

Chicago Title Insurance Company
377 Oak Street, Suite 104
Garden City, NY 11530
(516) 296-4600

To: ALL AGENTS OF CHICAGO TITLE INSURANCE COMPANY
From: Ted Werner
Re: RATE MANUAL CHANGE (SECTION 14)
Date: January 24, 2006

Section 14 of the TIRSA Rate Manual has been changed, with an effective date of February 15, 2006. You must revise all refinance invoices for transactions that close on or after that date. Implementation of Section 14 changes will require your immediate attention and full cooperation. Agents will recognize the need to educate personnel, to furnish customers with updated rate information, and to ensure that any systems that support their operations are updated and accurate.

Perhaps the most important change in the revisions to Section 14 is that *the discount is available to a borrower who may never have purchased any title insurance during his ownership of the property.* Most of us have been trained to think about the Section 14 discount as a “re-issue” rate, one that is based upon the fact that the borrower has previously purchased an owner’s policy or one that is available because the borrower is substituting one insured mortgage for another. *This is no longer the case. Prior title insurance is immaterial to any consideration of whether that transaction should be discounted under new Section 14.*

I draw your attention to one other critical fact to bear in mind as you read through the rest of this explanation and the actual test of Section 14: *The discount provided under revised Section 14 (and any other discount provided in other sections of the Rate Manual) is not optional.* I encourage you to make every effort to fully and fairly provide this discounted rate on all transactions to which it applies. A borrower need not ask for the discounted rate in order to be eligible for and entitled to it. There is no longer any reason why a title provider would need to see a copy of a prior policy or pay-off letter in order to calculate a correct rate. It will be necessary for us to verify certain limited facts from the public record before the charge for any refinance or subordinate mortgage transaction can be accurately determined. This may mandate a revision to your workflow.

In addition to the foregoing, i.e., no requirement for prior insurance, and mandatory Section 14 pricing, the following is a brief outline of the revised Section 14 provisions:

- 1) If a borrower is making any conventional or building loan mortgage after acquisition of title (including any variety of refinance, equity loan, or subordinate mortgage); and,
- 2) The borrower has acquired title to the premises in the past ten years; or, the borrower has mortgaged his title to the premises in the past ten years; and,

- 3) Within either of those ten year measuring periods; there has been no change in ownership of the premises; and,
- 4) The premises to be insured is the same as the premises described in earlier qualifying deed or mortgage (no incremental property and no interim conveyance or release of part of the premises), then THE BORROWER IS ENTITLED TO A SECTION 14 DISCOUNTED RATE, and the rate is calculated as follows:
 - (a) If the conveyance into the prospective borrower occurred during the past ten years, ascertain the consideration for the transfer based upon the transfer tax (\$2 per \$500 of consideration) or based upon consideration recited in the deed or otherwise on the public record.
 - (b) Determine the **sum TOTAL of THE ORIGINAL PRINCIPAL AMOUNT of all mortgages which are currently of record and which were executed within the 10 year period prior to the date of the application for refinance and which are “existing” on the date of your application.** This part of the calculation is completely unrelated to the current unpaid principal balance. Rather, it asks you to determine the *original principal amount* of any mortgage or mortgages executed by the borrower within the past ten years.
 - (c) Ascertain the greater of the results produced by paragraph (a) or (b) above; and quote the rate based upon following:
 - (1) If the total liability under the new policy is \$475,000 or less, insurance up to the amount of the “greater of the results” in paragraph (c) immediately above should be charged for a 50 percent of the applicable rate; and any excess should be charged for at the applicable bracket rate per thousand.
 - (2) If the total liability for the new policy is more than \$475,000, insurance for that part up to the “greater of the results” in paragraph (c) above should be charged 70 percent of the applicable rate; and any excess should be charged for the applicable bracket rate per thousand.

Please remember that the 10 year period to qualify for Section 14 discount is measured by the lapse of time between the vesting title event or existing mortgage and the date of the new application. Another key issue is what is an “existing mortgage” for purposes of the Section 14 discount. IN PERFORMING THIS PART OF THE COMPUTATION, DO NOT INCLUDE THE FACE AMOUNT OF MORTGAGES, WHICH YOU KNOW TO BE PAID OFF, BUT WHICH CONTINUE TO BE UNSATISFIED OR UNDISCHARGED OF RECORD.

The Section 14 discounted rate is also available where the borrower has a leasehold estate rather than a fee title which was acquired within the preceding 10 years. In that event, substitute the consideration paid by the borrower for the lease or assignment of lease within the 10 year period immediately preceding his application for the value obtained in paragraph (a) above.

The full test of revised Section 14 is enclosed. Please contact me at (516) 296-4601 if you have any questions about this material. The “boldface” notice mandated by old Section 14(c) has been omitted. Your order acknowledgement may be issued on or after February 15, 2006 without the legend. “If this is a refinance within 10 years ..” However, agents of this Company must continue to send the “long notice” to the borrower at the property address until the class action case is finally settled.

Please circulate copies of this memo to all personnel in your office. You and they are invited to call me at (516) 296-4601 if you have any questions. Thank you.