



TEXAS RESIDENTIAL LIMITED COVERAGE JUNIOR MORTGAGEE POLICY COMBINED SCHEDULE

Policy No. **T44-<Policy_Number>**

Premium: \$_____

Amount of Insurance: \$

Date of Policy:

Name of Insured:

Grantee (on the latest document recorded in the public records purporting to vest the title):

Recent Home Equity Mortgage (recorded in the public records within 12 months before the Date of Policy): [Insert recording information of mortgage or deed of trust and any release thereof or state: "This item is hereby deleted."]

Other Home Equity Mortgages (recorded in the public records more than 12 months before the Date of Policy and effecting the title): [Insert recording information or state: "This item is hereby deleted."]

The land referred to in this policy is described as follows:

EXCEPTIONS

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of the following exceptions. By excepting to any matter, the Company does not represent the priority or validity of the matter:

- A. Standby fees, taxes or assessments by any taxing authority.
- B. Monetary Liens and applicable recorded item(s). [Insert Item description(s) and recording information.]
 - (1) Any Home Equity Mortgage affecting the title described in this Combined Schedule. (May be deleted if none described in this Combined Schedule)
 - (2) [Describe Monetary Liens]

ARTICLE 9.38 (c) of the TEXAS INSURANCE CODE - DISCLOSURE

1. Each shareholder, owner, or partner having, owning, or controlling one percent or more of the title insurance agent:

2. Each shareholder, owner, or partner having, owning, or controlling 10 percent or more of an entity that has, owns, or controls one percent or more of the title insurance agent:

3. Any person who is not a full-time employee of the title insurance agent and who receives any portion of the title insurance premium for services performed on behalf of the title insurance agent in connection with the issuance of this title insurance form:

4. The amount of premium that any person disclosed in accordance with Subdivision (3) of this disclosure shall receive:

Authorized Countersignature

WFG National Title Insurance Company

(Signature) _____

Title: _____

Printed Name: _____

(Agent or Direct Operation or Title Insurance Company)

By _____

TEXAS RESIDENTIAL LIMITED COVERAGE JUNIOR MORTGAGEE POLICY

Issued By

WFG NATIONAL TITLE INSURANCE COMPANY

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS AND THE CONDITIONS AND STIPULATIONS HEREOF, and provided that the land is a one-to-four family residence or condominium unit, WFG National Title Insurance Company, a South Carolina corporation, herein called the Company, insures, as of Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. The Grantee shown on the Combined Schedule not being the named grantee on the latest document recorded in the public records purporting to vest title to the fee estate in the land or the description of the land in this policy not being the same as that contained in said document.
2. At Date of Policy, the Recent Home Equity Mortgage, if any, shown on the Combined Schedule to this policy not being the latest Home Equity Mortgage recorded in the public records.
3. At Date of Policy, any Other Home Equity Mortgage not shown on the Combined Schedule to this policy affecting the title, recorded in the public records.
4. Any other Monetary Lien affecting the title, recorded in the public records subsequent to the latest document recorded in the public records purporting to vest title to the fee estate in the land.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the Insured, but only to the extent provided in the Conditions and Stipulations.

WFG NATIONAL TITLE INSURANCE COMPANY

By: _____
President

ATTEST: _____
Secretary



EXCLUSIONS FROM COVERAGE

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

1. Any invalidity, unenforceability, lack of priority, or ineffectiveness of the Insured's Mortgage.
2. Any invalidity, unenforceability, lack of priority or ineffectiveness of any of the instruments or other matters shown in the Exceptions in this Policy or as exceptions in any Endorsement to this Policy.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (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; or
 - (d) recorded or filed in the public records subsequent to Date of Policy.
4. The land not being owned by the Grantee.
5. Claims of:
 - (a) usury,
 - (b) any consumer credit protection law (including, but not limited to Subsections (a)(6), (g), and (t) of Section 50, Article XVI, Texas Constitution and any statutory or regulatory requirements); or
 - (c) bankruptcy or insolvency proceedings of Grantee.

CONDITIONS AND STIPULATIONS

1. DEFINITION OF TERMS.

The following terms when used in this policy mean:

- (a) "insured": the insured named herein. The term also includes the owner of the indebtedness secured by the insured's mortgage. The Company reserves all rights and defenses against any insured acquiring an interest in the Insured's mortgage subsequent to Date of Policy which the Company would have had against the insured named herein or any subsequent insured.
- (b) "insured claimant": an insured claiming loss or damage hereunder.
- (c) "insured's mortgage": the mortgage or deed of trust shown in paragraph B of an Endorsement Form T-45 attached to this policy.
- (d) "knowledge" or "known": actual knowledge, not constructive knowledge or notice which may be imputed to an insured by reason of any public records.
- (e) "land": the land described herein and improvements affixed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to herein, nor any right, title, interest, estate or easement in abutting streets, roads, alleys, avenues, lanes, ways or waterways.
- (f) "Monetary Lien": any mortgage, deed of trust, judgment lien or other lien affecting the title securing the obligation to pay money, but not including any lien created in any easement, covenant, condition, restriction, or declaration of condominium or planned unit development, except to the extent that a separate notice of enforcement of a specific delinquent charge or assessment affecting the title has been recorded in the public records.

- (g) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge.
- (h) "Home Equity Mortgage": any mortgage or deed of trust recorded in the public records which discloses that the extension of credit secured by the mortgage or deed of trust is the type of extension of credit defined by subsection (a)(6) of Section 50, Article XVI, Texas Constitution.
- (i) "Recent Home Equity Mortgage": any mortgage or deed of trust that describes the land, recorded in the public records within 12 months before the date of policy which discloses that the extension of credit secured by the mortgage or deed of trust is the type of extension of credit defined by Subsection (a)(6) of Section 50, Article XVI, Texas Constitution.
- (j) "Other Home Equity Mortgage": any mortgage or deed of trust affecting title and recorded in the public records more than 12 months before the date of policy which discloses that the extension of credit secured by the mortgage or deed of trust is the type of extension of credit defined by Subsection (a)(6) of Section 50, Article XVI, Texas Constitution.
- (k) "affecting the title": encumbering the title and not invalid or unenforceable because of applicable law or because effectively released. However, neither this policy nor any endorsement to the policy insures that any matter excepted in the policy or endorsement is valid or enforceable.

2. DEFENSE AND PROSECUTION OF ACTIONS - NOTICE OF CLAIM TO BE GIVEN BY AN INSURED CLAIMANT

- (a) Upon written request by the Insured and subject to the options contained in Section 4 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim which may cause loss or damage, but only as to those stated causes of action alleging a matter insured against by this policy. The Company shall have 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 stated causes of action and shall not be 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 those causes of action which allege matters not insured against by this policy.
- (b) The Insured shall notify the Company promptly in writing in case: (i) of any litigation as set forth in (a) above, or (ii) knowledge shall come to an Insured hereunder of any adverse claim which might cause loss or damage for which the Company may be liable by virtue of this policy.

If prompt notice shall not be given to the Company, then all liability of the Company shall cease and terminate in regard to the matter or matters for which prompt notice is required; provided, however, the failure to notify shall in no case prejudice the rights of the Insured under this policy unless and except to the extent that the Company shall be prejudiced by the failure.

Subject to the provisions of this policy, if the Insured acquires all or part of the estate or interest in the land by foreclosure of the Insured's Mortgage, trustee's sale pursuant to the Insured's Mortgage, conveyance in lieu of foreclosure of the Insured's Mortgage, or other legal manner which discharges the Insured's Mortgage, and the Insured notifies the Company as required herein of a Monetary Lien or other matter insured against by this policy, the Company shall promptly investigate the charge to determine whether the Monetary Lien or other matter insured against is valid and not barred by law or statute. The Company shall notify the Insured in writing, within a reasonable time, of its determination as to the validity or invalidity of the Insured's claim or charge under the policy. If the Company concludes that the Monetary Lien or other matter is not covered by this policy, or was otherwise addressed when this policy was issued, the Company shall specifically advise the Insured of the reasons for its determination. If the Company concludes that the Monetary Lien, or other matter is valid and insured against by this policy, the Company shall take one of the following actions: (1) institute the necessary proceedings to clear the Monetary Lien, or other matter from the title to the estate or interest in the land; (2) indemnify the Insured as provided in this policy; (3) upon payment of the appropriate premium and charges therefore, issue to the Insured Claimant or to a subsequent owner, mortgagee or holder of the estate or interest in the land, a policy of title insurance without exception for the Monetary Lien or other matter insured against, said policy to be in an amount equal to the current value of the property or, if a mortgagee policy, the amount of the loan; (4) indemnify another title insurance company in connection with

its issuance of a policy(ies) of title insurance without exception for the Monetary Lien, or other matter insured against; (5) secure a release or other document discharging the Monetary Lien, or other matter insured against; or (6) undertake a combination of (1) through (5) herein.

- (c) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to prevent or reduce loss or damage insured against by this policy; and the Company may take any appropriate action, whether or not it shall be liable under the terms of this policy, and shall not thereby concede liability or waive any provisions of this policy.
- (d) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.
- (e) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the Insured for such purpose. Whenever requested by the Company, the Insured shall give the Company, at the Company's expense, all reasonable aid (i) in any action or proceeding, in effecting settlement, securing evidence, obtaining witnesses, or prosecuting or defending the action or proceeding, and (ii) in any other act which in the opinion of the Company may be necessary or desirable to prevent or reduce loss or damage insured against by this policy, including but not limited to executing corrective or other documents.

3. PROOF OF LOSS OR DAMAGE - LIMITATION OF ACTION

In addition to the notices required under Section 2 of these Conditions and Stipulations, a proof of loss or damage, signed and sworn to by the Insured Claimant shall be furnished to the company within 91 days after the Insured Claimant shall ascertain or determine the facts giving rise to the loss or damage. The proof of loss or damage shall describe the matter insured against by this policy which constitutes the basis of loss or damage and when appropriate, state the basis of calculating the amount of the loss or damage.

Should the proof of loss or damage fail to state facts sufficient to enable the Company to determine its liability hereunder, Insured Claimant, at the written request of Company, shall furnish such additional information as may reasonably be necessary to make such determination.

Failure to furnish the proof of loss or damage shall terminate any liability of the Company under this policy as to such loss or damage.

4. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY.

In case of a claim under this policy, the Company shall have the right to exercise the following additional options at any time:

- (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, together with any costs, attorneys' fees and expenses incurred by the Insured Claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay; or
 - (ii) to purchase the indebtedness secured by the Insured's Mortgage for the amount owing thereon together with any costs, attorneys' fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of purchase and which the Company is obligated to pay.

If the Company offers to purchase the indebtedness as herein provided, the owner of the indebtedness shall transfer, assign, and convey the indebtedness and the Insured's Mortgage, together with any collateral security, to the Company upon payment therefore.

Upon the exercise by the Company of either of the options provided for in paragraphs (a)(i) or (a)(ii), all liability and obligations to the Insured under this policy, other than to make the payment required to be made in those paragraphs, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than the Insured or with the Insured Claimant:

- (i) to pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the Insured Claimant, which were authorized by the Company up to the time of payment or tender of payment and which 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 together with any costs, attorneys' fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of purchase and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs (b)(i) or (b)(ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than to payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

5. DETERMINATION AND PAYMENT OF LOSS

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

(a) The liability of the Company under this policy shall not exceed the least of:

- (i) the amount of insurance stated in the Combined Schedule;
- (ii) the amount of the unpaid principal indebtedness secured by the Insured's Mortgage at the time the loss or damage insured against by this policy occurs, together with interest thereon; or
- (iii) the difference between the value of the equity in the estate or interest in the land without the Monetary Lien or other matter insured against and the value of the equity in that estate or interest subject to the Monetary Lien or other matter insured against by this policy.

(b) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 2 of these Conditions and Stipulations.

(c) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

6. LIMITATION OF LIABILITY

(a) If the Company removes an alleged matter insured against by this policy, or takes action in accordance with Section 2 or Section 4, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the Insured with respect to matters insured against by this policy.

(c) The Company shall not be liable for loss or damage to any Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

7. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

All payments under this policy, except payment made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro tanto.

8. SUBROGATION UPON PAYMENT OR SETTLEMENT

Whenever the Company shall have paid or settled a claim under this policy, it shall be subrogated to the rights of the Insured Claimant unaffected by any act of the Insured Claimant, limited only by the amount paid by the Company. The Insured Claimant shall cooperate with the Company in enforcing these subrogation rights.

9. ARBITRATION.

Unless prohibited by applicable law, either the Company or the Insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters SHALL BE arbitrated at the option of either the Company or the Insured. Arbitration pursuant to this policy and under the Rules in effect on the date of the demand for arbitration is made or, at the option of the Insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the law of the state in which the land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrators may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules. A copy of the Rules may be obtained from the Company upon request.

10. LIABILITY LIMITED TO THIS POLICY

This policy together with all Endorsements, attached hereto by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

Any claim of loss or damage whether or not based on negligence, or any action asserting any claim, shall be restricted to the terms and provisions of this policy.

No amendment of or Endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, validating officer or authorized signatory of the Company.

No payment shall be made without producing this policy for Endorsement of the payment unless the policy is lost or destroyed, in which case proof of such loss or destruction shall be furnished to the satisfaction of the Company.

11. SEVERABILITY.

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

12. NOTICES, WHERE SENT.

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.