Loans require three specific insurance policies:

- Course of Construction Casualty Insurance – This policy is provided by the Borrower. ALC its successors and assigns should be named as the Loss Payee.
- Worker's Compensation – This policy is provided by the general contractor. General contractors without employees, i.e., all work is performed by sub-contractors, may request a worker's compensation Policy waiver.
- General Liability
    - If provided by the Borrower, a minimum $300,000 per occurrence is required.
    - If provided by the Builder, a comprehensive general policy of at least $1,000,000, or a policy including a broad form endorsement is required.

Home Improvement Loans

Standard homeowner's policy that includes workers' compensation and general and personal liability insurance is required.

Lot Loans

Insurance is not required on lot Loans. Borrowers are encouraged to review their current homeowner's policy for liability coverage that can be extended to cover the lot being purchased.

Loss Payee Requirements

The Servicer designated by ALC must be named as First Loss Payee or an original transfer of servicing notification must be included in the funding package submitted to the Company.

Evidence of Paid Premium

The funding package must contain evidence that the policy is paid to date. Acceptable evidence of payment includes any of the following:

- Policy stating premium amount is paid in full.
- Copy of front and back of canceled check.
- Paid receipt from the insurance agent or insurance company.
- Payment deducted on HUD-1.
- A paid receipt must accompany the binder.

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Insurance Binder

In states requiring Brokers to accept an insurance binder at loan closing, the following is required:

- A licensed local insurance agent must issue the binder, and the agent must furnish evidence of being duly licensed.
- The binder must be replaced by an original insurance policy within thirty (30) days.
- For condominiums and PUDs with blanket insurance policies, a copy of the Master Policy is required.

Flood Insurance Requirements

Flood insurance is mandatory if any of the Subject Property improvements lie in Flood Zones A, V, M & E. Flood insurance is not required if the Subject Property is in any other Flood Zone.

Note: ALC will not make Loans on properties which are situated in a flood hazard area that is not eligible for participation in the National Flood Insurance Program.

With respect to flood insurance, Broker must comply with the following requirements:

- Coverage must be equal to the Loan amount or the maximum available under the National Flood Insurance Program's regular program.
- Deductibles may not exceed the higher of $1,000 or 1% of the amount of coverage, unless state law requires a higher deductible amount.
- For manufactured housing, the policy must insure the manufactured home as real property, and not as personal property.
- The name of the Mortgagor and the Subject Property address must appear on the flood insurance application.
- Refinance Loans must have a minimum of sixty (60) days remaining coverage at the time the Company funds the Loan.

Flood Insurance Loss Payee Requirements

The Servicer designated by ALC, must be named as First Loss Payee or an original transfer of servicing notification must be included in the funding package submitted to the Company.

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Insurance (continued)

Flood Insurance Evidence of Paid Premium

The funding package must contain evidence that the policy is paid to date. Acceptable evidence of payment includes any of the following:

- Policy stating premium amount is paid in full.
- Copy of front and back of canceled check.
- Paid receipt from the insurance agent or insurance company.
- Payment deducted on HUD-1.

Flood Certificate - Initial Determination

An independent flood certification service is required identifying the current flood zone. If the independent service indicates the Subject Property is in a designated flood hazard area, the flood insurance requirements specified above will apply.

ALC's preferred vendor is Proctor Financial Insurance Corporation (PFIC). However, if a Broker wishes to use a vendor other than PFIC for the initial certification, one of the following may used:

- Chicago Title Flood Services
- Fidelity National Flood
- First American Flood Data Services
- Geotrac
- Pinnacle
- Transamerica Flood Services
- TransUnion (Flood Zones Inc.)
- Western Flood

Flood Certificate - Life of Loan Determination

In addition to the initial certification requirements specified above, the Company requires Life of Loan flood hazard determination for all Loans purchased. For Life of Loan certification, the following options are available:

- A broker may obtain Life of Loan determination from Proctor Financial Insurance Corporation (PFIC) at the time of initial certification. In this event, the Broker may transfer the determination using PFIC's transfer notice procedures with the appropriate transfer form. The Servicer's name and address should be shown on the transfer for.

- The Company will obtain Life of Loan determination from PFIC and the Broker will be charged a fee which will be deducted from the wire amount, if the Life of Loan flood determination certificate obtained by the Broker is issued by a company other than PFIC, or if the PFIC initial certification does not include Life of Loan determination. A fee of $7.50 will be deducted from the wire amount.

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Flood Certificate - Subsequent Transfer of Servicing

For any loan purchased by the Company with servicing retained by the broker in which the servicing rights are subsequently purchased or acquired by the Company (with or without cause), a Proctor Financial Insurance Corporation (PFIC) transferable Life of Loan flood determination certificate is required. If a transferable PFIC Life of Loan flood determination certificate is not available, or if the Life of Loan certificate obtained was issued by a company other than PFIC, the Servicer will be charged any fees incurred by the Company to obtain the required certificate.

Condominium, PUD and Cooperative Unit Insurance

Condominium and Cooperative units must be covered by the project's blanket hazard and flood insurance policies. Hazard and flood insurance (if required) must be in force for a PUD project if the individual PUD unit will be covered under the project's blanket policy. In addition to hazard and flood insurance, liability, fidelity and rent loss insurance for a project may be required. All coverages must be consistent with local, state and federal insurance laws.

a) Hazard Insurance - Acceptable Policies

Each hazard insurance policy must be written by an insurance carrier that has an acceptable rating from either the A. M. Best Company; Demotech, Inc.; or Standard and Poor's, Inc. Policies issued by an insurer that does not meet this rating requirement are acceptable if the carrier is covered by reinsurance with a company that meets either one of the A. M. Best general policyholder's ratings or one of the Standard and Poor's claims-paying ability ratings mentioned below. A hazard insurance carrier needs to meet only one of the following rating categories (even if it is rated by more than one of the rating agencies):

If the carrier is issuing an insurance policy for the common elements in a PUD project or for the master (or blanket) policy for a PUD or condominium project, the hazard insurance carrier must meet one of the following rating categories:

- A "B" or better general policyholder's rating or a "6" or better financial performance index rating in Best's Insurance Reports;
- An "A" or better general policyholder's rating and a financial size category of "VIII" or better in Best's Insurance Reports – International Edition;
- An "A" or better rating in Demotech's Hazard Insurance Financial Stability Ratings;
- A "BBBq" qualified solvency ratio or a "BBB" or better claims-paying ability rating in Standard and Poor's Insurer Solvency Review; or
- A "BBB" or better claims-paying ability rating in Standard and Poor's International Confidential Rating Service.

If the carrier is issuing a master (or blanket) policy for a cooperative project, an "A" general policyholder's rating and a "V" financial size category in Best's Insurance Reports is required.

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Condominium, PUD and Cooperative Unit Insurance (continued)

b) Required Coverage

The insurance policy must at least protect against fire and all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily covered for similar types of projects, including those covered by the standard "all risk" endorsement. If the policy does not include an "all risk" endorsement, a policy that includes the "broad form" covered causes of loss if acceptable. The policy must meet the requirements described below:

- *PUD common elements.* The owners' association must maintain a policy of property insurance, with premiums being paid as a common expense. The policy must cover all of the common elements except for those that are normally excluded from coverage, such as land, foundation, excavations, etc. Fixtures and building service equipment that are considered part of the common elements, as well as common personal property and supplies, should be covered.

  Individual insurance policies for each unit mortgage in a PUD project are required. If the project's legal documents allow for blanket insurance policies to cover both the individual units and the common elements, this is acceptable.

- *Condominium projects.* The owners' association must maintain a "master" or "blanket" type of insurance policy, with premiums being paid as a common expense. The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the owners' association.

  The policy must also cover fixtures, equipment, and other personal property inside individual units if they will be financed by the subject mortgage, whether or not the property is part of the common elements.

- *Cooperative projects.* The cooperative corporation must maintain a policy of property insurance, with premiums being paid as a common expense. The policy must cover the entire project, including the individual units.

c) Amount of Insurance

Insurance should cover 100% of the insurable replacement cost of the project improvements, including the individual units in a cooperative or condominium project. Coverage does not need to include land, foundations, excavations, or other items that are usually excluded from insurance coverage.

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Condominium, PUD and Cooperative Unit Insurance (continued)

An insurance policy that includes either of the following endorsements will assure full insurable value replacement cost coverage:

- A *Guaranteed Replacement Cost Endorsement* (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a coinsurance clause, an *Agreed Amount Endorsement* (which waives the requirement for coinsurance); or
- A *Replacement Cost Endorsement* (under which the insurer agrees to pay up to 100% of the property's insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an *Agreed Amount Endorsement* (which waives the requirement for coinsurance).

Unless a higher maximum amount is required by state law, the maximum deductible amount for policies covering the common elements in a PUD project and for policies covering condominium or cooperative projects is the lesser of $10,000 or 1% of the policy face amount. However, for losses related to individual units in a cooperative project or for individual PUD units that are covered by the blanket policy for the project, the deductible related to the individual unit should be the higher of $1,000 or 1% of the replacement cost of the unit. Funds to cover these deductible amounts should be included in the operating reserve account that is maintained by the owners' association (or cooperative corporation).

d) Special Endorsements

The following endorsements are required for PUD, condominium, and cooperative projects:

- An *Inflation Guard Endorsement*, when it can be obtained;
- *Building Ordinance or Law Endorsement*, if the enforcement of any building, zoning, or land-use law will result in loss or damage, increased cost or repairs or reconstruction, or additional demolition and removal costs. (The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction.); and
- *Steam Boiler and Machinery Coverage Endorsement*, if the project has central heating or cooling. (This endorsement should provide for the insurer's minimum liability per accident to at least equal the lesser of $2 million or the insurable value of the building(s) housing the boiler or machinery.) In lieu of obtaining this as an endorsement to the commercial package policy, the project may purchase separate stand-alone boiler and machinery coverage.

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Condominium, PUD and Cooperative Unit Insurance (continued)

In addition, the policy for a *condominium project* should provide that

- Any Insurance Trust Agreement will be recognized;
- The right of subrogation against unit owners will be waived;
- The insurance will not be prejudiced by any acts or omissions of individual unit owners that are not under the control of the owners' association; and
- The policy will be primary, even if a unit owner has other insurance that covers the same loss.

These provisions are usually covered by a *Special Condominium Endorsement*.

e) Flood Insurance

An independent flood certification is required identifying the current flood zone. If the independent service indicates the Subject Property is in a designated flood hazard area, the owners' association (or cooperative corporation) must maintain a "master" or "blanket" policy of flood insurance and provide for the premiums to be paid as a common expense.

- For *PUD* projects, the policy should cover any common element buildings and any other common property. The same flood insurance required for 1 to 4 family properties is required for individual PUD units.
- For *cooperative* projects, the policy should cover the buildings and any other property located within the designated hazard area. When the project consists of high-rise or other vertical buildings, the cooperative corporation must have a separate flood insurance policy for each building that houses dwelling units.
- For *condominium* projects, the policy should cover common element buildings and any other common property. When the project consists of high-rise or other vertical buildings, the owners' association must have a separate flood insurance policy for each building that houses dwelling units.

The amount of flood insurance should be at least equal to the lesser of 100% of the insurable value of the facilities or the maximum coverage available under the appropriate National Flood Insurance Administration program. For those condominium or cooperative projects that consist of high-rise buildings or other vertical buildings, the building coverage should equal 100% of the insurable value of the building, including machinery and equipment that are part of the building. The contents coverage must include 100% of the insurable value of all contents, including any machinery and equipment that are not part of the building, but which are owned in common by the association (or corporation) members. If the required coverage exceeds the maximum coverage available under the National Flood Insurance Administration's programs, coverage equal to the maximum amount that is available under those programs is acceptable.

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Condominium, PUD and Cooperative Unit Insurance (continued)

e) Flood Insurance (continued)

Unless a higher deductible amount is required by state law, the maximum deductible amount for policies covering the common areas and elements for PUD and condominium projects, or for those covering each building in a high-rise or vertical condominium or cooperative project, is the lesser of $5,000 or 1% of the policy's face amount. Funds to cover this deductible amount should be included in the owners' association (or cooperative corporation's) operating reserve account.

f) Liability Insurance

- Liability insurance requirements apply to PUD, condominium, and cooperative projects.
- The owners' association (or cooperative corporation) must maintain a commercial general liabililty insurance policy for the entire project – including all common areas and elements, public ways, and any other areas that are under its supervision. The insurance should also cover commercial spaces that are owned by the owners' association (or cooperative corporation), even if they are leased to others. The commercial general liability insurance policy should provide coverage for bodily injury and property damage that results from the operation, maintenance, or use of the project's common areas and elements.
- The amount of coverage should be at least $1 million for bodily injury and property damage for any single occurrence. However, the minimum coverage required for cooperative projects that consist of elevator buildings is $3 million.
- If the policy does not include "severability of interest" in its terms, a specific endorsement to preclude the insurer's denial of a unit owner's claim because of negligent acts of the owners' association (or cooperative corporation) or of other unit owners is required.

The policy should provide for at least 10 days' written notice to the owners' association (or cooperative corporation) before the insurer can cancel or substantially modify it. For condominium and cooperative projects, similar notice must also be given to each holder of a first mortgage on an individual unit in the project.

g) Fidelity Insurance

Fidelity Insurance is required for condominium, PUD and cooperative unit projects except for any of these projects that consist of 20 or fewer units. In those states that have statutory fidelity insurance requirements, the stated fidelity insurance requirements will be acceptable in lieu of the following.

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Insurance, Title and Taxes, Continued

Condominium, PUD and Cooperative Unit Insurance (continued)

g) Fidelity Insurance (continued)

The owners' association (or cooperative corporation) must have blanket fidelity insurance coverage for anyone who either handles (or is responsible for) funds that it holds or administers, whether or not that individual receives compensation for services. The insurance policy should name the owners' association (or cooperative corporation) as the insured and the premiums should be paid as a common expense by the association (or cooperative corporation). The policy for a condominium project must include a provision that calls for 10 days' written notice to the owners' association (or insurance trustee) before the policy can be canceled or substantially modified for any reason. This same notice must also be given to each holder of a first mortgage on an individual unit in the project.

A management agent that handles funds for the owners' association (or cooperative corporation) should be covered by its own fidelity insurance policy, which must provide the same coverage required of the owners' association (or cooperative corporation).

The fidelity insurance policy should cover the maximum funds that will be in the custody of the owners' association (or cooperative corporation) or its management agent at any time while the policy is in force. A lesser amount of fidelity insurance coverage is acceptable for a project if the project's legal documents require the owners' association (or cooperative corporation) and any management company to adhere to certain financial controls. Even then, the fidelity insurance coverage must at least equal the sum of 3 months of assessments on all units in the project.

Reduced fidelity coverage may be accepted based on greater financial controls only when the financial controls take one or more of the following forms:

- The owners' association (or cooperative corporation) or the management company maintains separate bank accounts for the working account and the reserve account, each with appropriate access controls, and the bank in which funds are deposited sends copies of the monthly bank statements directly to the owners' association (or cooperative corporation);
- The management company maintains separate records and bank accounts for each owners' association (or cooperative corporation) that uses its services and the management company does not have the authority to draw checks on – or to transfer funds from – the owners' association's (or cooperative corporation's) reserve account; or
- Two members of the Board of Directors must sign any checks written on the reserve account.

Mortgage Insurance

Mortgage Insurance (MI) or the ALC No MI Program *ALC No MI Program) is required for all first mortgage* loans (except HELOCs) with LTVs greater than 80% unless a different percentage is required to comply with applicable state and/or federal law.

Special Requirements for Properties located in New York

Determination of Value, for information concerning MI requirements for Loans secured by properties located in the State of New York.

MI Coverage Requirements

MI coverage requirements vary based on Loan program.

Evidence of Paid Premium

For Servicing Released transactions involving loans that require payment of an initial mortgage insurance premium (annual or monthly), ALC must be provided with the following:

- a copy of the Final HUD-1 evidencing collection of such premium; and
- a copy of the check issued to the mortgage insurer for such premium. (Checks covering the payment of premiums for multiple loans must be accompanied by detail which evidences payment of premium for the subject loan.)

In addition, regardless of whether an initial premium was due upon closing, the Brokler must pay all monthly MI premiums due from the month of closing through the month of purchase, and must provide evidence of such payment. A payment history from the servicer, verifying that all subsequent scheduled mortgage insurance payments have been made, will be accepted.

Approved MI Insurers

a) Permanent Home Loans

The policy must be issued by an ALC approved MI insurer. The following companies are eligible to insure Permanent Home Loan products:

- Primary Mortgage Insurance Co. (PMI)
- United Guaranty Residential Insurance Company (UGRIC)
- Mortgage Guaranty Insurance Company (MGIC)

Continued on next page

Insurance, Title and Taxes, Continued

Approved MI Insurers (continued)

a) Permanent Home Loans (continued)

- Republic Mortgage Insurance Corporation (RMIC) / Triad Guaranty Insurance
- ΠMI
- CMG Mortgage Insurance Company

b) Home Construction Lending

The following companies are eligible to insure Home Construction Lending products:

- Radian Guaranty, Inc.
- Primary Mortgage Insurance Co. (PMI)

Additional Requirements

Following are additional requirements for Mortgage Insurance:

- Any applicable disclosure document required under local, state or federal laws completed by the Broker and included in the underwriting submission package.
- For Home Construction Lending construction to permanent Loans, monthly MI is the only premium plan that may be used.
- With the exception of Loans table funded in ALC's name, one-time MI premium programs are acceptable if so provided in the Rate Lock or in a particular Loan program.
- Any Loans approved by ALC with an exception to guidelines may not be approved under any delegated approval program offered by an MI company to the Seller or to ALC. Loan packages for all such Loans must be sent to the MI company for approval.

Financing the MI Premium

Loans eligible for financing of the Mortgage Insurance premium must meet the following requirements:

- Secured by a primary residence.
- Loan amount (including the premium) may not be greater than the maximum Loan amount limits established for the specific product.
- LTV (including the premium) may not be greater than the maximum Loan program LTV limits.

Credit Life Insurance

Single premium credit life insurance is not permitted.

Title Requirements

First Liens

A Lender's ALTA Policy meeting the requirements of this section is required for all first lien Loans, including HELOCs in first lien position.

Second Liens

A Lender's ALTA Policy meeting the requirements of this section is required for all subprime second lien Loans, including HELOCs in first lien position.

For all other second liens, the following requirements apply:

- When the second lien is originated concurrently with a first mortgage (originated by ALC or another lender), a copy of the preliminary title report, commitment, binder, or abstract obtained for the origination of the first mortgage is required. The lender's title insurance coverage amount need not include the amount of the second mortgage. There may be no intervening liens between the first and second mortgages.
- When the second lien is not originated concurrently with a first mortgage, the following requirements apply:
    - Loan/line amounts < $75,000: A preliminary title report, commitment, binder or abstract is required. A title policy is not required.
    - Loan/line amounts of $75,001 to $150,000: A Preliminary Coverage Title Policy (also referred to as a PIRT policy, Jr. Lien Policy, or Limited Title Policy) is required with coverage of at least the amount of the second mortgage Loan.
    - Loan/line Amounts > $150,000: A Lender's ALTA Policy meeting the requirements of Section 2400 is required.

There may be no intervening liens between the first and second mortgages.

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Title Commitment/Binder/Abstract

The title commitment (or other form of title evidence applicable in the jurisdiction, such as a title binder, preliminary title report, attorney's opinion letter) must be included in the Loan file and must comply with the following:

- If the Loan transaction is a refinance, title must be vested in the Mortgagor's name.
- The title commitment must show the proposed dollar amount of the Loan.
- The legal description must agree with that on the Security Instrument.
- A copy of the survey must be included or evidence that survey coverage has been ordered, if applicable in the state in which the Subject Property is located.
- If applicable in the state in which the Subject Property is located, an attorney's opinion letter may be submitted.

The title commitment must be issued in accordance with the provisions of *Title Requirements, Required Title Endorsements*.

Title Policy

The title policy should name the originator and/or its assigns or ALC.

The policy should be in an amount at least equal to the current principal balance of the Loan. Loans with negative amortization must have title insurance coverage equal to the maximum permissible balance of the Loan.

The policy shall be the most current ALTA form Lender's Title Insurance Policy, include all appropriate riders or endorsements and insure the originator and/or its assigns that the Loan constitutes a valid first lien on the Subject Property, free and clear of all liens and encumbrances except:

- Liens for real estate taxes and governmental improvement assessments not yet due and payable
- Easements (such as easements for public utilities) and restrictions that do not adversely affect the marketability of the Subject Property or prohibit or interfere with the use of the Subject Property as a residential dwelling
- A declaration of condominium or a horizontal or vertical property regime for a Subject Property which is a unit in a condominium or is part of a horizontal or vertical property regime
- Reservations as to oil, gas or mineral rights provided such rights do not include the right to remove buildings or other improvements which would adversely affect the marketability of the Subject Property or enter the surface for purposes of removing oil, gas or minerals

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Title Policy (continued)

- Agreements for installation, maintenance or repair of public utilities provided such agreements do not create or evidence liens on the Subject Property or authorize or permit any person to file or acquire claims or liens against the Subject Property
- Such other exceptions as are acceptable under FNMA or FHLMC guidelines and practices.
- The policy should be dated as of the later of the date of final disbursement of Loan proceeds or the date the Security Instrument was recorded.
- The policy must show title vested in the Mortgagor.
- The policy must contain affirmative coverage against loss or damage in the event of encroachment.
- Survey exceptions are not acceptable. If surveys are not commonly required in particular jurisdictions, the Broker must provide an ALTA 9 endorsement, or its equivalent. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.
- Any unlocated easements must be identified as to purpose, be insured against by the title policy and be of a determined width. Otherwise they must be deleted from the policy.
- Any covenants, conditions or restrictions (CC&Rs) must be insured against. The policy must contain the following language with respect to CC&Rs: "Have not been violated and future violation will not cause forfeiture or reversion of title." A reversionary clause requires affirmative coverage by the policy.

Title Policy Requirements for Manufactured Housing

- The policy must identify the manufactured home as part of the real property and insure or indemnify against any loss if the manufactured home is determined not to be part of the real property.
- Any mobile home exceptions must be removed.
- There may be no UCC liens.

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