

WFG Informational Bulletin

To: All Illinois and Indiana Policy Issuing Agents of WFG National Title Insurance Company
From: WFG Underwriting Department
Date: August 28, 2018
Bulletin No: IL 2018-07, IN 2018-02
Subject: Discussing the ALTA 11-Series Endorsements

To all of our Illinois and Indiana agents,

This bulletin will review the ALTA 11-series endorsements, which are designed to modify an existing loan policy after a mortgage modification is recorded.

Let's say you receive a call from a lender regarding an **existing, recorded** mortgage (or deed of trust). You insured the mortgage as part of a previous transaction and issued a loan policy. The lender now notifies you that they will be recording a modification of the mortgage due to some changes in the borrower's circumstances. The lender asks what endorsement(s) you can provide to update the **existing** loan policy.

To help answer this question, let's take a look at some examples:

Scenario #1: The lender records a mortgage modification to extend the mortgage's maturity date and to amend some of the mortgage's terms. The original mortgage amount does not change. Which endorsement should be issued?

Answer #1: In this scenario, the **ALTA 11-06 endorsement** is the appropriate endorsement to issue. The 11-06 insures against loss or damage due to the invalidity or unenforceability of the insured mortgage as a result of the terms of the recorded modification. In simple terms, the endorsement insures the validity of the modification.

Scenario #2: The lender records a mortgage modification to extend the mortgage's maturity date and to amend some of the mortgage's terms. The original mortgage amount does not change. You provided the lender a title report prior to issuing the endorsement, which shows several intervening liens. The lender, aware of these liens, records subordination agreements, subordinating the liens to the new mortgage modification. Which endorsement should be issued?

Answer #2: In this scenario, the **ALTA 11.1-06 endorsement** is the best fit. The 11.1-06 essentially provides identical coverage to the ALTA 11-06. However, the 11.1-06 contains an additional Section 3, which allows you to add exceptions for intervening liens that have been subordinated to the new mortgage modification. Thus, the endorsement provides additional coverage for loss or damage in the event that the intervening lien is not properly subordinated to the modified mortgage.

Note that any intervening liens not subordinated to the modification may be shown in Section 1 of the 11.1-06, like the 11-06 above. In other words, if some of the intervening liens are senior to the modification, and some are junior to the modification, you don't need to issue the 11-06 and the 11.1-6. The ALTA 11.1-06 addresses both issues.

Scenario #3: The lender records a modification increasing the mortgage amount from \$300,000 to \$350,000 and requests that the policy amount be increased as well. Which endorsement should be issued?

Answer #3: In this scenario, the **ALTA 11.2-06 endorsement** should be issued. The 11.2-06 is designed to be issued when the insured mortgage is modified and the mortgage amount increased. In addition to providing the same coverages as the 11-06 and 11.1-06, the 11.2-06 allows for a new amount of insurance to be stated in Section 2 of the endorsement, thus allowing for the existing policy amount to be increased.

Section 3 of the endorsement allows for intervening liens to be added as exceptions. Liens that are senior in priority to the modified mortgage should be shown in Section 3 (b), while liens that are subordinated to the modification should be shown in Section 3(c).

Issuing Guidelines for the ALTA 11 Series Endorsements:

The endorsements also contain a "Date of Endorsement" section. The Date of Endorsement will be the date on which the mortgage modification is recorded, and your title search should be updated through that recording date.

The endorsements should only be issued after the modification has been executed and recorded, as the recording information is needed to complete Section 1 of the endorsements.

Should you have any questions, please contact your Illinois and Indiana state underwriter, Stanley J. Czaja, at (773) 706-3779 or via email at SCzaja@wfgnationaltitle.com.

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