

FANNIE MAE TITLE INSURANCE REQUIREMENTS

The following requirements are summarized from ***Part III: New Underwriting*** section of the ***Fannie Mae Multifamily Selling and Servicing Guide, Section 323: Title Insurance.***

An acceptable lender's title insurance policy must satisfy the following requirements:

1. **Amount of Policy.** The amount of the policy must be no less than the original principal amount of the Mortgage.
2. **Named Insured.** The named "Insured" provision on Schedule A must read as follows: Fannie Mae and/or M&T Realty Capital Corporation, their successors and/or assigns, as their interests may appear.
3. **Loan Policy Forms.** The required form of policy is the 2006 American Land Title Association ("ALTA") form of loan title insurance policy. For states in which the ALTA 2006 form is not available, the ALTA 1992 form must be provided. In those states in which ALTA forms of coverage are not approved for use by the applicable state insurance board or commission, similar coverage is required.
4. **Endorsements.** The following Endorsements must be attached to the title policy:
 - (i) Comprehensive Endorsement (ALTA Form 9.3-06 or equivalent endorsement);
 - (ii) Environmental Protection Lien Endorsement (ALTA Form 8.1-06 or equivalent endorsement); and
 - (iii) An Endorsement deleting the arbitration provision (not required for the ALTA 2006 policy unless the loan is less than \$2,000,000).

If Schedule B, Part I indicates the presence of any easements that affect the property but cannot be specifically located on the Survey (blanket easements), the policy must provide affirmative insurance against any loss resulting from the exercise by the holder of an easement of its right to use or maintain that easement. CLTA Form 103.1 or an equivalent Endorsement is required for this purpose.

If available in the jurisdiction (and at a reasonable cost), the following endorsements should be attached to the title policy:

- (i) Usury Endorsement;

- (ii) Doing Business Endorsement;
- (iii) Access Endorsement (insuring that the property has access to a duly dedicated public right of way);
- (iv) Survey Endorsement (insuring that the property shown on the Survey is the same as the property insured by the title policy); and
- (v) Contiguity Endorsement (insuring that all parcels included within the land covered by the policy are contiguous to each other and do not form any overlaps or gaps between said parcels).

If California Land Title Association (“CLTA”) forms are used, an endorsement in the form of a CLTA 104 or an equivalent endorsement providing the same coverage as CLTA 104 is acceptable; CLTA 104.1 is not acceptable.

Policies for properties in Alaska, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Washington and Wyoming also must include an Endorsement designating the location of the improvements and the land location. CLTA Form 116 or CLTA Form 116.1 or an equivalent form is acceptable for this purpose.

5. Standard Exceptions. Standard exceptions (such as for matters not shown on the public records) must be deleted.
6. Effective Date. The effective date of the policy must be no earlier than the date (and time, if the effective date includes time) of recording of the assignment of the Security Instrument to Fannie Mae. If the assignment to Fannie Mae is insured by an endorsement, the date of the policy must be extended to the date of that assignment.
7. Survey Exception. The standard survey exception (if any) to the policy must be deleted. Exceptions to matters shown on a recorded map or plat must be specifically described.
8. Legal Description. The narrative legal description of the Property in the policy must be identical to that shown on the Survey of the Property. Any exception pertaining to the Property (other than liens or similar matters not required to be shown on a survey) and listed in the title insurance policy must be shown on the Survey.
9. Exception for Taxes or other Liable Items. If the policy includes any exception for taxes, assessments, or other liable items, the policy must expressly insure that such taxes, assessments, or other liable items are not yet due and payable.
10. Affirmative Insurance. Any lien, encumbrance, condition, restriction or easement of record must be listed in the policy, except for any such matter of record (such as a racially

restrictive covenant) that is legally unenforceable. The policy must affirmatively insure that the improvements do not encroach upon the listed easements or insure against all loss or damage due to such encroachment.

11. Appurtenant Easements. Any appurtenant easements (such as access or utility easements) necessary to the operation of the Property must be set forth as part of the legal description and affirmatively insured as a separate insured interest in land in the policy.
12. Exception for Mechanics Liens. The policy must contain no exception for any filed or unfiled mechanics' or materialmen's liens.
13. Tax and Parcel Numbers. The policy must include, as an informational note, (a) the recorded plat number (and recording information), if any, and (b) the Property parcel number(s) or tax identification number (s), as applicable, for the Property, if such numbers are available in the jurisdiction in which the Property is located.
14. Financing Statements. The financing statements which will be filed or recorded should be shown as an informational note in Schedule B, Part II.
15. Copies of Title Exceptions. Copies must be provided of all easements, rights of way, encumbrances, or other restrictions shown as exceptions in the policy.
16. Single Risks: Reinsurance. The maximum single risk assumed by any single title insurer may not exceed 25% of that company's capital, surplus and statutory reserves. Excess amounts may be covered by acceptable reinsurance arrangements with other acceptable title companies.
17. Acceptable Title Insurers. The title insurance policy must be written by an insurer that has an acceptable rating from at least one of the following independent rating agencies: Demotech, Inc.; Duff and Phelps Credit Rating Company; LACE Financial Corporation; Moody's Investors Service; or Standard and Poor's, Inc.

Each Mortgage that is delivered to Fannie Mae must have a title insurance policy that was written by a title insurer that had at least one of the acceptable ratings discussed below at the time the Mortgage was closed (unless the insurer is covered by an acceptable reinsurance arrangement). Acceptable ratings include the following:

- (a) a "Financial Stability Rating" of "S" (Substantial) or better or a "Statutory Accounting Rating" of "C" (Average) or better from Demotech, Inc.;
- (b) a "BBB" or better rating from Duff and Phelps Credit Rating Company;
- (c) a "C" or better rating from LACE Financial Corporation;

- (d) a “Baa” or better rating from Moody’s Investors Service; or
 - (e) a “BBB” or better rating from Standard and Poor’s, Inc.
18. Authority to do Business. Each title insurance policy must be written by an insurer authorized to do business in the jurisdiction in which the Property is located.
 19. Pro-Forma Policy of Title Insurance. In addition to our need to review a title commitment, we will also need to review a pro-forma policy of title insurance.
 20. Insured Closing Letter. An Insured Closing Letter will be required if disbursement will be handled by an agent of the title insurance company. In addition, a Closing Escrow Letter will be required to be executed by the title agent evidencing its agreement with regard to recordation of documents, delivery of the title policy and disbursement of loan proceeds.