

**A PRACTICAL GUIDE TO TITLE POLICY
ENDORSEMENTS AND CLOSING ISSUES**

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Kevin graduated from the University of Houston College of Law, in May, 1981, where he served as the Executive Editor of the *Houston Law Review*. Before law school, he graduated from University of Texas at Austin in December, 1977, graduating with honors and majoring in Finance.

ACTIVITIES

Past Chair, Real Estate Forms Committee, State Bar of Texas.

Past Chair (1993-1996), Dallas Bar Association, Real Property Section.

Member, Various Planning Committees for the State Bar of Texas, University of Texas, and University of Houston.

Director, Advanced Real Estate Law Course (1994) (State Bar of Texas).

Speaker/Author: Numerous articles written for real estate related legal topics, including the Dallas Bar Association Real Property Section, State Bar of Texas, South Texas College of Law, University of Texas Law School, University of Houston Law Center, and Southern Methodist University School of Law.

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TABLE OF CONTENTS

Part A. Endorsements.....	1
Part B. Closing Issues.....	1
1. Using the “or assigns” language in the Commitment.....	1
2. Using the “or assigns” language in the insured closing letter.....	2
3. Instructions to delete printed sections of the Commitment.....	2
4. Need to get a clean/ revised commitment instead of relying on a mark-up.....	3
5. Importance of getting all endorsements approved early.....	3
6. Having an escrow/abstract sign a closing letter “as agent” for an underwriter.....	3
7. Gap coverage.....	3
8. Using the platted lot reference, or adding the metes/bounds also.....	4
9. Send your escrow letter early.....	4
10. Do you use the word “insure” in your closing letter?.....	4
12. Escrow Agreements for holdbacks.....	5
13. Use closing indexes/ checklists for coordination.....	5
14. Prorations and proration agreements.....	6
15. Disbursements: get wire information early.....	6
16. Invoices/ back up for disbursements.....	6
17. Descriptive language in commitments.....	6
18. Mineral rights.....	7
19. Read the Exception documents.....	8
Part C. New Texas Title Policies.....	8

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A PRACTICAL GUIDE TO TITLE POLICY ENDORSEMENTS AND CLOSING ISSUES

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Part A. Endorsements.

The purpose of this article is to guide attorneys through the wondrous maze of procedural rules, rate rules, and the promulgated forms. All of the information about endorsements is found in the *Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in Texas* published by the Texas Land Title Association (the "Basic Manual"). The Basic Manual is also available on-line at www.tlta.org.

So, why are the endorsements a maze? The promulgated forms are assigned "T" numbers, the procedural rules that explain the use of the endorsement are found in the "P" section, but the rate rules to charge for the endorsement are found in the "R" section. Unfortunately, the numbers across these sections are not consistent. For example, the environmental endorsement form is found at T-36. But, the rate rule is found at R-11(g). But the Procedural Rule is P-9.b(9).

To make matters more difficult, each endorsement has limitations on its applicability: residential v. commercial and owner's v. lender's.

This article will cover endorsements for commercial transactions only. We have prepared a chart of commercial endorsements with the applicable rate rule, procedural rule, and form for easy reference. We have also included a copy of the current promulgated form, the applicable rate rule, and procedural rule for each endorsement, as Schedule I.

Note, for the endorsement forms attached, some forms have a signature block included in the form, which has been omitted from the forms in this Article. Otherwise, we have not edited the materials from the Manual.

Part B. Closing Issues. The following list of closing issues based on closing experiences as title escrow officers for closings.

1. Using the "or assigns" language in the Commitment.

Many attorneys ask that the Mortgage Policy be issued as "Texas Bank, and or assigns." The Texas Department of Insurance ("TDI") requires approved language for a Policy to be issued to "assigns."

Notice that the definition of “insured” in the Mortgagee Policy includes “the owner of the indebtedness secured by the insured mortgage and each successor in ownership of the indebtedness except a successor who is an obligor under the provisions of Section 12(c) of these Conditions and Stipulations (reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor insured, unless the successor acquired the indebtedness as a purchaser for value without knowledge of the asserted defect, lien, encumbrance, adverse claim or other matter insured against by this policy as affecting title to the estate or interest in the land).”

Section 12(c) the Mortgagee Policy provides that “the Company’s right of subrogation shall not be avoided by acquisition of the insured mortgage by an obligor (except an obligor described in Section 1(a)(ii) of these Conditions and Stipulations) who acquires the insured mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond and the obligor will not be an insured under this policy, notwithstanding Section 1(a)(i) of these Conditions and Stipulations.”

What this backwards worded Section 12(c) means is if a prior owner in the chain of title becomes liable to the insurer as a result of subrogation, it cannot buy the mortgage and become an insured under the Policy. This is the reason that a Mortgagee Policy cannot be issued without the express limitation required by TDI.

Of course, if the Mortgagee Policy is, by its own terms, applicable to successors and assigns, why would anyone want the name to include an assignment?

Underwriters previously took the position that a Commitment for a Mortgagee Policy could not be issued with the approved “or assigns” language. A recent amendment to P-7 now clarifies that the approved language may be used in the Commitment.

2. Using the “or assigns” language in the insured closing letter.

Some attorneys ask that the Insured Closing Letter be issued as “Texas Bank, and or assigns.” *The TDI Rules and Regulations do not allow this language to be added after the name on the Insured Closing Services letters.*

3. Instructions to delete printed sections of the Commitment.

Title companies are not allowed to alter the terms of the “promulgated forms” except under an authorized procedural rule. However, attorneys often ask for clauses to be struck-out and initialed; such as a paragraph that applies to a mortgagee policy when the attorney represents a buyer. Instead, the attorney should mark-up the Commitment, attach it to his or her closing instructions for the closer to agree to. *See Rule P-35.*

4. **Need to get a clean/ revised commitment instead of relying on a mark-up.**

Never send last minute, at the closing table, comments for a Commitment to a closer and ask him or her to initial and accept the change. An underwriter is only bound to issue the policy as the Commitment was issued by the abstract company that prepared the Commitment. You run a risk that the alteration could later be denied by the underwriter, leaving you to file a claim against the closer.

5. **Importance of getting all endorsements approved early.**

The best practice is to ensure that all necessary endorsements are requested and approved as part of the title review process. The title company can add affirmative statements to the Commitment, as part of Schedule C, that certain endorsements have been approved and will be included in the policy, provided that the appropriate fee is paid.

6. **Having an escrow/abstract sign a closing letter “as agent” for an underwriter.**

A majority of closing instruction letters from out of state attorneys, and some Texas attorneys, requires the escrow company to accept the instructions on behalf of the underwriter, as its agent. An escrow company is an agent for the underwriter for the purposes of issuing the Commitment, collecting the premium, and binding the underwriter to issue the policy. An underwriter is not a party to the escrow closing.

Rule P-35 states: “No Title Insurance Company, Title Insurance Agent, Direct Operation, Escrow Officer, nor any employee, officer, director or agent of any such entity or person, shall issue or deliver any form of verbal or written guaranty, affirmation, indemnification, or certification of any fact, insurance coverage or conclusion of law to any insured or party to a transaction other than: (i) a statement that a transaction has closed and/or has been funded, (ii) issuance of an insured closing service letter, or any insuring form or endorsement promulgated by the State Board of Insurance, or (iii) certification of copies of documents as being true and exact copies of the original document or of the document recorded in the public records.”

Notice in this rule the liability of an underwriter is limited to the promulgated forms and the insured closing letter.

7. **Gap coverage.**

Texas does not have gap coverage. If you are not familiar with the term, it means “what about things that get filed from the county’s release date of filed documents and the closing?” In some counties and at some time of the year, that can be as much as a six week time gap when nobody knows what has been recorded. But Texas does provide gap coverage through the language of the Commitment:

“We (Title Company) will issue our title insurance policy or policies (the Policy) to You (the proposed insured) upon payment of the premium and other charges due, and compliance with the requirements in Schedule B and Schedule C. Our Policy will be in the form approved by the Texas Department of Insurance at the date of issuance, and will insure your interest in the land described in Schedule A.”

Your closing instruction letter should clearly cover the obligation of the closer to collect the full premium and satisfy all obligations of Schedules B and C, as a condition to closing.

8. Using the platted lot reference, or adding the metes/bounds also.

Possibly as a hold-over from the past [i.e. pre-platting and dinosaurs], attorneys want to use both the platted legal description [“Lot 1, Block 1”] and the metes and bounds calls of the same platted lot. It seems this does not add any additional protection [as the property was legally described by the Lot reference] and really only increases the odds of a mistake that could lead to an argument later over the description.

9. Send your escrow letter early.

Why wait until the very last minute to deliver your closing instructions, with all documents and expect the closer to read the letter, verify the documents and, oh by the way, get the wires started so we can make the pay-off late on Friday to avoid interest over the long three day week-end? It is very helpful to send your form [yes, it is OK to admit you actually have a form] to allow the closer to read it several days before closing to clear up any questions.

10. Do you use the word “insure” in your closing letter?

a. This is not a rhetorical question. Do you use the word “insure” in your closing instruction letter? Look again at Rule P-35 to see that this is not permissible. Suppose a closer over looks a prohibited statement and you actually get the company to “agree” to issuing a policy based on an impermissible change. Can you actually sue and force an underwriter to follow the instruction? Probably not, after all you are an attorney, you know the law, and you knew [or should have known] it was a void request.

b. A recent closing letter for an assumption lender contained the following:

You are to confirm that you have made certain that the fee simple interest in the Property will be fully and properly vested in Assumptor upon the recording or filing of the Assumption Documents. [*Comment A*]

Mortgagee’s Policy of Title Insurance Endorsement

Servicer requires that the Title Company provide, at no cost or expense to Servicer or Noteholder, a loan title insurance policy (the “*Title Policy*”) issued by the Title Company in conformance with the proforma Title Policy approved by the undersigned and as attached hereto as Exhibit D. Within three (3) business days

following your receipt of the original recorded Assumption Documents, you are to cause to be issued and delivered to the undersigned duplicate originals of the Title Policy which shall insure the Security Instrument referenced in the Assumption Agreement and the Assumption Agreement (together as the insured instruments) as a valid first priority lien on the fee simple title to the Property. [*Comment B*] Assumptor's title to the Property must be good of record and in fact. [*Comment C*]

Comment A. I explained that due to the delay in filing and releasing copies of recorded document [generally called the "gap" in Texas] I could not do this. In other words, if the Seller filed a deed the prior week I would not know about it. This resulted in a long exchange of emails, phone calls and threats about how every closer in Texas had signed this form and I was the only person to object.

Comment B. The first objection was to the request for 2 duplicate originals. After some discussion, counsel could not understand why a duplicate was requested so it was dropped. The underlined portion is contradictory to the terms of the proforma, i.e. there are superior liens.

Comment C. This final sentence is an insuring statement. This caused the most heart-burn in getting the deal closed, including a call to the underwriter's national account representative in the attorney's state. With great angst, the sentence was removed.

11. Early delivery to the escrow company of all documents.

Try to deliver all signed closing documents to the closing office before the closing date. Late deliveries will only lead to missed instructions, missed deadlines, and frustration.

12. Escrow Agreements for holdbacks.

If your contract calls for a post-closing disbursement of funds, be sure to prepare the escrow agreement early and give the closer the opportunity to review the agreement. As a practice tip, do not include the escrow agent in the "decision-making" contingencies of the transaction. Let the buyer and seller participate in the decision about whether the escrow funds are to be released to the buyer if the seller does not deliver an approved lease within 60 days after closing. The agreement should simply instruct the escrow agent to hold the funds and release them on the joint written instructions of the parties.

13. Use closing indexes/ checklists for coordination.

Do you routinely prepare a closing binder for your clients? Why not prepare a pre-closing index as a road map of the entire transaction? Then the document can become the checklist for missing items, and finally the binder index for the client.

14. Prorations and proration agreements.

I have found that there is nothing more dangerous than a lawyer with a calculator. Try to have the clients' business representatives work out the closing numbers early in the process. Waiting until the closing day to begin discussing proration numbers will only delay the closing and become very frustrating.

Parties usually complain "but we don't know the numbers until we are set for a closing date!" But ask them to verify the tax numbers, the security deposits, the gross amount of rent for each tenant, etc. Yes, the actual numbers will adjust as each day passes, but we've seen many instances where, at the last minute, a Seller says he does not agree with the Tax Certificate amount for the property.

Do not expect the escrow company to be the middleman in the process. There is nothing more frustrating than to have each party instruct the closer on the correct prorations with different instructions.

Finally, consider preparing a simple Post-Closing Adjustment Agreement. The parties can attach the work papers to back up what was adjusted as part of the closing. Later, when the actual numbers are ready, they can readily understand what the numbers on the closing statement meant.

15. Disbursements: get wire information early.

For funds that are to be wired after closing, please forward the wire information to the closer in advance. This will allow the closer to have the wires set up, proofed and verified, and ready for immediate funding.

16. Invoices/ back up for disbursements.

The closer must have an invoice or written instruction for each disbursement. Be sure to forward any invoices that need to be collected as early as possible. If any funds are to be disbursed in a manner other than as shown on the closing statement, please advise the closer in advance. Some lender closing instructions may prohibit the alternate funding and the closing statement may have to be revised.

17. Descriptive language in commitments.

Lawyers often edit [and sometimes re-edit] the descriptive language in the exceptions listed on Schedule B. For example, Schedule B might have a document described as:

"12. Easement from HPL Partners, LP to TP&L recorded on Volume 100, Page 200, of the Official Public Records, Dallas County, Texas."

An attorney might want the following instead:

“12. a 15-foot Power Line Easement executed by HPL Partners, LP for the benefit of Texas Power & Light Company, dated November 1, 1953, and recorded on November 8, 1953, under Clerk’s File No. 99900165, and recorded on Volume 100, Page 200, of the Dallas County, Texas Real Property records, for the installation and maintenance of an electric service line along the southern boundary of the property, as shown on the survey prepared by Joe Jones, PRLS No. 2323, dated September 10, 2008, last updated October 3, 2008.”

In my discussions with attorneys, they sometimes feel that the additional language limits the exception as described. However, in conversations with underwriting counsel, regardless of the descriptive language, the policy takes exception to the document.

My preference is to list all exceptions as follows:

“12. [Exact Title on Document] executed by [Grantor Name] for the benefit of [Grantee Name] recorded in [Clerk’s Recording Information], [if applicable] as shown on the survey prepared by [Surveyor], PRLS No. [Number], dated _____, 2008, last updated _____, 2008.”

But, whatever you choose, have the final language inserted early in the closing process.

18. **Mineral rights.** This paper does not cover the issues of title insurance and minerals in Texas. However, Bill Kramer of Republic Title of Texas, Inc. submitted an excellent paper for the 2008 University of Texas Mortgage Lending Institute.

a. The concern in the title industry is that most county records do not go back far enough to accurately disclose ownership. Plants rely on limitations and simply accept certain risks caused by gaps in the title chain. Some counties have routinely excluded minerals from coverage, by inserting “the surface estate only” in front of the legal description. Or, adding “but excluding title to any coal, lignite ...” to the end.

b. When the Barnett Shale production started in North Texas, many counties started excluding minerals for the first time. After a complaint was filed with the Department of Insurance, the Commissioner issued Bulletin 168, stating that Rule P-5 did not allow a title company to make a general exception for minerals. But the Bulletin was quickly withdrawn, pending a hearing and final resolution.

c. What can you do if your title company insists on excluding minerals?

1. Ask for another underwriters opinion.

2. Ask your client if it is concerned about the exception. Remember, the exception does not mean that the minerals are out, simply that they are not covered by title insurance.

3. Consider the coverage of T-19 and T-19.1.

4. Consider the policy limits [i.e. FMV of land v. potential windfall value if minerals are discovered].

19. **Read the Exception documents.** A client was referred to me to investigate a potential claim against a title company. The issue was that a neighbor [bank on the corner] sent a bill for about \$68,000 as a reimbursement request for the water/sewer line in front of the property. The client claimed the title company did not disclose the claim. But it was shown on the title policy as the REA. The problem was that the client failed to read the REA and assumed like all REAs it was “the standard form” for easements, etc.

But there was a section called “**Expense Reimbursement Obligation**” that described the situation where the bank installed the water/sewer line and the Center owner [predecessor in title] agreed to reimburse the pro rata cost when it developed.

Part C. New Texas Title Policies.

The Texas Department of Insurance recently approved new owner and lender title insurance policy forms for use in Texas, effective May 1, 2008. The policies are the result of a significant revision of the American Land Title Association forms, as modified for Texas. The new policies provide a simpler format, with additional coverage.

Title insurance is a heavily regulated industry in Texas. Licensed title companies in Texas are prohibited from issuing any commitment, endorsement, or policy except in accordance with the promulgated rules. Texas allows a single premium collected at the issuance of a policy for all title services.

The Owner’s Policy [Form T-1] is divided into three main sections: Covered Risks, Exclusions from Coverage, and Exceptions from Coverage.

People assume that a title policy only covers items in the real property records and complain that there is no real liability under a policy. While that is true for many of the “Covered Risks,” here are some non-record items that are covered:

1. A loss that occurs because of (a) a forgery, incompetency, or other failure of an instrument of record; (b) improper authorization, execution, notarization or delivery; (c) an invalid power of attorney; (d) an improper filing or indexing; or (e) a defective judicial proceeding.

2. A lien for unpaid real estate taxes; however, the lien for “roll-back” taxes is excluded from coverage.

3. Any encroachments or adverse conditions that would be shown by a survey [such as power lines or a fence on the property]. But, the owner has to pay an additional premium and have an acceptable survey to remove the limitations of the Exceptions.

4. Unrecorded mechanic's liens that relate to work prior to the date of the policy.

5. The failure of title caused by a fraudulent transfer challenge.

6. Matters that are filed in the "gap period." In almost all counties, there is a time period between the filing of a document and the County Clerk's release of the document. If any documents are filed in this "gap" the company must defend the claim.

The "Exclusions from Coverage" section excludes: (a) zoning or governmental restrictions; (b) eminent domain; (c) anything created by the insured; (d) matters known to the insured and not disclosed to the insurer; (e) matters arising after the date of the policy; (f) bankruptcy claims; and (g) a loss because of "unmarketable title." However, if there is a coverage conflict between the Exclusions and the Covered Risks, the Covered Risks section will control.

The foregoing Sections of the policy cannot be modified. The last Section, "Exceptions from Coverage," contains some promulgated language [which also cannot be modified], but this Section contains the specific title exceptions that the property examination revealed.

Exception 1: Restrictive Covenants. The title company will list any restrictive covenants and amends in this section. It is very important to review these carefully with your client as there might be use restrictions [no gyms or theaters], building restrictions [height or building size], and reimbursement obligations [for upkeep or development].

Exception 2: Survey. The title company examines the real property records, not the actual physical use of the land. For example, there could be a power line on the property, without a recorded easement. This exception can be amended to read "shortages in area" if the title company receives an acceptable survey.

Exceptions 3, 4, and 5. These limit the title company's liability for homestead rights, water rights, and taxes. These cannot be changed in an owner's policy. The client should determine whether these matters are an issue for the property.

Exception 6: General Matters. This is the place where all other recorded exceptions are listed, such as utility easements, mineral reservations/leases, leases [both recorded and a general exception for tenants, if applicable], development agreements, mechanic's liens, and reciprocal access agreements. Sometimes, title companies list the covenant document again, with a reference to any association lien and other easements. All of these documents should be carefully reviewed with your client.

The Loan Policy of Title Insurance [T-2] was also updated and is similar to the coverage issues discussed in this article.

CHART OF BASIC MANUAL FORMS, RULES, AND FEES

POLICIES		
Commitment	T-7	
Owner's Policy of Title Insurance	T-1	
Owner's Policy-Residential	T-1R	
Mortgagee Policy of Title Insurance	T-2	
Texas Short Form Residential Mortgagee Policy One-to-Four Family & Addendum	T-2R	
Pro Forma Policies	P-52	May issue a pro forma policy on \$500K or more, non-residential
Schedule of Basic Premium Rates	R-1	
Simultaneous Issue	R-5	

ENDORSEMENT OF OWNER'S POLICIES			
Note: Page references are to Schedule I			
Endorsement	Procedural Rule	Form Number	Rate Rule/Notes
Access Endorsement Page 19	P-54	T-23	R-30 \$100.00
Additional Insured Endorsement Page 50	P-57	T-26	R-33 10% of basic rate

Amendment of Exception to Area and Boundary Page 16	P-2	No form, see P-2(a) to amend the policy. Or, T-3, with General Instruction VI	R-16 15%, commercial OTP
Construction Increased Value Page 28	P-9 (a)(3)	T-3, use General Instruction VIII	R-15 \$50
Contiguity Endorsement Page 49	P-56	T-25	R-30 \$100.00
Increased Value Page 27	P-9 (a)(2)	T-34	R-3(c)
Non-Imputation Endorsement Page 48	P-55	T-24	R-31 5%
Leasehold policy Page 20	P-9 (a)(1)	T-4	R-3(a)
Restrictions, Encroachments, Minerals Page 44 May 2008 Change: Now includes post closing improvement coverage.	P-50C	T-19.1	R-29 C 15% of the Basic Rate, or If the survey deletion is purchased, 10%
ENDORSEMENT OF LENDER'S POLICIES			
Note: Page references are to Schedule I			
Endorsement	Procedural Rule	Form Number	Rate Rule
Access Endorsement Page 19	P-54	T-23	R-30 \$100.00

Aggregation Page 43	P-9(b)(13)	T-16	R-11 K \$25
Assignment of Rents/ Leases Endorsement Page 51	P-60	T-27	R-34 \$0.00
Amendment of Exception to Area and Boundary Page 16	P-2	No form, see P-2(a) to amend the policy. Or, T-3, with General Instruction VI	R-16 \$0.00
Amendment of Standard Exception in Mortgagee Policy or Mortgagee Title Policy Binder on Interim Construction Loan (Interim Binder) Relating to Taxes Page 17	P-20	Amend the MTP; or use T-30; or T-3 [with the P- 20 language]	R-19 \$20
Tax Exception Amendment to Tax Page 18	P-29	Amend the MTP; or use T-3 [with the P-29 language]	R-24 \$5
Assignment of Lien Page 38	P-9(b)(2)	T-3 [General Instruction III]	R-11 A Minimum Basic Rate
Contiguity Endorsement Page 49	P-56	T-25	R-30 \$100.00
Down Date [Increased Value] Page 29	P-9 (b)(4)	T-3, use General Instruction V	R-11 C \$50

Environmental Lien Protection Page 35	P-9(b)(9)	T-36	R-11 G \$50 Residential only; but used for hotels.
First Loss Page 40	P-9(b)(11)	T-14	R-11 I \$25
Last Dollar Page 42	P-9(b)(12)	T-15	R-11 J \$25
Leasehold Lender Policy Page 24	P-9(b)(5)	T-5	No Rate Rule; no additional charge
Partial Release, Release of Additional Collateral, Modification Agreement, Reinstatement Agreement, or Release From Personal Liability Endorsement Page 36	P-9(b)(3)	T-38	R-11 B \$100
Restrictions, Encroachments, Minerals Page 44 May 2008 Change: Now includes post closing improvement coverage.	P-50A & B	T-19 IV-39	R-29B 10%, commercial 5%, residential
Revolving Credit Loan Page 33	P-9(b)(8)	T-35	R-11 F \$50
Variable Rate Adjustable Loan Page 31	P-9(b)(6)	T-33 T-33.1	R-11(d) \$20

EXPRESS INSURANCE			
Encroachments Page 52	P-39(a)		Must delete survey exception, then list the specific survey problem and add promulgated form sentence
Possible Defects Page 52	P-39(b)		List the specific problem and add promulgated form sentence
Liens Page 52	P-39(c)		Specific requirements for liens, see rule
OTHER PROVISIONS			
Prohibition on Other Guaranties Page 54	P-35		Limits statements a title closer may make or give
Pending Disbursements Page 54	P-19		Added to policies for construction advances
Specific Exceptions Page 54	P-5		Prohibits general exceptions

SCHEDULE I

BASIC MANUAL FORMS, RULES, AND FEES

AMENDMENT OF EXCEPTION TO AREA AND BOUNDARY

P-2. Amendment of Exception to Area and Boundaries

(a) General Instructions. In either an Owner or Mortgagee Policy, when the Insured desires to have amended the exception as to area and boundaries, (i.e. Item 2 of Schedule B) to delete all save "shortages in area", a title insurance company may accept an existing real property survey and not require a new survey when providing area and boundary coverage if the title insurance company is willing to accept evidence of an existing real property survey, and an affidavit verifying the existing survey, notwithstanding the age of the survey or the identity of the person for whom the survey was prepared. If the transaction involves Residential Real Property, the affidavit verifying the existing survey shall be the Form T-47 Residential Real Property Affidavit. The policy to be issued shall cover the same land as described in the evidence of the existing real property survey. The Company may, if it considers the additional hazard insurable, amend such exception (the Company may waive the requirement of a survey in connection with the issuance of its Mortgagee Policy insuring the lien on a condominium unit), by indicating same in Schedule B of the policy or by endorsement as provided herein upon payment of the premium prescribed in R-16 in the case of an Owner Policy. The survey must be acceptable to the Company.

(b) Residential Refinance, Affidavit in Lieu of Updated Survey. Omitted.

R-16. Amendment of Exception as to Area, Boundaries, etc. - Applicable only as provided in Rules P-2 and P-8a.(2) - the Exception as to area and boundaries, etc., may be amended in an Owner or Mortgagee Policy upon the payment of an additional premium (in the case only of an Owner Policy) therefore equivalent to (1) 15% of the Basic Rate in an Owner Policy (T-1), or (2) 5% of the Basic Rate in a Residential Owner Policy of Title Insurance - One-To-Four Family Residences (Form T-1R), with a minimum premium of \$20.00.

AMENDMENT OF STANDARD EXCEPTION IN MORTGAGEE POLICY OR MORTGAGEE TITLE POLICY BINDER ON INTERIM CONSTRUCTION LOAN (INTERIM BINDER) RELATING TO TAXES

P-20. Amendment of Standard Exception in Mortgagee Policy or Mortgagee Title Policy Binder on Interim Construction Loan (Interim Binder) Relating to Taxes---In connection with the issuance or amendment (after issuance) of any Mortgagee Policy or any Mortgagee Title Policy Binder on Interim Construction Loan (Interim Binder), and upon payment of the premium required under Rate Rule R-19, the words: "and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership" as contained in the standard tax exception (designated "3." in Schedule B of the Mortgagee Policy or in Schedule B-Part 1 of the Interim Binder) may be deleted by: (a) deletion of such words upon the policy or binder form; or (b) by attachment to the policy or binder of (i) endorsement form T-30, or (ii) a completed form T-3 providing for the deletion of the hereinbefore quoted words.

T-30: Tax Deletion

ENDORSEMENT

Attached to and made a part of _____ Title Insurance Company Mortgagee Policy or Interim Construction Binder Number _____,

The words "and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership" as set forth in Item 3., in Schedule B of the Mortgagee Policy or in Item 3, Schedule B-Part 1 of the Interim Construction Binder (whichever is applicable) to which this endorsement is attached are hereby deleted.

Nothing hereby contained shall be construed as extending or changing the effective date of the Mortgagee Policy or Interim Construction Binder (whichever is applicable) to which this Endorsement is attached.

R-19. Amendment of or Endorsement Amending Exception in Mortgagee Policy or Mortgagee Title Policy Binder on Interim Construction Loan (Interim Binder) - Applicable as provided in Rule P-20. A Mortgagee Policy or Mortgagee Title Policy Binder on Interim Construction Loan (Interim Binder) may be amended in accordance with Rule P-20 upon the payment of an additional premium of \$20.00. This rate rule shall be applicable to any Interim Binder currently effective but shall be applicable only to Mortgagee Policies issued from and after July 24, 1980. A separate charge of \$20.00 shall be made for any such amendment to or endorsement of a Mortgagee Policy issued subsequent to the issuance of an Interim Binder and no credit shall be given for any such amendment or endorsement to any prior Interim Binder.

AMENDMENT OF STANDARD EXCEPTION IN MORTGAGEE POLICY OR MORTGAGEE TITLE POLICY BINDER ON INTERIM CONSTRUCTION LOAN (INTERIM BINDER) RELATING TO TAXES NOT YET DUE AND PAYABLE

P-29. Amendment of Standard Exception in Mortgagee Policy or Mortgagee Title Policy Binder on Interim Construction Loan (Interim Binder) Relating to Taxes Not Yet Due and Payable - In connection with the issuance of a Mortgagee Title Policy or Mortgagee Title Policy on Interim Construction Loan (Interim Binder), the Company may, if satisfied that all taxes, standby fees and assessments by any taxing authority for the year of the issuance of the Mortgagee Policy or Interim Binder are not yet due and payable, and upon payment of the premium in R-24, state the following after the standard tax exception: "Company insures that standby fees, taxes and assessments by any taxing authority for the year _____ are not yet due and payable."

R-24. Applicable only as provided in Procedural Rule P-29 a premium of \$5.00 shall be charged for addition of the language "Company insures that standby fees, taxes and assessments by any taxing authority for the year _____ are not yet due and payable."

ACCESS ENDORSEMENT

P-54. Access Endorsement. A Company may issue its Access Endorsement (T-23) on or after the date Rate Rule R-30 is effective to a Mortgagee Policy (T-2) or Owner Policy (T-1) on land which contains improvements and which is not residential real property, if its underwriting requirements are met and if it is paid the premium, if any, prescribed in Rate Rule R-30. The Company may add any exception to the endorsement that it considers, in its sole discretion, to be appropriate. The Company shall delete any insuring provision or portion thereof if it does not consider that risk acceptable. Any insured matter covered in the Access Endorsement (T-23) may be insured only by the use of this endorsement. A Company may not issue its Access Endorsement (T-23) on residential real property.

R-30. Premium for Access Endorsement. When the Access Endorsement (T-23) is issued with a Mortgagee Policy of Title Insurance (T-2) or Owner Policy (T-1) in accordance with Rule P-54, the premium for the Access Endorsement (T-23) shall be \$100 for each policy.

T-23. Access Endorsement.

Attached to Policy No. _____
Issued by
BLANK TITLE INSURANCE COMPANY
HEREIN CALLED COMPANY

The Company insures against loss or damage sustained by the insured if, at Date of Policy: (i) the land does not abut and have both actual vehicular and pedestrian access to and from [insert name of single street, road, or highway] (the "Street"), or (ii) the street is not physically open.

This endorsement is made a part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

OWNER LEASEHOLD POLICIES.

P9(a)(1). Owner's Policy. When an Owner Policy of Title Insurance (Form T-1) is to be issued on a leasehold estate in the land, the Company shall attach to the said Owner Policy (Form T-1) the Leasehold Owner Policy Endorsement. When a Residential Owner Policy of Title Insurance -- One-To-Four Family Residences (Form T-1R) is to be issued on a leasehold estate in the land, the Company shall attach the Residential Leasehold Endorsement form to the Residential Owner Policy -- One-To-Four Family Residences (Form T-1R). The Owner Policy shall show that the estate being insured is a leasehold and exceptions shall be shown under Schedule B to all of the terms, provisions, and conditions of the said lease creating such leasehold estate.

T-4. Leasehold Owner Policy Endorsement

ENDORSEMENT ATTACHED TO AND MADE A PART
OF POLICY OF TITLE INSURANCE
SERIAL NUMBER
ISSUED BY

TITLE INSURANCE COMPANY
HEREIN CALLED THE COMPANY

File No. _____
Attached to and made a part of _____ Title Insurance
Company Owner Policy Number _____, dated the _____ day of
_____, 20____.

1. As used in this endorsement, the following terms shall mean:
- a. "Evicted" or "Eviction": (a) the lawful deprivation, in whole or in part, of the right of possession insured by this policy, contrary to the terms of the Lease or (b) the lawful prevention of the use of the land or the Tenant Leasehold Improvements for the purposes permitted by the Lease, in either case, as a result of a matter covered by this policy.
 - b. "Lease": the lease agreement described in Schedule A.
 - c. "Leasehold Estate": the right of possession for the Lease Term.
 - d. "Lease Term": the duration of the Leasehold Estate, including any renewal or extended term if a valid option to renew or extend is contained in the Lease.
 - e. "Personal Property": chattels located on the land and property which, because of their character and manner of affixation to the land, can be severed from the land without causing appreciable damage to themselves or to the land to which they are affixed.
 - f. "Remaining Lease Term": the portion of the Lease Term remaining after the insured has been Evicted as a result of a matter covered by this policy.

g. "Tenant Leasehold Improvements": Those improvements, including landscaping, required or permitted to be built on the land by the Lease that have been built at the insured's expense or in which the insured has an interest greater than the right to possession during the Lease Term.

2. The provisions of subsection (b) of Section 7 of the Conditions and Stipulations shall not apply to any Leasehold Estate covered by this policy.

3. Valuation of Estate or Interest Insured

If, in computing loss or damage, it becomes necessary to value the estates or interests of the insured as the result of a covered matter that results in an Eviction, then that value shall consist of the value for the Remaining Lease Term of the Leasehold Estate and any Tenant Leasehold Improvements existing on the date of the Eviction. The insured claimant shall have the right to have the Leasehold Estate and the Tenant Leasehold Improvements valued either as a whole or separately. In either event, this determination of value shall take into account rent no longer required to be paid for the Remaining Lease Term.

4. Additional items of loss covered by this endorsement:

If the insured is Evicted, the following items of loss, if applicable, shall be included in computing loss or damage incurred by the insured, but not to the extent that the same are included in the valuation of the estates or interests insured by this policy.

- a. The reasonable cost of removing and relocating any Personal Property that the insured has the right to remove and relocate, situated on the land at the time of Eviction, the cost of transportation of that Personal Property for the initial one hundred miles incurred in connection with the relocation, and the reasonable cost of repairing the Personal Property damaged by reason of the removal and relocation.
- b. Rent or damages for use and occupancy of the land prior to the Eviction which the insured as owner of the Leasehold Estate is obligated to pay to any person having paramount title to that of the lessor in the Lease.
- c. The amount of rent that, by the terms of the Lease, the insured must continue to pay to the lessor after Eviction with respect to the portion of the Leasehold Estate and Tenant Leasehold Improvements from which the insured has been Evicted.
- d. The fair market value, at the time of the Eviction, of the estate or interest of the insured in any lease or sublease made by the insured as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements.
- e. Damages that the insured is obligated to pay to lessees or sublessees on account of the breach of any lease or sublease made by the insured as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements caused by the Eviction
- f. Reasonable costs incurred by the insured to secure a replacement leasehold equivalent to the Leasehold Estate.

- g. If Tenant Leasehold Improvements are not substantially completed at the time of Eviction, the actual cost incurred by the insured, less the salvage value, for the Tenant Leasehold Improvements up to the time of Eviction. Those costs include costs incurred to obtain land use, zoning, building and occupancy permits, architectural and engineering fees, construction management fees, costs of environmental testing and reviews, landscaping costs and fees, costs and interest on loans for the acquisition and construction.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

R-3 a. Leasehold: The amount of the Owner Policy covering a leasehold estate shall, at the option of the Insured, be based upon:

- (1) the total amount of the rentals payable under the lease contract, or
- (2) the value of the land and any existing improvements, or
- (3) the value of the land and any existing improvements and the cost of improvements immediately contemplated to be erected thereupon.

In (3) above, the policy must contain the applicable exception and clause provided for in Rule P-8.

P-8. Issuance of Policies Prior to Completion of Improvements

(a.) Owner Policy

(1) When an Owner Policy is issued in an amount to include the cost of immediately contemplated improvements, the Policy must contain the following exception in Schedule B:

"Any and all liens arising by reason of unpaid bills or claims for work performed or materials furnished in connection with improvements placed, or to be placed, upon the subject land. However, the Company does insure the Insured against loss, if any, sustained by the Insured under this Policy if such liens have been filed with the County Clerk of _____ County, Texas, prior to the date hereof."

AND THE FOLLOWING "LIABILITY" PARAGRAPH:

"Liability hereunder at the date hereof is limited to \$ _____. Liability shall increase as contemplated improvements are made, so that any loss payable hereunder shall be limited to said sum plus the amount actually expended by the Insured in improvements at the time the loss occurs. Any expenditures made for improvements, subsequent to the date of this policy, will be deemed made as of the date of this policy. In no event shall the liability of the Company hereunder exceed the face amount of this policy. Nothing contained in this paragraph shall be construed as limiting any exception or any printed provision of this policy."

In the event the premium for the Owner Policy is paid in installments pursuant to Rate Rule R-2(b) or (c), the following shall be added to the "Liability" paragraph:

"Notwithstanding the foregoing, liability hereunder shall only increase as down-date endorsements are issued pursuant to expenditures made for improvements and as the corresponding fractional premium for the policy and the full premium for the down-date endorsement are paid."

(2) Upon the completion of the improvements on said property, the owner's acceptance thereof, and satisfactory evidence to the Company that all bills for labor and materials have been paid in full, the "Liability" paragraph and the exception in Schedule B set out in "a(1)" of this rule may be eliminated from the policy by the issuance of the promulgated Endorsement form containing the applicable promulgated language covering said elimination.

In addition to the above elimination, if a satisfactory survey made after the completion of improvements is furnished to the Company, survey coverage may be provided as set out in Rules R-16 and P-2, using the promulgated Endorsement form and containing the applicable promulgated language.

In addition, if the Company's underwriting requirements have been met, the T-19.1 Endorsement may be issued or coverage affirmed as set out in Rules R-29 and P-50, using the promulgated Endorsement form and containing the applicable promulgated language.

LENDER LEASEHOLD POLICIES

P-9(b)(5). Leasehold Endorsement to Lender's Policy. When a Mortgagee Policy of Title Insurance is to be issued on a leasehold estate in the land, the Company shall attach to the said Mortgagee Policy the Leasehold Mortgagee Policy Endorsement. The Mortgagee Policy shall show that the estate being insured is a leasehold and exception shall be shown under Schedule B to all of the terms, provisions, and conditions of the said lease creating such leasehold estate.

T-5. Leasehold Mortgagee Policy Endorsement.

ENDORSEMENT ATTACHED TO AND MADE A PART OF MORTGAGEE'S POLICY OF TITLE INSURANCE

Attached to and made a part of _____ Title
Insurance Company Mortgagee Policy Number _____, dated the ____ day of
_____, 20____.

1. As used in this endorsement, the following terms shall mean:
 - a. "Evicted" or "Eviction": (a) the lawful deprivation, in whole or in part, of the right of possession insured by this policy, contrary to the terms of the Lease or (b) the lawful prevention of the use of the land or the Tenant Leasehold Improvements for the purposes permitted by the Lease, in either case, as a result of a matter covered by this policy.
 - b. "Lease": the lease agreement described in Schedule A.
 - c. "Leasehold Estate": the right of possession for the Lease Term.
 - d. "Lease Term": the duration of the Leasehold Estate, including any renewal or extended term if a valid option to renew or extend is contained in the Lease.
 - e. "Personal Property": chattels located on the land and property which, because of their character and manner of affixation to the land, can be severed from the land without causing appreciable damage to themselves or to the land to which they are affixed.
 - f. "Remaining Lease Term": the portion of the Lease Term remaining after the insured has been Evicted as a result of a matter covered by this policy.
 - g. "Tenant": the tenant under the Lease and, after acquisition of all or any part of the estate or interest in the land described in Schedule A in accordance with the provisions of Section 2(a) of the Conditions and Stipulations of this policy, the insured claimant.
 - h. "Tenant Leasehold Improvements": Those improvements, including landscaping, required or permitted to be built on the land by the Lease that have been built at the insured's expense or in which the insured has an interest greater than the right to possession during the Lease Term.
2. Valuation of Estate or Interest Insured

If, in computing loss or damage, it becomes necessary to value the estates or interests insured by this policy as the result of a covered matter that results in an Eviction of the Tenant, then that value shall consist of the value for the Remaining Lease Term of the Leasehold Estate and any Tenant Leasehold Improvements existing on the date of the Eviction. The insured claimant shall have the right to have the Leasehold Estate and the Tenant Leasehold Improvements valued either as a whole or separately. In either event, this determination of value shall take into account rent no longer required to be paid for the Remaining Lease Term.

3. Additional items of loss covered by this endorsement:

If the insured acquires all or any part of the estate or interest in the land described in Schedule A in accordance with the provisions of Section 2(a) of the Conditions and Stipulations of this policy and thereafter is Evicted, the following items of loss, if applicable, shall be included in computing loss or damage incurred by the insured, but not to the extent that the same are included in the valuation of the estates or interests insured by this policy.

- a. The reasonable cost of removing and relocating any Personal Property that the insured has the right to remove and relocate, situated on the land at the time of Eviction, the cost of transportation of that Personal Property for the initial one hundred miles incurred in connection with the relocation, and the reasonable cost of repairing the Personal Property damaged by reason of the removal and relocation.
- b. Rent or damages for use and occupancy of the land prior to the Eviction which the insured as owner of the Leasehold Estate may be obligated to pay to any person having paramount title to that of the lessor in the Lease.
- c. The amount of rent that, by the terms of the Lease, the insured must continue to pay to the lessor after Eviction with respect to the portion of the Leasehold Estate and Tenant Leasehold Improvements from which the insured has been Evicted.
- d. The fair market value, at the time of the Eviction, of the estate or interest of the insured in any lease or sublease made by Tenant as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements.
- e. Damages that the insured is obligated to pay to lessees or sublessees on account of the breach of any lease or sublease made by the Tenant as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements caused by the Eviction.
- f. Reasonable costs incurred by the insured to secure a replacement leasehold equivalent to the Leasehold Estate.
- g. If Tenant Leasehold Improvements are not substantially completed at the time of Eviction, the actual cost incurred by the insured, less the salvage value, for the Tenant Leasehold Improvements up to the time of Eviction. Those costs include costs incurred to obtain land use, zoning, building and occupancy permits, architectural and engineering fees, construction management fees, costs of environmental testing and reviews, and landscaping costs.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of

the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

INCREASED VALUE

P-9(a)(2) Increased Value. When an insured under an Owner Policy shall have satisfied the Company as to the current value of the estate or interest insured by such Owner Policy, and shall have paid the premium provided for in Rule R-3.c, the Company shall attach to the said Owner Policy endorsement form T-34.

T-34. Increased Value Endorsement.

INCREASED VALUE ENDORSEMENT T-34

Issued by

_____ TITLE INSURANCE COMPANY

This Endorsement is made a part of Owner Policy Number _____, dated _____.

As of the date of this endorsement, the "Amount" on Schedule A is deleted and the following amount is substituted:

\$.

Under this endorsement, we do not cover title risks or insure against matters:

- a. _____ created, suffered, assumed, or agreed to by you (the insured), or
- b. _____ known to you (the insured) but not to us (the company) at the date of this endorsement unless they appeared in the Public Records on the Policy Date.

This endorsement does not change the Policy Date. The terms of the Policy apply to this endorsement.

R-3 c. Increased Value Endorsements. When requested by the Insured, and upon compliance with Rule P-9.a.(2), endorsement form T-34 shall be attached to the Owner Policy upon payment of a premium for such endorsement which shall be the Basic Rate computed on the new amount less the premium paid for the Owner Policy and any form T-34 endorsements previously attached thereto, but in no event less than the then applicable minimum policy Basic Premium Rate.

INCREASED VALUE CONSTRUCTION OWNER

P9(a)(3). Increased Value Construction Owner. When an Owner Policy is issued in the manner provided in Rule P-8.a, and the coverage thereunder increases as provided in Rule R-2, Rule P-8 or otherwise as provided in these Rules, upon request and compliance with Rule R-15, the title insurance company which issued the Owner Policy may extend the effective date of the said Owner Policy and state the amount then existing under such Policy by issuing the endorsement provided for in Form T-3, Instruction VIII, Items (a) 1, 2 and 3 of the endorsement may not be deleted.

Note: P-8, is the "pending disbursements rule."

T-3 [with General Instruction VIII].

VIII. USE ONLY IN CONNECTION WITH INCREASE IN COVERAGE SUBSEQUENT TO ISSUANCE OF FORM T-1 OWNER TITLE POLICY IN THE MANNER PROVIDED IN RULE P-8.a.

When a Company is called upon to endorse its Owner Title Policy to evidence increase in coverage thereunder, and upon compliance with Rule P-9.a.(3), said Company may issue the Endorsement by inserting the following applicable provisions therein:

- (a) Said Policy is hereby amended so that its coverage shall relate to the date of this Endorsement instead of the date of the Policy, subject to:
1. The exceptions shown in Schedule B of said Policy and in any prior Endorsement to said Policy,
 2. Matters which would be shown by a correct survey and inspection of the premises subsequent to the date of said Policy,
 3. Any and all liens arising by reason of unpaid bills or claims for work performed or material furnished in connection with the improvements being placed upon the subject land. The Company does, however, insure the insured against loss, if any, sustained by the insured under the terms of the policy, if any such liens have been filed with the County Clerk of the County in which such property is located prior to the date of this Endorsement except those liens set forth in Schedule B of said Policy or in any prior Endorsement to said Policy, and except: (Specify or delete the words "and except" immediately preceding.),
 4. The following additions to Schedule B of said Policy: (Specify or delete this paragraph).
- (b) The coverage under said Policy as of the date hereof is \$_____.

R-15. Owner Policy Endorsement - A premium of \$50.00 shall be charged for the issuance of each endorsement provided for in Procedural Rule P-9.a.(3) or Procedural Rule P-9.a.(4).

DOWN DATE [INCREASED VALUE CONSTRUCTION]

P-9(b)(4). Down Date Endorsement. When a Mortgagee Title Policy is issued in the manner provided in Rule P-8.b. and construction advances are being made subsequent to such issue, upon request and compliance with Rule R-11c., the title insurance company which issued the Mortgagee Title Policy may extend the effective date of the said Mortgagee Title Policy and state the amount of coverage then existing under the policy, by issuing the Endorsement provided for in Form T-3, Instruction V. Items (a) 1, 2 and 3 of the Endorsement may not be deleted. When a Mortgagee Title Policy Binder on Interim Construction Loan is issued as provided in Procedural Rule P-16, and construction advances are being made subsequent to such issue, upon request and compliance with Rule R-11.c., the title insurance company which issued the Mortgagee Title Policy Binder on Interim Construction Loan may extend the effective date of the said Mortgagee Title Policy Binder on Interim Construction Loan by issuing the Endorsement provided for in Form T-3, Instruction VII. Items (a) 1 and 2 of the Endorsement may not be deleted.

T-3 [General Instruction V, MTP] [*Note, this is for a MTP*]

**V. USE ONLY IN CONNECTION WITH INTERIM CONSTRUCTION ADVANCES
SUBSEQUENT TO ISSUANCE OF FORM T-2 MORTGAGEE TITLE POLICY.**

A. As to Mortgagee Title Policies issued before October 1, 1991.

OMITTED.

B. As to Mortgagee Title Policies issued after September 30, 1991.

When a Company is called upon to endorse a Mortgagee Title Policy at the time of periodic construction advances in the same transaction, and upon compliance with Rule P-9.b.(4), said Company may issue the Endorsement by inserting the following applicable provisions therein:

- (a) Said policy is hereby amended so that its coverage shall relate to date of this Endorsement instead of the date of the policy, subject to:
 - 1. The exceptions shown in Schedule B of said policy and in any prior Endorsement to said policy,
 - 2. Matters which would be shown by a correct survey and inspection of the premises subsequent to the date of said policy,
 - 3. Any and all liens arising by reason of unpaid bills or claims for work performed or material furnished in connection with the improvements being placed upon the subject land: The Company does, however, insure against loss, if any, sustained by the insured under the terms of the policy, if any such liens have been filed with the County Clerk of the County in which such property is located prior to the date of this Endorsement, except those liens set forth in Schedule B of said policy or in any prior Endorsement to said policy, and except: (Specify or delete immediately preceding words "and except".),
 - 4. The following additions to Schedule B of said policy: (Specify or delete this paragraph and include as exceptions only those additional matters which the Company has determined are superior to the lien described in Schedule A, Item 4, of said policy.),

5. The following matters which affect the title to the estate or interest in the land described or referred to in Schedule A of said policy, but Company insures the insured against loss, if any, sustained by the insured under the terms of the policy if such matters are not subordinate to the lien described in Schedule A, Item 4, of said policy: (Specify or delete this paragraph).

(b) The coverage under said policy as of the date hereof is \$_____.

T-3 [General Instruction VII]. [*Note, this is for a Binder*]

**VII. USE ONLY IN CONNECTION WITH INTERIM CONSTRUCTION ADVANCES
SUBSEQUENT TO ISSUANCE OF FORM T-13 MORTGAGEE TITLE POLICY BINDER
ON INTERIM CONSTRUCTION LOAN.**

When a Company is called upon to endorse a Mortgagee Title Policy Binder on Interim Construction Loan at the time of periodic construction advances in the same transaction, and upon compliance with Rule P-9.b.(4), said Company may issue the Endorsement by inserting the following applicable provisions therein:

Said Binder is hereby amended so that the date and time set forth in the first paragraph thereof shall be the _____ day of _____, 19____, at _____ o'clock _____M., subject to:

1. The exceptions shown in Schedule B of said Binder and in any prior Endorsement to said Binder,
2. Matters which would be shown by a correct survey and inspection of the premises subsequent to the date of said Binder,
3. The following additions to Schedule B-Part 1 of said Binder: (Specify or delete this paragraph and include as exceptions only those additional matters which the Company has determined are superior to the lien described in Schedule A of said Binder.),
4. The following additions to Schedule B-Part 2 of said Binder (which affect the title to the estate or interests in the land described or referred to in Schedule A of said Binder, but Company agrees to insure the insured against loss, if any, sustained by the insured under the terms of the Policy to be issued if such matters are not subordinate to the lien described in Schedule A of said Binder): (Specify or delete this paragraph.).

Notwithstanding the limitation in paragraph 4 of Schedule B-Part 1 of said Binder, the Company agrees to insure against loss, if any, sustained by the insured under the terms of the policy to be issued if such liens have been filed with the County Clerk of the County in which such property is located prior to the date of this Endorsement except those liens set forth in Schedule B of said Binder or in any prior Endorsement to said Binder, and except: (Specify or delete the words "and except" immediately preceding).

R-11C. Endorsement issued as provided in Rule P-9b(4). A premium of \$50.00 shall be charged for the issuance of each endorsement provided for in Rule P-9b(4).

VARIABLE RATE MORTGAGE ENDORSEMENT

P9b(6). Adjustable Mortgage Loan Instruments. For purposes of this rule an "adjustable mortgage loan" shall be one which permits adjustments of the interest rate, with such adjustments being implemented through changes in the payment amount and/or in the outstanding principal loan balance or in the loan term. When a Mortgagee Policy of title Insurance is to be issued insuring the lien securing an adjustable mortgage loan note, the company may attach to the Mortgagee Policy the Endorsement provided for in Form T-33 or Form T-33.1. A Form T-33 Endorsement or Form T-33.1 Endorsement may be issued and attached to a previously issued Mortgagee Policy insuring an adjustable mortgage loan upon the payment of any applicable premium charge and compliance with the underwriting requirements of the Company.

T-33. Variable Rate Mortgage Endorsement.

Attached to Policy No. _____

Issued by
BLANK TITLE INSURANCE COMPANY
HEREIN CALLED THE COMPANY

The Company insures the owner of the indebtedness secured by the insured mortgage against loss or damage sustained by reason of:

- (1) The invalidity or unenforceability of the lien of the insured mortgage resulting from the provisions therein which provide for changes in the rate of interest.
- (2) Loss of priority of the lien of the insured mortgage as security for the unpaid principal balance of the loan, together with interest as changed in accordance with the provisions of the insured mortgage, which loss of priority is caused by the changes in the rate of interest.

"Changes in the rate of interest", as used in this endorsement, shall mean only those changes in the rate of interest calculated pursuant to the formula provided in the insured mortgage at Date of Policy.

This endorsement does not insure against loss or damage based upon (a) usury, or (b) any consumer credit protection or truth in lending law.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

T-33.1. Variable Rate Mortgage – Negative Amortization Endorsement

**VARIABLE RATE MORTGAGE – NEGATIVE AMORTIZATION
ENDORSEMENT (T-33.1)**

Attached to Policy No. _____

Issued by

BLANK TITLE INSURANCE COMPANY
HEREIN CALLED THE COMPANY

The Company insures the owner of the indebtedness secured by the insured mortgage against loss or damage sustained by reason of:

1. The invalidity or unenforceability of the lien of the insured mortgage resulting from the provisions therein which provide for: (a) interest on interest; (b) changes in the rate of interest; or (c) the addition of unpaid interest to the principal balance of the loan.
2. Loss of priority of the lien of the insured mortgage as security for the principal balance of the loan, including any unpaid interest which was added to principal in accordance with the provisions of the insured mortgage, interest on interest, or interest as changed in accordance with the provisions of the insured mortgage, which loss of priority is caused by (a) changes in the rate of interest; (b) interest on interest; or (c) increases in the unpaid principal balance of the loan resulting from the addition of unpaid interest.

“Changes in the rate of interest”, as used in this endorsement, shall mean only those changes in the rate of interest calculated pursuant to the formula provided in the insured mortgage at Date of Policy.

This endorsement does not insure against loss or damage based upon (a) usury, or (b) any consumer credit protection or truth-in-lending law.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

R-11 d. Endorsement issued as provided in Rule P-9b(6). A premium of \$20.00 shall be charged for the issuance of each endorsement authorized by Rule P-9b(6) except that such additional premium charge shall not be made if an additional premium charge has been made for the Mortgagee Policy (to which the Endorsement is attached) under the second paragraph of Rate Rule R-4.

REVOLVING CREDIT

P-9(b)(8). When a Mortgagee Policy of Title Insurance is to be issued to insure the validity and priority of a lien created by a mortgage or deed of trust which secures a revolving credit promissory note or other such indebtedness where: (1) a line of credit of a specific amount is extended to a borrower for the term of indebtedness, (2) the amount of indebtedness actually outstanding at any particular time is subject to fluctuations up or down due to future disbursements of loan proceeds and/or future repayments thereof from time to time over the term of the indebtedness (which disbursements and repayments are contemplated by the parties at the time the indebtedness is created), and (3) repayments by the borrower neither reduce nor increase the original line of credit extended nor affect the borrower's liability to repay the principal sum of all outstanding disbursements plus all accrued interest thereon, the Company upon request and compliance with Rule R-11(f) shall attach to said Mortgagee Policy of Title Insurance the Revolving Credit Endorsement. The Revolving Credit Endorsement shall be available only where the mortgage or deed of trust creating the lien to be insured discloses to the satisfaction of the Company that the indebtedness secured thereby is a revolving type of indebtedness as set forth above. The Mortgagee Policy of Title Insurance shall show by endorsement that the lien being insured secures a revolving credit type of indebtedness.

T-35. Future Advance/ Revolving Credit Endorsement Form

REVOLVING CREDIT ENDORSEMENT

Issued by

_____ TITLE INSURANCE COMPANY

GUARANTY FILE

ENDORSEMENT

NO. _____

No. _____

Attached to and made a part of _____ Title Insurance Company Mortgagee Policy Number _____ dated the _____ day of _____, 19 ____.

Notwithstanding anything to the contrary contained in this policy, the following terms and provisions shall control and apply:

1. This policy insures only to, and liability hereunder is thereby limited to, the extent of the amount of proceeds of the loan secured by the lien instrument set forth under Schedule A hereof actually disbursed as of the date of this policy, but increases as each subsequent advance or disbursement of loan proceeds is made and decreases as repayment of all or a portion of the amount of loan proceeds disbursed is made from time to time, so that any loss payable hereunder shall be limited to the aggregate amount of loan proceeds actually disbursed less the aggregate of all repayments thereof existing at the time a loss occurs hereunder; provided, however, that each disbursement of loan proceeds is made in good faith and without knowledge of any defects in, or objections to, title; and further provided that in no event shall the liability of the Company hereunder exceed the face amount of this policy.

2. The Company hereby insures the Insured that any disbursements of such loan proceeds made subsequent to the date of this policy shall be deemed to have been made as of the date of this policy and shall have the same priority as any advances made as of the date of this policy, except as to (i)

bankruptcies affecting the estate or interest described on Schedule "A" hereof prior to the date of any such advance or disbursement; and, (ii) taxes, costs, charges, damages and other obligations to the government secured by statutory liens arising or recorded subsequent to the date of the policy.

This endorsement when countersigned below by an Authorized Countersignature, is made a part of said policy. Except as expressly modified by the provisions hereof, this endorsement is subject to the following policy matters: (i) Insuring Provisions; (ii) Exclusions from Coverage; (iii) Schedule "B" Exceptions; (iv) the Conditions and Stipulations; and, (v) any prior endorsements. Except as stated herein, this endorsement does not: (i) extend the effective date of the policy and/or any prior endorsements; or, (ii) increase the face amount of the policy.

R-11 F. Endorsement issued as provided in Rule P-9b(8). A premium of \$50.00 shall be charged for the issuance of each endorsement provided for in Rule P-9b(8).

ENVIRONMENTAL PROTECTION LIEN

P-9(b)(9). When a mortgagee policy is to be issued covering the lien securing an indebtedness against land used or to be used primarily for residential purposes, the Company may, if it considers the risk insurable, attach to the policy endorsement Form T-36 with any applicable exceptions in paragraph (b) upon the payment of the premium prescribed in Rate Rule R-11(g).

T-36. Environmental Protection Lien Endorsement Form

ENDORSEMENT

Attached to Policy No.

Issued by

TITLE INSURANCE COMPANY

The insurance afforded by this endorsement is only effective if the land is used or is to be used primarily for residential purposes.

The Company insures the insured against loss or damage sustained by reason of lack of priority of the lien of the insured mortgage over:

(a) any environmental protection lien which, at the Date of Policy, is recorded in those records established under state statutes at the Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge, or filed in the records of the clerk of the United States district court for the district in which the land is located, except as set forth in Schedule B; or

(b) any environmental protection lien provided for by any state statute in effect at the Date of Policy, except environmental protection liens provided for by the following state statutes:

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsement, nor does it increase the face amount thereof.

R-11 G. Endorsement issued as provided in Rule P-9b(9). A premium of \$25.00 shall be charged for the issuance of each endorsement provided for in Rule P-9b(9).

PARTIAL RELEASE, RELEASE OF ADDITIONAL COLLATERAL, MODIFICATION AGREEMENT, REINSTATEMENT AGREEMENT, OR RELEASE FROM PERSONAL LIABILITY ENDORSEMENT

P-9(b)(3). Partial Release, Release of Additional Collateral, Modification Agreement, Reinstatement Agreement and/or Release from Personal Liability. When a Mortgagee Policy has been issued covering the lien securing an indebtedness, and the holder of such Mortgagee Policy desires to:

- (a) release a part of the land described in Schedule A of said Policy; and/or
- (b) release additional collateral securing indebtedness described in said Schedule A; and/or
- (c) modify only one or more of the following items described in Schedule A of said policy: the mortgage, deed of trust, security instrument, guaranty or promissory note, by entering into a Modification Agreement; and/or
- (d) reinstate said mortgage or deed of trust by entering into a Reinstatement Agreement; and/or
- (e) release the mortgagor(s) or other obligors from personal liability;

Upon payment of the premium prescribed by Rate Rule R-11.b, the Company which issued the original policy may issue a Form T-38 Endorsement thereto to show that policy coverage has not been reduced or terminated solely by virtue of the modification, reinstatement or release. An endorsement shall not be issued under this subparagraph (3) if: (i) the modification agreement, reinstatement agreement or other instrument expressly creates or grants a lien or power of sale; or (ii) the indebtedness secured by the lien of the insured mortgage or deed of trust is evidenced by a new promissory note; or (iii) the insured mortgage or deed of trust is modified to secure additional principal indebtedness other than accrued or deferred interest on the specific indebtedness described on Schedule A of the policy or advances made pursuant to the terms of the original mortgage or deed of trust; or (iv) the insured mortgage or deed of trust is cross-collateralized or otherwise modified to cover property not described on Schedule A of the policy

T-38. Partial Release, Release of Additional Collateral, Modification Agreement, Reinstatement Agreement and/or Release from Personal Liability.

**MORTGAGEE POLICY OF TITLE INSURANCE P-9(b)(3)
ENDORSEMENT FORM**

**Partial Release, Release of Additional Collateral,
Modification Agreement, Reinstatement Agreement, or
Release From Personal Liability**

ENDORSEMENT NUMBER:

Premium: \$

G. F. No:

Attached to and made a part of _____ Title Insurance Company Mortgagee Policy No. _____ this _____ day of _____, 19 _____.

As to the above numbered mortgagee policy, the Company will not claim that policy coverage has terminated or that policy coverage has been reduced, solely by reason of the execution of:

(Here describe the instrument by stating whether it is a partial release, release of additional collateral, modification agreement, reinstatement agreement or release from personal liability and then more fully describe the instrument by filling in the blanks below.)

dated the _____ day of _____, 19____, filed for record on the ___ day of _____, 19___ at _____ M in the office of the County Clerk of _____ County, Texas, under clerk's file number _____ and/or recorded in Volume/Book ___, Page ___ of the _____ Records of said County.

If, by the terms of the above described instrument, the maturity date of the indebtedness secured by the insured lien is extended beyond the original period of limitation applicable to such indebtedness, this endorsement shall be construed to include either paragraph "A" or paragraph "B" below.

A) As to all mortgagee policies issued before March 1, 1983: OMITTED.

B) As to all mortgagee policies issued after February 28, 1983: "The issuance of this endorsement shall maintain the liability hereunder (should this insured remain as a lien holder only), for the period of limitation applicable to the indebtedness secured by the lien described on Schedule "A" calculated from the renewed and extended maturity date of such indebtedness."

This endorsement, notwithstanding anything in the above described instrument to the contrary, does not change the original effective date of the mortgagee policy or the face amount of insurance stated on Schedule "A" thereof, nor does it alter or increase the coverage of the policy.

This endorsement shall not be construed to include within its scope any modification agreement, reinstatement agreement or other instrument not specifically set forth above and described herein by volume/page or clerk's file number.

The Company shall have no liability by reason of: (i) the invalidity of the above described instrument or any part thereof; or (ii) the failure to record any renewal and/or extension agreement.

This endorsement is subject to the Schedule "B" exceptions and the conditions and stipulations of the above numbered Mortgagee Policy.

R-11 B. Endorsement issued as provided in Rule P-9b(3). A premium of \$100.00 shall be charged for each Endorsement issued within one year after the date of the original policy. If issued after said one year period, an additional \$10.00 shall be charged for each twelve-month period thereafter, or a part thereof. In no event, however, shall such premium exceed 50% of the premium applicable to the original Mortgagee Policy under the Schedule of Basic Rates.

ASSIGNMENT OF LIEN

P-9(b)(2). Assignment of Mortgage to Others. Except as to those loans secured by one-to-four family residential properties, the Endorsement provided for in Rule P-9b(1) may also be issued to any assignees other than those set out in said Rule P-9b(1)

Note: P-9(b)(1) Assignment of Mortgage to Government Agencies - Where a Mortgagee Policy has been issued covering the lien securing an indebtedness, and such indebtedness and lien have been subsequently sold, transferred and assigned to Government National Mortgage Association and/or Federal National Mortgage Association and/or Administrator of Veterans' Affairs and/or Secretary of Housing and Urban Development, as their names may be changed from time to time, the Company which issued the original policy may issue an Endorsement thereto to show the Government National Mortgage Association and/or Federal National Mortgage Association and/or Administrator of Veterans' Affairs and/or Secretary of Housing and Urban Development, or as their names may be changed from time to time as a party insured. As a condition to the issuance of the Endorsement, the Company may require a showing from the assignor that such assignor has not accelerated the maturity of the indebtedness, or if he has, that there has been a proper reinstatement of the obligation. It shall be permissible for the Company to show the current owner of the fee simple title to the property in the said Endorsement.

T-3 [General Instruction III].

III. USE UPON ASSIGNMENT OF LIEN.

When a lien is assigned, and upon compliance with Rules P-9.b.(1) or P-9.b.(2) and R-11, the Company may issue the Endorsement by inserting therein:

"Said Mortgagee Policy is hereby amended to name as the Insured: _____. The lien described in Schedule A of said policy has been assigned to said named Insured by assignment dated the ____ day of _____, 19 ____, at ____ M., in the Office of the County Clerk of _____ County, Texas (here insert clerk's file number or book and page of recording), and Schedule A of said policy is hereby amended to cover said assignment, and it is expressly stated that the effective date of said policy is changed to the date of this Endorsement."

"As of the date of this Endorsement, Company insures the insured against loss, if any, sustained by the insured under the terms of the policy if said lien is not a valid [_____] lien against the property described in Schedule A of said policy, subject to the matters set forth in Schedule B, the terms and provisions of said policy and the following:"

(Here insert any exception necessary by reason of matters arising since the date of the Policy or delete the immediately preceding words "and the following:")

"The Company insures that all standby fees, taxes and assessments by any taxing authority against the property described in Schedule A of said policy have been paid up to and including the year 19____ except subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, and except: (specify or delete the immediately preceding words "and except.")"

"This Endorsement shall be effective when the note or notes secured by the lien insured have been delivered to the Insured named herein."

R-11 A. Endorsement issued as provided in Rules P-9b(1) and P-9b(2). The minimum Basic Premium Rate shall be charged for each Endorsement issued after the date of the original policy. In no event, however, shall such premium exceed 50% of the premium applicable to the original Mortgagee Policy under the Schedule of Basic Rates.

FIRST LOSS ENDORSEMENT

P-9(b)(11). A Company may issue its First Loss Endorsement (T-14) to a Mortgagee Policy (T-2), if (1) its underwriting requirements are met, (2) other property not described in the Mortgagee Policy is encumbered to secure payment of the indebtedness secured by the insured mortgage, and (3) the Company is paid the premium prescribed in Rate Rule R-11i. The Company may not issue the First Loss Endorsement (T-14) if the land covered by the policy is residential real property.

Form T-14. First Loss Endorsement.

FIRST LOSS ENDORSEMENT T-14

Attached to Policy No. _____

Issued by

BLANK TITLE INSURANCE COMPANY

This endorsement is effective only if the Collateral includes at least two parcels of real property.

1. For the purposes of this endorsement:
 - (a) "Indebtedness" means all monetary obligations evidenced by the loan documents at Date of Policy as secured by the insured mortgage, but limited to the balance outstanding at the time the claim is made.
 - (b) "Collateral" means all property, including the land, given as security for the Indebtedness.
 - (c) "Material Impairment Amount" means the amount by which any matter covered by this policy for which a claim is made diminishes the value of the Collateral below the Indebtedness.
2. Subject to the provisions of Section 8 of the Conditions and Stipulations, in the event of a claim resulting from a matter insured against by this policy, the Company agrees to pay that portion of the Material Impairment Amount that does not exceed the limits of liability imposed by Sections 2 and 7 of the Conditions and Stipulations without requiring:
 - (a) maturity of the Indebtedness by acceleration or otherwise;
 - (b) pursuit by the insured of its remedies against the Collateral;
 - (c) pursuit by the insured of its remedies under any guaranty, bond or other insurance policy.
3. Nothing in this endorsement shall impair the Company's right of subrogation. However, the Company agrees that its right of subrogation shall be subordinate to the rights and remedies of the insured. The Company's right of subrogation shall include the right to recover the amount

paid to the insured pursuant to paragraph 2 from any debtor or guarantor of the Indebtedness, after payment or other satisfaction of the remainder of the Indebtedness and other obligations secured by the lien of the insured mortgage. The Company shall have the right to recoup from the insured claimant any amount received by it in excess of the Indebtedness up to the amount of the payment under paragraph 2.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

R-11 I. Endorsement issued as provided in Rule P-9b(11). When the First Loss Endorsement (T-14) is issued with a Mortgagee Policy of Title Insurance (T-2) in accordance with Rule P-9b(11), the premium for the First Loss Endorsement (T-14) shall be \$25.00.

LAST DOLLAR ENDORSEMENT

P-9(b)(12). A Company may issue its Last Dollar Endorsement (T-15) to a Mortgagee Policy (T-2), if (1) its underwriting requirements are met, (2) other property not described in the Mortgagee Policy is encumbered to secure payment of the indebtedness secured by the insured mortgage, and (3) the Company is paid the premium prescribed in Rate Rule R-11j. The Company may not issue the Last Dollar Endorsement (T-15) if the land covered by the policy is residential real property.

Form T-15. Last Dollar Endorsement

ENDORSEMENT TO TITLE POLICY T-15
SERIAL NUMBER
ISSUED BY
No.
BLANK TITLE INSURANCE COMPANY
HEREIN CALLED THE COMPANY

The liability of the Company under this policy will not be reduced under Section 9(b) of the Conditions and Stipulations as the result of payment on the indebtedness secured by the insured mortgage, except to the extent such payments reduce the total indebtedness secured by the insured mortgage below the Amount of Insurance stated in Schedule A.

The total liability of the Company under said Policy and any endorsements therein shall not exceed, in the aggregate, the face amount of said Policy and costs which the Company is obligated under the conditions and stipulations thereof to pay.

This Endorsement is made a part of said Policy and is subject to the terms thereof, except as modified by the provisions of this endorsement. This Endorsement is made a part of the policy and is subject to all the terms and provisions thereof and of any prior endorsement thereto. Except to the extent expressly stated, this Endorsement neither modifies any of the terms and provisions of the policy and prior endorsements, nor does it increase the face amount thereof.

R-11 J. Endorsement issued as provided in Rule P-9b(12). When the Last Dollar Endorsement (T-15) is issued with a Mortgagee Policy of Title Insurance (T-2) in accordance with Rule P-9b(12), the premium for the Last Dollar Endorsement (T-15) shall be \$25.00.

MORTGAGEE POLICY AGGREGATION ENDORSEMENT

P-9(b)(13). A Company may issue its Mortgagee Policy Aggregation Endorsement (T-16) to a Mortgagee Policy of Title Insurance (T-2), if (1) it is paid the premium prescribed in Rate Rule R-11k; (2) its underwriting requirements are met; and (3) multiple policies are simultaneously issued covering separate mortgages securing the same indebtedness or loan. The Company shall charge the applicable premium for each Mortgagee Policy of Title Insurance (T-2).

Form T-16. Mortgagee Policy Aggregation Endorsement.

MORTGAGEE POLICY AGGREGATION ENDORSEMENT FORM T-16
ATTACHED TO POLICY NO. _____
Issued By
BLANK TITLE INSURANCE COMPANY

The following policies are issued in conjunction with one another:

Policy Number: County: State: Amount:

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Notwithstanding the provisions of Section 7(a)(i) of the Conditions and Stipulations of this policy, the Amount of Insurance available to cover the Company's liability for loss or damage under this policy at the time of Payment of Loss hereunder shall be the aggregate of the Amount of Insurance under this policy and the other policies identified above. At no time shall the Amount of Insurance under this policy and the other policies identified above exceed in the aggregate \$_____. Subject to the provisions of Section 9(a) of the Conditions and Stipulations of the policies, all payments made by the Company under this policy or any of the other policies identified above, except the payments made for costs, attorney's fees and expenses, shall reduce the aggregate Amount of Insurance pro tanto.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements.

R-11 K. Endorsement issued as provided in Rule P-9b(13). When the Mortgagee Policy Aggregation Endorsement (T-16) is issued with a Mortgagee Policy of Title Insurance (T-2) in accordance with Rule P-9b(13), the premium for the Mortgagee Policy Aggregation Endorsement (T-16) shall be \$25.00.

RESTRICTIONS, ENCROACHMENTS, MINERALS ENDORSEMENT

P-50. Restrictions, Encroachments, Minerals Endorsement (T-19) and Restrictions, Encroachments, Minerals Endorsement - Owner Policy (T-19.1).

A. A Company may issue its Restrictions, Encroachments, Minerals Endorsement (T-19) to a Mortgagee Policy (T-2) on residential real property, if its underwriting requirements are met and if it is paid the premium prescribed in Sub-Section A. of Rate Rule R-29. The Company shall delete any insuring provision if it does not consider that risk acceptable. Any insured matter covered in the Restrictions, Encroachments, Minerals Endorsement (T-19) may be insured only by the use of this Restrictions, Encroachments, Minerals Endorsement (T-19).

B. A Company may issue its Restrictions, Encroachments, Minerals Endorsement (T-19) to a Mortgagee Policy (T-2) on land which is not residential real property, if its underwriting requirements are met and if it is paid the premium prescribed in Sub-Section B. of Rate Rule R-29. The Company shall delete any insuring provision if it does not consider that risk acceptable. Any insured matter covered in the Restrictions, Encroachments, Minerals Endorsement (T-19) may be insured only by the use of this Restrictions, Encroachments, Minerals Endorsement (T-19).

C. A Company may issue its Restrictions, Encroachments, Minerals Endorsement – Owner Policy (T-19.1) on or after the date that Rate Rule R-29 is amended effective to an Owner Policy (T-1) on land which is not residential real property, if its underwriting requirements are met and if it is paid the premium, if any, prescribed in Sub-Section C. of Rate Rule R-29. The Company shall delete any insuring provision if it does not consider that risk acceptable. Any insured matter covered in the Restrictions, Encroachments, Minerals Endorsement – Owner Policy (T-19.1) may be insured only by the use of this Restrictions, Encroachments, Minerals Endorsement – Owner Policy (T-19.1).

T-19: Restrictions, Encroachments, Minerals Endorsement [Lender Policy].

ENDORSEMENT

Attached to No. _____

Issued by

BLANK TITLE INSURANCE COMPANY

The Company insures the owner of the Indebtedness secured by the Insured Mortgage against loss or damage sustained by reason of:

1. The existence at Date of Policy of any of the following:
 - a. Covenants, conditions, or restrictions under which the lien of the Insured Mortgage can be divested, subordinated, or extinguished or its validity, priority, or enforceability impaired.
 - b. Unless expressly excepted in Schedule B
 - i. Present violations on the Land of any enforceable covenants, conditions, or restrictions, or existing improvements on the Land that violate any building setback lines shown on a plat of subdivision recorded or filed in the Public Records.

ii. Any instrument referred to in Schedule B as containing covenants, conditions, or restrictions on the Land that, in addition, (A) establishes an easement on the Land, (B) provides a lien for liquidated damages, (C) provides for a private charge or assessment, (D) provides for an option to purchase, a right of first refusal, or the prior approval of a future purchaser or occupant.

iii. Any encroachment of existing improvements located on the Land onto adjoining land or any encroachment onto the Land of existing improvements located on adjoining land.

iv. Any encroachment of existing improvements located on the Land onto that portion of the Land subject to any easement excepted in Schedule B.

v. Any notices of violation of covenants, conditions, or restrictions relating to environmental protection recorded or filed in the Public Records.

2. Any future violation on the Land of any existing covenants, conditions, or restrictions occurring prior to the acquisition of Title by the Insured, provided the violation results in:

- a. invalidity, loss of priority, or unenforceability of the lien of the Insured Mortgage; or
- b. loss of Title if the Insured shall acquire Title in satisfaction of the Indebtedness.

3. Damage to existing improvements, including lawns, shrubbery, or trees, located or encroaching on that portion of the Land subject to any easement excepted in Schedule B, which damage results from the exercise of the right to maintain the easement for the purpose for which it was granted or reserved.

4. Damage to improvements, including lawns, shrubbery, or trees, located on the Land on or after Date of Policy resulting from the future exercise of any right to use the surface of the Land for the extraction or development of minerals excepted from the description of the Land or excepted in Schedule B.

5. Any final court order or judgment requiring the removal from any land adjoining the Land of any encroachment excepted in Schedule B.

6. Any final court order or judgment denying the right to maintain any existing improvements on the Land because of any violation of covenants, conditions, or restrictions, or building setback lines shown on a plat of subdivision recorded or filed in the Public Records.

Wherever in this endorsement the words "covenants, conditions, or restrictions" appear, they do not include the terms, covenants, conditions, or limitations contained in an instrument creating a lease.

As used in paragraphs 1.b.i. and 6, the words "covenants, conditions, or restrictions" do not include any covenants, conditions, or restrictions (a) relating to obligations of any type to perform maintenance, repair, or remediation on the Land, or (b) pertaining to environmental protection of any kind or nature, including hazardous or toxic matters, conditions, or substances, except to the extent that a notice of a violation or alleged violation affecting the Land has been recorded or filed in the Public Records at Date of Policy and is not excepted in Schedule B.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy,

or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

T-19.1: Restrictions, Encroachments, Minerals Endorsement [Owner Policy].

Attached to Policy No. _____

Issued By

BLANK TITLE INSURANCE COMPANY

The Company insures against loss or damage sustained by the Insured by reason of:

1. The existence, at Date of Policy, of any of the following unless expressly excepted in Schedule B:
 - a. Present violations on the Land of any enforceable covenants, conditions, or restrictions, or any existing improvements on the Land that violate any building setback lines shown on a plat of subdivision recorded or filed in the Public Records.
 - b. Any instrument referred to in Schedule B as containing covenants, conditions, or restrictions on the Land that, in addition, (i) establishes an easement on the Land, (ii) provides for an option to purchase, a right of first refusal, or the prior approval of a future purchaser or occupant, or (iii) provides a right of reentry, possibility of reverter, or right of forfeiture because of violations on the Land of any enforceable covenants, conditions, or restrictions.
 - c. Any encroachment of existing improvements located on the Land onto adjoining land, or any encroachment onto the Land of existing improvements located on adjoining land.
 - d. Any encroachment of existing improvements located on the Land onto that portion of the Land subject to any easement excepted in Schedule B.
 - e. Any notices of violation of covenants, conditions, or restrictions relating to environmental protection recorded or filed in the Public Records.
2. Damage to existing buildings that are located on or encroach upon that portion of the Land subject to any easement excepted in Schedule B, which damage results from the exercise of the right to maintain the easement for the purpose for which it was granted or reserved.
3. Damage to improvements (excluding lawns, shrubbery, or trees) located on the Land on or after Date of Policy resulting from the future exercise of any right existing at Date of Policy to use the surface of the Land for the extraction or development of minerals excepted from the description of the Land or excepted in Schedule B.
4. Any final court order or judgment requiring the removal from any land adjoining the Land of any encroachment, other than fences, landscaping, or driveways, excepted in Schedule B.

5. Any final court order or judgment denying the right to maintain any existing building on the Land because of any violation of covenants, conditions, or restrictions, or building setback lines shown on a plat of subdivision recorded or filed in the Public Records.

Wherever in this endorsement the words "covenants, conditions, or restrictions" appear, they do not include the terms, covenants, conditions, or limitations contained in an instrument creating a lease.

As used in paragraphs 1.a. and 5, the words "covenants, conditions, or restrictions" do not include any covenants, conditions, or restrictions (a) relating to obligations of any type to perform maintenance, repair, or remediation on the Land, or (b) pertaining to environmental protection of any kind or nature, including hazardous or toxic matters, conditions, or substances, except to the extent that a notice of a violation or alleged violation affecting the Land has been recorded or filed in the Public Records at Date of Policy and is not excepted in Schedule B.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

R-29 Premium For Restrictions, Encroachments, Minerals Endorsement (T-19) And Premium For Restrictions, Encroachments, Minerals Endorsement - Owner Policy (T-19.1).

A. When the Restrictions, Encroachments, Minerals Endorsement (T-19) is issued with a Mortgagee Policy of Title Insurance (T-2) on residential real property in accordance with Rule P-50, the premium for the Restrictions, Encroachments, Minerals Endorsement (T-19) shall be 5% of the Basic Rate for a single issue policy provided that the minimum premium shall be not less than \$25.00.

B. When the Restrictions, Encroachments, Minerals Endorsement (T-19) is issued with a Mortgagee Policy of Title Insurance (T-2) on land which is not residential real property, in accordance with Rule P-50, the premium for the Restrictions, Encroachments, Minerals Endorsement (T-19) shall be 10% of the Basic Rate for a single issue policy provided that the minimum premium shall be not less than \$25.00.

C. When the Restrictions, Encroachments, Minerals Endorsement - Owner Policy (T-19.1) is issued with an Owner Policy of Title Insurance (T-1) on land which is not residential real property, in accordance with Rule P-50, the premium for the Restrictions, Encroachments, Minerals Endorsement - Owner Policy (T-19.1) shall be 15% of the Basic Rate for a single issue policy or shall be 10% of the Basic Rate for a single issue policy if an amendment of exception to area and boundaries pursuant to Procedural Rule P-2 or Procedural Rule P-8.a.(2) is also purchased in accord with Rate Rule R-16. In either event, the minimum premium shall be not less than \$25.00. A Company may not issue its Restrictions, Encroachments, Minerals Endorsement - Owner Policy (T-19.1) on residential real property.

NON-IMPUTATION ENDORSEMENT

P-55. Non-Imputation Endorsement. A Company may issue its Non-Imputation Endorsement (T-24) on or after the date that Rate Rule R-31 is effective to a concurrently issued Owner Policy (T-1) on land which is not residential real property, if its underwriting requirements are met and if it is paid the premium, if any, prescribed in Rate Rule R-31. The Company may add any exception to the endorsement that it considers, in its sole discretion, to be appropriate. Any matter covered in the Non-Imputation Endorsement (T-24) may be insured only by the use of this endorsement. A Company may not issue its Non-Imputation Endorsement on residential real property.

T-24. Non-Imputation Endorsement.

Attached to and Forming a Part of
_____ Policy of Title Insurance No. _____
Issued by
BLANK TITLE INSURANCE COMPANY
HEREIN THE COMPANY

The Company hereby agrees that it will not assert the provisions of Exclusions from Coverage 3(a), (b), or (e) to deny liability for loss or damage otherwise insured against under the terms of the policy solely by reason of the action or inaction or knowledge, as of Date of Policy, of

[identify exiting or contributing partner(s) of the insured partnership entity, member(s) or manager(s) of the insured limited liability company entity, or officer(s) and/or director(s) of the insured corporate entity],

whether or not imputed to the insured by operation of law, but only to the extent that

[identify the "incoming" partners, members or shareholders]

acquired its interest in the insured as a purchaser for value without actual knowledge of the asserted defect, lien, encumbrance, adverse claim, or other matter insured against by the policy.

This endorsement is made a part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all the terms and provisions of the policy and of any prior endorsements.

R-31. Premium For Non-Imputation Endorsement. When the Non-Imputation Endorsement (T-24) is issued with an Owner Policy (T-1) in accordance with Rule P-55, the premium for the Non-Imputation Endorsement (T-24) shall be 5% of the Basic Rate for each policy provided that the minimum premium shall be not less than \$25.00.

CONTIGUITY ENDORSEMENT

P-56. Contiguity Endorsement. A Company may issue its Contiguity Endorsement (T-25) on or after the date that Rate Rule R-32 is effective to a concurrently issued Mortgagee Policy (T-2) or Owner Policy (T-1) on land which is not residential real property; if title to each tract described in the Contiguity Endorsement (T-25) is insured by the policy; if the Company receives a survey acceptable to it; if its underwriting requirements are met and if it is paid the premium, if any, prescribed in Rate Rule R-32. The Company may add any exception to the endorsement that it considers, in its sole discretion, to be appropriate. Any matter covered in the Contiguity Endorsement (T-25) may be insured only by the use of this endorsement. A Company may not issue its Contiguity Endorsement on residential real property.

T-25. Contiguity Endorsement.

Attached to Policy No. _____
Issued by
BLANK TITLE INSURANCE COMPANY
HEREIN CALLED THE COMPANY

The Company hereby insures against loss or damage sustained by the insured by reason of:

(1) the failure of [of the _____ boundary line of Parcel A] of the land to be contiguous to [the _____ boundary line of Parcel B] [for more than two parcels, continue as follows: “; of [the _____ boundary line of Parcel B] of the land to be contiguous to [the _____ boundary line of Parcel C]” and so on until all contiguous parcels described in the policy have been accounted for];
or

(2) the presence of any gaps, strips or gores separating any of the contiguous boundary lines described above.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

R-30. Premium For Access Endorsement. When the Access Endorsement (T-23) is issued with a Mortgagee Policy of Title Insurance (T-2) or Owner Policy (T-1) in accordance with Rule P-54, the premium for the Access Endorsement (T-23) shall be \$100 for each policy.

ADDITIONAL INSURED ENDORSEMENT

P-57. Additional Insured Endorsement. A Company may issue its Additional Insured Endorsement (T-26) on or after the date that Rate Rule R-33 is effective to an Owner Policy by naming a person as an additional insured in the endorsement, if (1) its underwriting requirements are met, (2) it is paid the premium, if any, prescribed in Rate Rule R-33, and (3) the additional insured is (a) the trustee or successor trustee of a Living Trust to whom the insured transfers the title after Policy Date, and/or the beneficiaries of the Living Trust, or (b) any partner, member or stockholder that acquires the interests of the other owners of the insured in accordance with the terms and provisions of a written agreement in effect at Date of Policy, or (c) a family partnership or family corporation solely composed of or owned by members of the insured's family and the insured. Any matter covered in the Additional Insured Endorsement (T-26) may be insured only by the use of this endorsement.

T-26. Additional Insured Endorsement.

Attached To and Made a Part of
Policy No. _____

Issued By

BLANK TITLE INSURANCE COMPANY

The policy is hereby amended by adding as a named insured therein:

This endorsement does not extend the coverage of the policy to any later date than Date of Policy, nor does it impose any liability on the Company for loss or damage resulting from (1) failure of such added insured to acquire an insurable estate or interest in the land, or (2) any defect, lien or encumbrance attaching by reason of the acquisition of an estate or interest in the land by such added insured.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

R-33. Premium For Additional Insured Endorsement. When the Additional Insured Endorsement (T-26) is issued with an Owner Policy in accordance with Rule P-57, the premium for the Additional Insured Endorsement (T-26) shall be 10% of the Basic Rate for each policy provided that the minimum premium shall be not less than \$25.00.

ASSIGNMENT OF RENTS/LEASES ENDORSEMENT

P-60 Assignment Of Rents/Leases Endorsements. A Company may issue its Assignment of Rents/Leases Endorsement (T-27) on or after the date Rate Rule R-34 is effective to a contemporaneously issued Mortgagee Policy (T-2), if its underwriting requirements are met and it is paid the premium, if any, prescribed in Rate Rule R-34. The Company shall delete any insuring provision if it does not consider that risk acceptable. Any insured matter covered in the Assignment of Rents/Leases Endorsement (T-27) may be insured only by the use of this Assignment of Rents/Leases Endorsement (T-27). The Assignment of Rents/Leases Endorsement (T-27) may not be issued on residential real property.

T-27. Assignment Of Rents/Leases Endorsement.

Attached to Policy No. _____

Issued by

BLANK TITLE INSURANCE COMPANY
HEREIN CALLED THE COMPANY

The Company hereby insures the insured against loss which the insured shall sustain by reason of:

- (a) any defect in the execution of the document entitled referred to in paragraph ____ of Schedule B; and
- (b) the existence, as shown by the public records, of any prior assignment of the lessor's interest in the lease or leases specified in such document, including any assignments of rents there under, other than as set forth in Schedule B.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

R-34. Premium For Assignment Of Rents/Leases Endorsement. When the Assignment of Rents/Leases Endorsement (T-27) is issued with a Mortgagee Policy of Title Insurance (T-2) in accordance with Rule P-60, the premium for each Assignment of Rents/Leases Endorsement (T-27) shall be \$0.00.

P-39. Express Insurance.

(a) **Encroachments.** If Company amends its Area and Boundary Exception, pursuant to Procedural Rule P-2, it may except, pursuant to Procedural Rule P-5, to those matters shown on the survey that it deems to cause a possible defect in title. The Company may, if it deems the risk insurable as to encroachments, add the following language after the exception:

"Company insures the insured against loss, if any, sustained by the insured under the terms of this Policy by reason of a final, non-appealable judgment of a court of competent jurisdiction that orders the removal of this improvement because it encroaches over or into _____.
Company agrees to provide defense to the insured in accordance with the terms of this Policy if suit is brought against the insured to require the removal of this improvement because it encroaches as herein stated."

(b) **Possible Defects.** If Company determines that a title matter may cause a possible defect in title, it may except, pursuant to Procedural Rule P-5, to the matter in Schedule B, and, if it determines that the risk is insurable, it may add the following language after the exception:

"Company insures the Insured against loss, if any, sustained by the insured under the terms of this Policy by reason of a final, non-appealable judgment of a court of competent jurisdiction that divests the Insured of its interest as Insured because of this right, claim, or interest. Company agrees to provide defense to the Insured in accordance with the terms of this Policy if suit is brought against the Insured to divest the Insured of its interests as Insured because of this right, claim, or interest." or "Company insures the Insured against loss, if any, sustained by the insured under the terms of this Policy by reason of the enforcement of said rights as to the land. Company agrees to provide defense to the Insured in accordance with the terms of this Policy if suit is brought against the Insured to enforce said rights as to the land."

(c) **Liens.**

(1) If Company intends to provide insurance against an enforceable lien, it shall comply with P-11. If Company then determines to issue without exception to a lien pursuant to P-11b(1), (4), (5), (6), (7), it may show the lien in Schedule B of the Policy and then may state:

"Exception No. _____ is hereby deleted. Company provides insurance as to said lien in accordance with the terms of this Policy."

(2) If Company then determines to issue with exception to the lien after otherwise complying P-11, it may, pursuant to Procedural Rule P-5, show the lien in Schedule B and may state one of the following:

(a) If the lien may only be foreclosed judicially: "Company insures the Insured against loss, if any, sustained by the insured under the terms of this Policy by reason of a final, non-appealable judgment of a court of competent jurisdiction that orders foreclosure of said lien on the land. Company agrees to provide defense to the Insured in accordance with the terms of this Policy if suit is brought against the insured to foreclose said lien on the land." or

(b) If the lien may be foreclosed nonjudicially: "Company insures the Insured against loss, if any, sustained by the insured under the terms of this Policy by reason of a foreclosure of said lien on the land. Company agrees to provide defense to the Insured in accordance with the terms of this Policy

if suit is brought against the insured to foreclose said lien on the land and to take action in accordance with the terms of the policy if the holder of the lien commences a foreclosure action based on said lien."

The provisions of this Rule shall not modify or diminish the requirements of P-11.

Note: P-11 is the rule against willfully insuring around defects.

P-5. Special Exceptions. With the knowledge of the Insured, it shall be permissible for the Company to insert such special exception(s) as shall develop from the examination of the title under consideration. Such special exception(s) shall in all cases specifically describe the particular item(s) excepted to, and shall not be general in its terms.

P-19. Pending Disbursements. When a Mortgagee Policy is to be issued and the full proceeds of the loan have not been disbursed by the insured therein, the "Pending Disbursement" clause in Paragraph "P-8.b.(1)" must be inserted as an exception to said policy. When the full proceeds of the loan have been disbursed by the insured, the exception provided for above may be eliminated by the issuance of the promulgated endorsement form containing the appropriate language to effect such elimination.

P-35. Prohibition Against Guaranties, Affirmations, Indemnifications, and Certifications.

No Title Insurance Company, Title Insurance Agent, Direct Operation, Escrow Officer, nor any employee, officer, director or agent of any such entity or person, shall issue or deliver any form of verbal or written guaranty, affirmation, indemnification, or certification of any fact, insurance coverage or conclusion of law to any insured or party to a transaction other than: (i) a statement that a transaction has closed and/or has been funded, (ii) issuance of an insured closing service letter, or any insuring form or endorsement promulgated by the State Board of Insurance, or (iii) certification of copies of documents as being true and exact copies of the original document or of the document recorded in the public records.