

## **JUNIOR LOAN POLICY**

This product is only offered on residential real estate. Residential real estate is defined as one –to-four family residential property. The proceeds of the loan can be used for commercial purposes.

The ALTA Residential limited coverage junior loan policy insures a lender that the person named as “grantee” in the policy is the grantee in the last recorded deed affecting the land. Note that the title company is not insuring fee simple interest. The Company also insures that all recorded liens affecting the property are disclosed in the policy. The Company also insures that all real estate taxes that are liens on the property are disclosed in the policy.

Endorsement 45-108.1 extends the coverage date through the date the mortgage securing the lender’s loan is recorded.

Endorsement 45-108.2 modifies the conditions and stipulations to permit coverage to continue to extend the mortgage identified in Endorsement 45-108.1 securing advances made by the lender in the future.

For up to \$250,000 of liability.....\$100.00

If endorsement 45-108.1 is made a part of the policy.....add.....\$ 50.00

If loan for which policy is issued is a revolving credit loan

Endorsement 45-108.2 may be made a part of the policy.....no charge

A sample copy of the junior loan policy and the 2 available endorsements  
To this insurance product follow



# POLICY OF TITLE INSURANCE

ALTA RESIDENTIAL LIMITED COVERAGE JUNIOR LOAN POLICY

Policy No. JLP 111595



ISSUED BY

## *First American Title Insurance Company*

Subject to the Exclusions From Coverage, the Exceptions and the Conditions and Stipulations hereof, and provided that the land is a one-to-four family residence or condominium unit, First American Title Insurance Company, a California corporation, herein called the Company, insures, as of Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the insured by reason of:

1. The Grantee not being the named grantee on the last document recorded in the public records purporting to vest title to the fee estate in the land or the description of the land in this policy not being the same as that contained in said document
2. Any monetary lien affecting the title, recorded in the public records.
3. Any ad valorem taxes or assessments of a governmental taxing authority which constitute a lien on the title and which appear on date of policy in the official ad valorem tax records where the land is located.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the insured, but only to the extent provided in the Conditions and Stipulations.

*First American Title Insurance Company*

BY *Parker S. Kennedy* PRESIDENT

ATTEST *Mark R. Arman* SECRETARY

COUNTERSIGNED BY

**SCHEDULE**

**Amount of Insurance:**

**Date of Policy:**

**Policy No.:**

**\$**

**JLP**

1. Name of Insured:

2. Grantee:

3. The land referred to in this Policy is described as follows:

**Exceptions**

The Policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

The schedule of this Policy consists of \_\_\_\_\_ Pages.

SEP. 30. 2004 (4) 2:12PM the right at its own cost to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to prevent or reduce loss or damage insured against by this policy; and the Company may take any appropriate action, whether or not it shall be liable under the terms of this policy, and shall not thereby concede liability or waive any provisions of this policy.

(d) Whenever the Company shall have brought any action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination in a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(e) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured hereunder shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for such purpose. Whenever requested by the Company, the insured shall give the Company, at the Company's expense, all reasonable aid (i) in any action or proceeding in effecting settlement, securing evidence, obtaining witnesses, or prosecuting or defending the action or proceeding, and (ii) in any other act which in the opinion of the Company may be necessary or desirable to prevent or reduce loss or damage insured against by this policy, including but not limited to executing correcting and other documents.

### 3. PROOF OF LOSS OR DAMAGE - LIMITATION OF ACTION

In addition to the notices required under Section 2 of these Conditions and Stipulations, a proof of loss or damage, signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain or determine the facts giving rise to loss or damage. The proof of loss or damage shall describe the matter insured against by this policy which constitutes the basis of loss or damage, and, when appropriate, state the basis of calculating the amount of the loss or damage.

Should the proof of loss or damage fail to state facts sufficient to enable the Company to determine its liability hereunder, insured claimant, at the written request of Company, shall furnish such additional information as may reasonably be necessary to make such determination.

Failure to furnish the proof of loss or damage shall terminate any liability of the Company under this policy as to such loss or damage.

### 4. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY.

In case of a claim under this policy, the Company shall have the right to exercise the following additional options at any time;

(a) **To Pay or Tender Payment of the Amount of Insurance or to Purchase the Indebtedness.**

(i) to pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay; or

(ii) to purchase the indebtedness secured by the Insured mortgage for the amount owing thereon together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of purchase and which the Company is obligated to pay.

If the Company offers to purchase the indebtedness as herein provided, the owner of the indebtedness shall transfer, assign, and convey the indebtedness and the insured mortgage, together with any collateral security, to the Company upon payment therefor.

Upon the exercise by the Company of either of the options provided for in paragraphs a(i) or (ii), all liability and obligations to the insured under this policy, other than to make the payment required in those paragraphs, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) **To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.**

of all appeals therefrom, adv NO. 1871e INSP. 4 with respect to matters insured against by this policy.

(c) The Company shall not be liable for loss or damage to any insured for liability voluntarily assumed by the insured in settling any claim or suit without the prior written consent of the Company.

### 7. REDUCTION OF INSURANCE; TERMINATION OF LIABILITY

All payments under this policy, except payment made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro tanto.

### 8. SUBROGATION UPON PAYMENT OR SETTLEMENT

Whenever the Company shall have paid or settled a claim under this policy, it shall be subrogated to the rights of the insured claimant unaffected by any act of the insured claimant, limited only by the amount paid by the Company. The insured claimant shall cooperate with the Company in enforcing these subrogation rights.

### 9. ARBITRATION

Unless prohibited by applicable law, either the Company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters shall be arbitrated at the option of either the Company or the insured. Arbitration pursuant to this policy and under the Rules in effect on the date of the demand for arbitration or, at the option of the insured, the Rules in effect at Date of Policy, shall be binding upon the parties. The award may include attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrators may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules. A copy of the Rules may be obtained from the Company upon request.

### 10. LIABILITY LIMITED TO THIS POLICY

This policy together with all endorsements, if any, attached hereto by the Company, is the entire policy and contract between the insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

Any claim of loss or damage whether or not based on negligence, or any action asserting any claim, shall be restricted to the terms and provisions of this policy.

No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, validating officer or authorized signatory of the Company.

No payment shall be made without producing this policy for endorsement of the payment unless the policy is lost or destroyed, in which case proof of such loss or destruction shall be furnished to the satisfaction of the Company.

### 11. SEVERABILITY

In the event any provision of this policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision, and all other provisions shall remain in full force and effect.

### 12. NOTICES WHERE SENT

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company, Attention: Claims Department, First American Title Insurance Company, (P.O. Box 1289, Troy, MI 48099) 1650 W. Big Beaver Road Suite 200 Troy, Michigan 48084.

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. Any invalidity, unenforceability or ineffectiveness of the insured's mortgage.
2. Defects, liens, encumbrances, adverse claims or other matters:
  - (a) created, suffered, assumed or agreed to by the insured claimant;
  - (b) known to the insured claimant whether or not disclosed in the public records;
  - (c) resulting in no loss or damage to the insured claimant; or
  - (d) recorded or filed in the public records subsequent to Date of Policy.

## CONDITIONS AND STIPULATIONS

### 1. DEFINITION OF TERMS.

The following terms when used in this policy mean:

- (a) "insured": the insured named herein. The term also includes the owner of the indebtedness secured by the insured's mortgage. The Company reserves all rights and defenses against any insured acquiring an interest in the insured's mortgage subsequent to Date of Policy which the Company would have had against the insured named herein or any subsequent insured.
- (b) "insured claimant": an insured claiming loss or damage hereunder.
- (c) "insured's mortgage": the mortgage or deed of trust shown in paragraph B of a Residential Limited Coverage Junior Loan Policy ALTA Endorsement Form JR1 attached to this policy.
- (d) "knowledge" or "known": actual knowledge, not constructive knowledge or notice which may be imputed to an insured by reason of any public records.
- (e) "land": the land described herein and Improvements affixed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to herein, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways.
- (f) "monetary lien": any mortgage, deed of trust, judgment or other lien affecting the title securing the obligation to pay money, but not including any lien created in any easement, covenant, condition, restriction, or declaration of condominium or planned unit development, except to the extent that a separate notice of enforcement of a specific delinquent charge or assessment affecting the title has been recorded in the public records.
- (g) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge.

### 2. DEFENSE AND PROSECUTION OF ACTIONS - NOTICE OF CLAIM TO BE GIVEN BY AN INSURED CLAIMANT

(a) Upon written request by the insured and subject to the options contained in Section 4 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim which may cause loss or damage, but only as to those stated causes of action alleging a matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the insured in the defense of those causes of action which allege matters not insured against by this policy.

(b) The insured shall notify the Company promptly in writing in case (i) of any litigation as set forth in (a) above, (ii) knowledge shall come to an insured hereunder of any claim which might cause loss or damage for which the Company may be liable by virtue of this policy.

If prompt notice shall be given to the Company, then all liability of the Company shall cease and terminate in regard to the matter or matters for which prompt notice is required; provided, however, the failure to notify shall in no case prejudice the rights of the insured under this policy unless and except to the extent that the Company shall be prejudiced by such failure.

(i) to pay or otherwise settle with other parties for or in the name of an insured claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(ii) to pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs b(i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

### 5. DETERMINATION AND PAYMENT OF LOSS

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

(a) The liability of the Company under this policy shall in no case exceed the least of:

- (i) the amount of insurance stated in Schedule A;
- (ii) the amount of the unpaid principal indebtedness secured by the insured's mortgage at the time the loss or damage insured against by this policy occurs, together with interest thereon; or

(iii) if the loss is caused by a lien insured against by this policy, the difference between the value of the estate or interest in the land encumbered by the insured's mortgage without the lien insured against and the value of that estate or interest subject to the lien insured against by this policy.

(b) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 2 of these Conditions and Stipulations.

(c) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

### 6. LIMITATION OF LIABILITY

(a) If the Company removes an alleged matter or defect insured against by this policy in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.

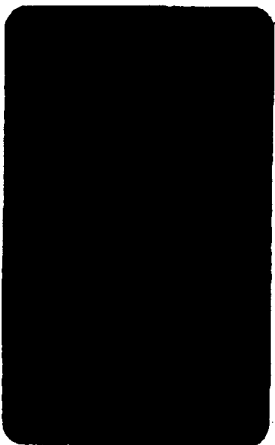
(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction and jurisdiction

*First American Title Insurance Company*

FIRST AMERICAN



**POLICY  
OF  
TITLE  
INSURANCE**



**ENDORSEMENT**

Attached to Policy No. \_\_\_\_\_

**ISSUED BY**

***First American Title Insurance Company***

A. The Company hereby insures against loss or damage sustained by the insured resulting from:  
(1) Any document recorded in the public records subsequent to Date of Policy and on or prior to Date of Endorsement which purports to vest title to the fee estate in the land, except:

(2) Any monetary lien other than the insured mortgage shown in paragraph B below, recorded in the public records subsequent to Date of Policy and on or prior to Date of Endorsement which affects the title except:

B. The insured's mortgage referred to in the policy is described as follows:

C. If the box is checked, ALTA Endorsement Form JR2 is incorporated herein:

This Endorsement is made a part of the Policy and is subject to all 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.

Date of Endorsement:

***First American Title Insurance Company***

By: \_\_\_\_\_  
Authorized Signature

**ENDORSEMENT**

Attached to Policy No. \_\_\_\_\_

**ISSUED BY**

***First American Title Insurance Company***

- a. Provided that the land is a one-to-four family residence or condominium unit; and
- b. The insured mortgage creates a lien on the land; and
- c. The borrower named in the insured mortgage, ("Borrower") is the owner of the land at the date an advance is made pursuant to the note or agreement secured by the insured mortgage; and
- d. With respect to paragraph A below the insured mortgage states that it secures repayment of the future advances; and
- e. The ALTA Endorsement Form JR2 has been issued.

The company hereby insures against loss or damage which the insured shall sustain by reason of:

- a. The failure of the lien for future advances secured by the insured mortgage to have the same priority over liens, encumbrances, and other matters disclosed by the public records as advances secured by the insured mortgage at the date of its recording, except for the following matters:
  - (1) Ad valorem taxes or assessments.
  - (2) Federal tax liens.
  - (3) Environmental protection liens.
  - (4) Liens, encumbrances, or other matters, the existence of which are actually known to the insured prior to the date of an advance.
  - (5) Liens imposed by law for services, labor or materials.
- b. The invalidity or unenforceability of the lien of the insured mortgage resulting from the provisions of the insured mortgage which provide for changes in the rate of interest.
- c. Loss of priority of the lien of the insured mortgage resulting from changes in the rate of interest calculated in accordance with the formula provided in the insured mortgage at the date it is recorded in the public records.

This Endorsement does not insure:

- a. That the Borrower owns the land nor that the insured mortgage creates a lien on the land, nor the validity, enforceability, or priority of the lien of the insured mortgage, except to the extent expressly stated; nor
- b. Against loss or damage resulting from (i) usury, (ii) any consumer credit protection or truth in lending law, or (iii) bankruptcy or insolvency proceedings of the Borrower.

This Endorsement is made a part of the Policy and is subject to all the terms and provisions thereof and of any prior Endorsements. 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.

***First American Title Insurance Company***

By: \_\_\_\_\_  
Authorized Signature