



**ALTA RESIDENTIAL LIMITED COVERAGE MORTGAGE MODIFICATION POLICY**  
Issued By  
**WFG NATIONAL TITLE INSURANCE COMPANY**

**POLICY NUMBER:**

This policy, when issued by the Company with a Policy Number and the Date of Policy, is valid even if this policy or any endorsement to this policy is issued electronically or lacks any signature.

**Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Condition 16.**

**COVERED RISKS**

SUBJECT TO THE EXCLUSIONS FROM COVERAGE AND THE CONDITIONS, and provided that the Land is improved with an existing one-to-four family residence or residential condominium unit, WFG National Title Insurance Company, a South Carolina corporation (the "Company"), insures, as of the Date of Policy against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured solely by reason of the Modification resulting in either:

1. The invalidity or unenforceability of the lien of the Identified Mortgage upon the Title at the Date of Policy.
2. The loss of priority of the lien of the Identified Mortgage, at the Date of Policy, over any lien or encumbrance on the Title that has been created, attached, filed or recorded in the Public Records subsequent to the date the Identified Mortgage was recorded in the Public Records.

**DEFENSE OF COVERED CLAIMS**

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this policy, but only to the extent provided in the Conditions.

**EXCLUSIONS FROM COVERAGE**

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

1. Any invalidity, unenforceability, or lack of priority of the Identified Mortgage or the Modification. Exclusion 1 does not modify or limit the coverage provided under the Covered Risks.
2. The status or ownership of the Title.
3. Any defect, lien, encumbrance, adverse claim, or other matter:
  - (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;

**In Witness Whereof**, WFG NATIONAL TITLE INSURANCE COMPANY has caused this policy to be signed and sealed by its duly authorized officers as of Date of Policy shown in Schedule A.

**WFG NATIONAL TITLE INSURANCE COMPANY**

By:

Steve Ozonlan, President/CEO

ATTEST:

Joseph V. McCabe, EVP/General Counsel/Secretary



- (d) not recorded or filed in the Public Records at the Date of Policy; or
  - (e) attaching or created subsequent to the Date of Policy.
4. Any usury or Consumer Protection Law.
5. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights law, that the transaction creating the Modification is a:
- (a) fraudulent conveyance or fraudulent transfer;
  - (b) voidable transfer under the Uniform Voidable Transactions Act; or
  - (c) preferential transfer.

## CONDITIONS

### 1. DEFINITION OF TERMS

In this policy, the following terms have the meanings given to them below. Any defined term includes both the singular and the plural, as the context requires:

- (a) "Affiliate": An Entity:
  - i. that is wholly owned by the Insured;
  - ii. that wholly owns the Insured; or
  - iii. if that Entity and the Insured are both wholly owned by the same person or Entity.
- (b) "Amount of Insurance": The Amount of Insurance stated in the Schedule, as may be decreased by Condition 10.
- (c) "Consumer Protection Law": Any law regulating trade, lending, credit, sale, and debt collection practices involving consumers; any consumer financial law; or any other law relating to truth-in-lending, predatory lending, or a borrower's ability to repay a loan.
- (d) "Date of Policy": The Date of Policy stated in the Schedule.
- (e) "Entity": A corporation, partnership, trust, limited liability company, or other entity authorized by law to own title to real property in the State where the Land is located.
- (f) "Government Mortgage Agency or Instrumentality": Any government agency or instrumentality that is the owner of the Indebtedness, an insurer, or a guarantor under an insurance contract or guaranty insuring or guaranteeing the Indebtedness, or any part of it, whether named as an Insured or not.
- (g) "Identified Mortgage": The Mortgage described in Item 2 of the Schedule.
- (h) "Indebtedness": Any obligation secured by the Identified Mortgage as modified by the Modification, including an obligation evidenced by electronic means authorized by law. If that obligation is the payment of a debt, the Indebtedness is:
  - (i) the sum of:
    - (a). principal disbursed as of the Date of Policy;
    - (b). interest on the loan;
    - (c). expenses of foreclosure and any other costs of enforcement;
    - (d). advances for insurance premiums;
    - (e). advances to assure compliance with law or to protect the validity, enforceability, or priority of the lien of the Identified Mortgage before the acquisition of the estate or interest in the Title; including, but not limited to:
      - (1). real estate taxes and assessments imposed by a governmental taxing authority, and
      - (2). regular, periodic assessments by a property owners' association; and
    - (f). advances to prevent deterioration of improvements before the Insured's acquisition of the Title, but
  - (ii) reduced by the sum of all payments and any amounts forgiven by an Insured.
- (i) "Insured":
  - (i) (a). The Insured named in Item 1 of the Schedule or future owner of the Indebtedness other than an Obligor, if the named Insured or future owner of the Indebtedness owns the Indebtedness, the Title, or an estate or

interest in the Land as provided in Condition 2, but only to the extent the named Insured or the future owner either:

- (1) owns the Indebtedness for its own account or as a trustee or other fiduciary, or
  - (2) owns the Title after acquiring the Indebtedness;
- (b). the person or Entity who has “control” of the “transferable record,” if the Indebtedness is evidenced by a “transferable record,” as defined by applicable electronic transactions law;
  - (c). the successor to the Title of an Insured resulting from dissolution, merger, consolidation, distribution, or reorganization;
  - (d). the successor to the Title of an Insured resulting from its conversion to another kind of Entity;
  - (e). the grantee of an Insured under a deed or other instrument transferring the Title, if the grantee is an Affiliate;
  - (f). an Affiliate that acquires the Title through foreclosure or deed-in-lieu of foreclosure of the Identified Mortgage; or
  - (g). any Government Mortgage Agency or Instrumentality.
- (ii) With regard to Conditions 1.(i)(i)(a). and 1.(i)(i)(b)., the Company reserves all rights and defenses as to any successor that the Company would have had against any predecessor Insured, unless the successor acquired the Indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, adverse claim, or other matter insured against by this policy.
  - (iii) With regard to Conditions 1.(i)(i)(c). 1.(i)(i)(d)., 1.(i)(i)(e)., and 1.(i)(i)(f)., the Company reserves all rights and defenses as to any successor or grantee that the Company would have had against any predecessor Insured.
- (j) “Insured Claimant”: An Insured claiming loss or damage arising under this policy.
  - (k) “Knowledge” or “Known”: Actual knowledge or actual notice, but not constructive notice imparted by the Public Records.
  - (l) “Land”: The land described in the Identified Mortgage and improvements located on that land at the Date of Policy that by State law constitute real property. The term “Land” does not include any property beyond that described in the Identified Mortgage, nor any right, title, interest, estate, or easement in any abutting street, road, avenue, alley, lane, right-of-way, body of water, or waterway.
  - (m) “Modification”: The Modification described in Item 3 of the Schedule.
  - (n) “Mortgage”: A mortgage, deed of trust, trust deed, security deed, or other real property security instrument, including one evidenced by electronic means authorized by law.
  - (o) “Obligor”: A person or Entity that is or becomes a maker, borrower, or guarantor as to all or part of the Indebtedness or other obligation secured by the Identified Mortgage. A Government Mortgage Agency or Instrumentality is not an Obligor.
  - (p) “Public Records”: The recording or filing system established under State statutes in effect at the Date of Policy under which a document must be recorded or filed to impart constructive notice of matters relating to the Title to a purchaser for value without Knowledge. The term “Public Records” does not include any other recording or filing system, including any pertaining to environmental remediation or protection, planning, permitting, zoning, licensing, building, health, public safety, or national security matters.
  - (q) “State”: The state or commonwealth of the United States within whose exterior boundaries the Land is located. The term “State” also includes the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, and Guam.
  - (r) “Title”: The estate or interest in the Land purported to be encumbered by the Identified Mortgage.

## **2. CONTINUATION OF COVERAGE**

This policy continues as of the Date of Policy in favor of an Insured after the Insured’s acquisition of the Title through either foreclosure or deed in lieu of foreclosure of the Identified Mortgage. Except as provided in Condition 2, this policy terminates and ceases to have any further force or effect after the Insured conveys the Title. This policy does not continue in force or effect in favor of any person or Entity that is not the Insured and acquires the Title or an obligation secured by a purchase money mortgage given to the Insured.

## **3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT**

The Insured must notify the Company promptly in writing if the Insured has Knowledge of any litigation or other matter for which the Company may be liable under this policy. If the Company is prejudiced by the failure of the Insured Claimant to

provide prompt notice, the Company's liability to the Insured Claimant under this policy is reduced to the extent of the prejudice.

#### **4. PROOF OF LOSS**

The Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, adverse claim, or other matter insured against by this policy that constitutes the basis of loss or damage and must state, to the extent possible, the basis of calculating the amount of the loss or damage.

#### **5. DEFENSE AND PROSECUTION OF ACTIONS**

- (a) Upon written request by the Insured, and subject to the options contained in Condition 7, the Company, at its own cost and without unreasonable delay, will provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company has 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 covered causes of action. The Company is not 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 any cause of action that alleges matters not insured against by this policy.
- (b) The Company has the right, in addition to the options contained in Condition 7, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the lien of the Identified Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it is liable to the Insured. The Company's exercise of these rights is not an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under Condition 5.b., it must do so diligently.
- (c) When the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court having jurisdiction. The Company reserves the right, in its sole discretion, to appeal any adverse judgment or order.

#### **6. DUTY OF INSURED CLAIMANT TO COOPERATE**

- (a) When this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured will secure to the Company the right to prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose.

When requested by the Company, the Insured, at the Company's expense, must give the Company all reasonable aid in:

- (i) securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement; and
- (ii) any other lawful act that in the opinion of the Company may be necessary or desirable to establish the lien of the Identified Mortgage, as insured.

If the Company is prejudiced by any failure of the Insured to furnish the required cooperation, the Company's liability and obligations to the Insured under this policy terminate, including any obligation to defend, prosecute, or continue any litigation, regarding the matter requiring such cooperation.

- (b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos, whether bearing a date before or after the Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant must grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all the records in the custody or control of a third party that reasonably pertain to the loss or damage. No information designated in writing as confidential by the Insured Claimant provided to the Company pursuant to Condition 6 will be later disclosed to others unless, in the reasonable judgment of the Company, disclosure is necessary in the administration of the claim or required by law. Any failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in Condition 6.(b), unless prohibited by law, terminates any liability of the Company under this policy as to that claim.

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

In case of a claim under this policy, the Company has the following additional options:

- (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. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay; or
- (ii) To purchase the Indebtedness for the amount of the Indebtedness on the date of purchase. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of purchase and that the Company is obligated to pay.

If the Company purchases the Indebtedness, the Insured must transfer, assign, and convey to the Company the Indebtedness and the Identified Mortgage, together with any collateral security.

Upon the exercise by the Company of either option provided for in Condition 7.(a), the Company's liability and obligations to the Insured under this policy terminate, including any obligation to defend, prosecute, or continue any litigation.

(b) To Pay or Otherwise Settle with Parties other than the Insured or with the Insured Claimant

- (i) To pay or otherwise settle with parties other than the Insured for or in the name of the Insured Claimant. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that 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. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either option provided for in Condition 7.(b), the Company's liability and obligations to the Insured under this policy for the claimed loss or damage terminate, including any obligation to defend, prosecute, or continue any litigation.

## **8. CONTRACT OF INDEMNITY; DETERMINATION AND EXTENT OF LIABILITY**

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by an Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy. This policy is not an abstract of the Title, report of the condition of the Title, legal opinion, opinion of the Title, or other representation of the status of the Title. All claims asserted under this policy are based in contract and are restricted to the terms and provisions of this policy. The Company is not liable for any claim alleging negligence or negligent misrepresentation arising from or in connection with this policy or the determination of the insurability of the Title.

(a) The extent of liability of the Company for loss or damage under this policy does not exceed the least of:

- (i) the Amount of Insurance;
- (ii) the Indebtedness;
- (iii) the difference between the fair market value of the Title, as insured, and the fair market value of the Title subject to the matter insured against by this policy; or
- (iv) if a Government Mortgage Agency or Instrumentality is the Insured Claimant, the amount it paid in the acquisition of the Title or the Identified Mortgage or in satisfaction of its insurance contract or guaranty relating to the Title or the Identified Mortgage.

(b) Fair market value of the Title in Condition 8.(a) (iii) is calculated using either:

- (i) the date the Insured acquires the Title as a result of a foreclosure or deed in lieu of foreclosure of the Identified Mortgage; or
- (ii) the date the lien of the Identified Mortgage is finally determined, as set forth in Condition 9.(b), to have been rendered invalid, unenforceable, or to have lost priority by reason of the Modification.

(c) In addition to the extent of liability for loss or damage under Condition 8.(a), the Company will also pay the costs, attorneys' fees, and expenses incurred in accordance with Conditions 5 and 7.

## **9. LIMITATION OF LIABILITY**

(a) The Company fully performs its obligations and is not liable for any loss or damage caused to the Insured if the Company accomplishes any of the following in a reasonable manner:

- (i) removes the alleged defect, lien, encumbrance, adverse claim, or other matter; or

- (ii) establishes the lien of the Identified Mortgage, all as insured. The Company may do so by any method, including litigation and the completion of any appeals.
- (b) The Company is not liable for loss or damage arising out of any litigation, including litigation by the Company or with the Company's consent, until a State or federal court having jurisdiction makes a final, non-appealable determination adverse to the lien of the Identified Mortgage, as insured.
- (c) The Company is not liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.
- (d) The Company is not liable under this policy for any indirect, special, or consequential damages.
- (e) An Insured Claimant must own the Indebtedness or have acquired the Title at the time that a claim under this policy is paid.
- (f) The Company is not liable for the content of the Transaction Identification Data, if any.

## **10. REDUCTION OR TERMINATION OF INSURANCE**

- (a) All payments under this policy, except payments made for costs, attorneys' fees, and expenses, reduce the Amount of Insurance by the amount of the payment.
- (b) The voluntary satisfaction or release of the Identified Mortgage terminates all liability of the Company, except as provided in Condition 2.

## **11. PAYMENT OF LOSS**

When liability and the extent of loss or damage are determined in accordance with the Conditions, the Company will pay the loss or damage within 30 days.

## **12. COMPANY'S RECOVERY AND SUBROGATION RIGHTS UPON SETTLEMENT AND PAYMENT**

### **(a) *Company's Right to Recover***

- (i) If the Company settles and pays a claim under this policy, it is subrogated and entitled to the rights and remedies of the Insured Claimant in the Title or Identified Mortgage and all other rights and remedies of the Insured Claimant in respect to the claim that the Insured Claimant has against any person, entity, or property to the fullest extent permitted by law, but limited to the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant must execute documents to transfer these rights and remedies to the Company. The Insured Claimant permits the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.
- (ii) If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company defers the exercise of its subrogation right until after the Insured Claimant fully recovers its loss.

### **(b) *Company's Subrogation Rights against Obligors***

The Company's subrogation right includes the Insured's rights against Obligors including the Insured's rights to repayment under a note, indemnity, guaranty, warranty, insurance policy, or bond, despite any provision in those instruments that addresses recovery or subrogation rights. An Obligor cannot avoid the Company's subrogation right by acquiring the Indebtedness as a result of an indemnity, guaranty, warranty, insurance policy, or bond, or in any other manner. The Obligor is not an Insured under this policy. The Company may not exercise its rights under Condition 12.(b) against a Government Mortgage Agency or Instrumentality.

### **(c) *Insured's Rights and Limitations***

- (i) The owner of the Indebtedness may release or substitute the personal liability of any debtor or guarantor, extend or otherwise modify the terms of payment, release a portion of the Title from the lien of the Identified Mortgage, or release any collateral security for the Indebtedness, if the action does not affect the enforceability or priority of the lien of the Identified Mortgage.
- (ii) If the Insured exercises a right provided in Condition 12.(c)(i) but has Knowledge of any claim adverse to the Title or the lien of the Identified Mortgage insured against by this policy, the Company is required to pay only that part of the loss insured against by this policy that exceeds the amount, if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's subrogation right.

### 13. POLICY ENTIRE CONTRACT

- (a) This policy together with all endorsements, if any, issued by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy will be construed as a whole. This policy and any endorsement to this policy may be evidenced by electronic means authorized by law.
- (b) Any amendment of this policy must be by a written endorsement issued by the Company. To the extent any term or provision of an endorsement is inconsistent with any term or provision of this policy, the term or provision of the endorsement controls. Unless the endorsement expressly states, it does not:
  - (i) modify any prior endorsement;
  - (ii) extend the Date of Policy;
  - (iii) insure against loss or damage exceeding the Amount of Insurance; or
  - (iv) increase the Amount of Insurance.

### 14. SEVERABILITY

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

### 15. CHOICE OF LAW AND CHOICE OF FORUM

#### (a) *Choice of Law*

The Company has underwritten the risks covered by this policy and determined the premium charged in reliance upon the State law affecting interests in real property and the State law applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the State where the Land is located.

The State law of the State where the Land is located, or to the extent it controls, federal law, will determine the validity of claims against the Title or the lien of the Identified Mortgage and the interpretation and enforcement of the terms of this policy, without regard to conflicts of law principles to determine the applicable law.

#### (b) *Choice of Forum*

Any litigation or other proceeding brought by the Insured against the Company must be filed only in a State or federal court having jurisdiction.

### 16. NOTICES

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at 12909 SW 68th Pkwy., Suite 350, Portland, OR 97223, Attention: Claims Department. WFG National Title Insurance Company's telephone number is (800) 334-8885. Email address: [claims@wfgnationaltitle.com](mailto:claims@wfgnationaltitle.com).

### 17. CLASS ACTION

ALL CLAIMS AND DISPUTES ARISING OUT OF OR RELATING TO THIS POLICY, INCLUDING ANY SERVICE OR OTHER MATTER IN CONNECTION WITH ISSUING THIS POLICY, ANY BREACH OF A POLICY PROVISION, OR ANY OTHER CLAIM OR DISPUTE ARISING OUT OF OR RELATING TO THE TRANSACTION GIVING RISE TO THIS POLICY, MUST BE BROUGHT IN AN INDIVIDUAL CAPACITY. NO PARTY MAY SERVE AS PLAINTIFF, CLASS MEMBER, OR PARTICIPANT IN ANY CLASS OR REPRESENTATIVE PROCEEDING.

### 18. ARBITRATION

- (a) All claims and disputes arising out of or relating to this policy, including any service or other matter in connection with issuing this policy, any breach of a policy provision, or any other claim or dispute arising out of or relating to the transaction giving rise to this policy, may be resolved by arbitration. If the Amount of Insurance is \$2,000,000 or less, any claim or dispute may be submitted to binding arbitration at the election of either the Company or the Insured. If the Amount of Insurance is greater than \$2,000,000, any claim or dispute may be submitted to binding arbitration only when agreed to by both the Company and the Insured. Arbitration must be conducted pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("ALTA Rules"). The ALTA Rules are available online at [www.alta.org/arbitration](http://www.alta.org/arbitration). The ALTA Rules incorporate, as appropriate to a particular dispute, the Consumer Arbitration Rules and Commercial Arbitration Rules of the American Arbitration Association ("AAA Rules"). The AAA Rules are available online at [www.adr.org](http://www.adr.org).



- (b) If there is a final judicial determination that a request for particular relief cannot be arbitrated in accordance with this Condition 18, then only that request for particular relief may be brought in court. All other requests for relief remain subject to this Condition 18.
- (c) Fees will be allocated in accordance with the applicable AAA Rules. The results of arbitration will be binding upon the parties. The arbitrator may consider, but is not bound by, rulings in prior arbitrations involving different parties. The arbitrator is bound by rulings in prior arbitrations involving the same parties to the extent required by law. The arbitrator must issue a written decision sufficient to explain the findings and conclusions on which the award is based. Judgment upon the award rendered by the arbitrator may be entered in any State or federal court having jurisdiction.