

# PFI Advisory

October 16, 2006

## Special Attention:

PFI's MPF Program Management, PFI's Origination Management, PFI's Servicing Management

## Subject: Guidance on Title Policies

In an effort to provide assistance to PFIs in ensuring that their title policies meet our lending guidelines, we are providing this Advisory to share with you some title insurance guidance. Origination Guide Chapter 13 (Title Insurance) addresses the requirements for title policies or attorney's title opinion provisions and any exceptions which are acceptable under the MPF Program. PFIs are reminded of the following Guide requirements regarding title insurance and related issues:

- **Illinois House Bill 4050** - PFIs lending in the state of Illinois, particularly in a pilot program area within Cook County, are reminded of our requirement that all loans delivered under the MPF Program have a "clean title", which means that exceptions for the Predatory Lending Database Pilot Program mandated by the Illinois Residential Real Property Disclosure Act will not be permitted.
- **Survey Exceptions** - Survey exceptions to the title policy are only allowed if a corresponding survey endorsement to the title policy is obtained. If it is not customary to obtain either a survey or an endorsement in your market area, then the policy should also not reference a survey exception, as a loan with a title policy exception for matters of survey is not eligible for delivery under the MPF Program.
- **Title Endorsements**
  - *Environmental Protection Lien Endorsement* (ALTA Form 8.1) is required on every title insurance policy delivered under the MPF Program. The only acceptable exception from coverage under this endorsement is for coverage specific statutes that provide for possible subsequent "superliens" that could take priority over the Mortgage.
  - *Special Endorsements* - The following special endorsements, or the equivalent, must be attached to the ALTA policy when applicable based upon loan characteristics:
    - ALTA Form 4 (Condominium Unit)
    - ALTA Form 5 (Planned Unit Development (PUD) Unit)
    - ALTA Form 7 (Manufactured Housing)
    - ALTA Form 13 (Leasehold Estate)
- **Title Opinions** - PFIs that use an Attorney's Opinion of Title are reminded that the opinion must be addressed to the PFI and all successors in interest, use the exact language specified in Origination Guide Chapter 13.5 (Opinions of Title) and meet all other requirements specified in the MPF Guides.

**If you have any question about the acceptability of a title policy or attorney opinion, please contact your MPF Bank Representative or call the MPF Customer Support Desk at 877-INFO-MPF (877-463-6673).**