

## TITLE INSURANCE REQUIREMENTS

Wisconsin Housing and Economic Development Authority ("**Lender**") will lend funds to the owner or land lessee of certain real property (the "**Property**"), which loan shall be collateralized by one or more mortgages (collectively, the "**Mortgage**"). Each mortgage must be covered by an acceptable title insurance policy. To be acceptable, a title insurance policy must satisfy the following requirements:

Title Insurance Company's 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.

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. Lender may obtain the initial information about a title insurer's rating from the insurer itself or directly from one of the rating agencies; however, Lender must independently verify the rating with the applicable rating agency every six months.

Each Mortgage 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 "Financial Stability Rating" of "S" (Substantial) or better or a "Statutory Accounting Rating" of "C" (Average) or better from Demotech, Inc.;
- a "BBB" or better rating from Duff and Phelps Credit Rating Company;
- a "C" or better rating from LACE Financial Corporation;
- a "Baa" or better rating from Moody's Investors Service; or
- a "BBB" or better rating from Standard and Poor's, Inc.

Notwithstanding the fact that a specific title insurance company has at least one of the above ratings, Lender reserves the right to refuse to accept title insurance policies from that insurer by giving the Borrower advance notice of Lender's intent to do so.

Lender will also consider requests that it waive its title insurer rating requirement for a new title insurer if the title insurer has not yet been rated by at least one of the above designated rating agencies.



**WHEDA**

Tony Evers, Governor

*A public body corporate and politic created under Chapter 234, Wisconsin Statutes*

By delivering a title insurance policy to Lender, the Borrower warrants that the title insurer that issued the title insurance policy has an acceptable rating from one of the designated title insurer rating agencies or, if it does not, that the title insurer is covered by reinsurance with another title insurer that has an acceptable rating.

Single Risks: Reinsurance. The maximum single risk assumed by any single title insurer may not exceed 25 percent of that company's capital, surplus, and statutory reserves. Excess amounts may be covered by acceptable reinsurance arrangements with other acceptable title insurance companies.

Amount of Title Insurance Policy. The amount of the title insurance policy must be no less than the original principal amount of the Mortgage.

Effective Date. The effective date of the title insurance policy must be no earlier than the date (and time, if the effective date includes time) of recording of the Mortgage.

Title Insurance Policy Forms. Subject to satisfaction of other requirements set forth herein, Lender will accept the 2006 American Land Title Association ("ALTA") form of loan title insurance policy. In those states in which ALTA forms of coverage are not approved for use by the applicable state insurance board or commission, Lender requires similar coverage.

Named Insured. Either in Schedule A of the title insurance policy or by way of acceptable endorsement, the title insurance policy must name Lender as an insured in the following manner "Wisconsin Housing and Economic Development Authority, its successors and/or assigns, as their interests may appear."

Legal Description. The legal description of the Property in the title insurance policy must conform to that shown on the survey of the Property and to the description contained in the Mortgage. Alternatively, the title insurance policy may be endorsed to provide that the legal description is the same as shown on the survey. Any exception pertaining to the Property (other than liens or similar matters) and listed in the title insurance policy must be shown on the survey.

Appurtenant Easements Insured. Any appurtenant easements (such as access or utility easements) determined by the Lender to be necessary to the operation of the Property as underwritten must be set forth as part of the legal description and affirmatively insured as a separate insured interest in land in the title insurance policy.

Unlocated Easements. If Schedule B, Part I of the title insurance policy indicates the presence of any easements that are not located on the survey, the title insurance 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.

Standard Exceptions. Standard exceptions (such as for matters not shown on public records and the survey exception) must be deleted. However, the title insurance policy may contain an exception for (i) tenants in possession under residential leases and (ii) matters shown on a recorded map or plat, if such matters are specifically described and are subject to the other requirements herein described.

Exception for Taxes, Assessments, or Other Lienable Items. If the title insurance policy includes any exception for taxes, assessments, or other lienable items, the title insurance policy must expressly insure that such taxes, assessments, or other lienable items are not yet due and payable.

Exceptions for Mechanics' or Materialmen's Liens. The title insurance policy must contain no exception for any filed or unfiled mechanics' or materialmen's liens.

Affirmative Insurance. Any lien, encumbrance, condition, restriction, or easement of record must be listed in the title insurance policy, except for any such matter of record (such as a racially restrictive covenant) that is legally unenforceable. The title insurance 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.

Endorsements. Lender may provide specific title insurance policy endorsement requirements outside of this document. However, every title insurance policy must include the following endorsements, unless otherwise waived by Lender:

- Restrictions, Encroachments, Minerals Endorsement (ALTA Form 9) or an equivalent comprehensive endorsement acceptable to Lender, if any lien, encumbrance, condition, restriction, or easement is listed in the title insurance policy;
- Environmental Protection Lien Endorsement (ALTA Form 8.1. Part (b) of ALTA Form 8.1) may take exception for an entire statute that contains one or more specific sections under which environmental protection liens that could take priority over the Mortgage could arise, provided that the specific sections or subsections under which the lien(s) could arise also are referenced;
- Access and Entry Endorsement (ALTA Form 17-06);
- Same as Survey Endorsement (ALTA Form 25-06); and
- Tax Parcel Endorsement (ALTA Form 18-06 for single tax parcel; ALTA Form 18.1-06 for multiple tax parcel).

Financing Statements; Assignment of Leases. Any assignment of leases or financing statements recorded in the office in which the Mortgage must be recorded and showing the Lender as the secured party must be shown as subordinate to the insured mortgage.

Tax and Parcel Numbers. Unless contained in the legal description, the title insurance 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 identifying number(s), as applicable, for the Property, if such numbers are available in the jurisdiction in which the Property is located.

Closing Protection Letter. If the title insurer performs closing activities outside of merely issuing the title insurance policy (i.e., collects signature pages; records documents; wires funds), Lender requires a closing protection letter to insure Lender against acts or omissions of the employees and agents of the title insurer, which letter must be in a form acceptable to Lender.