**INSTRUCTIONS FOR ALTA ENDORSEMENT FORM 14.2**

**FUTURE ADVANCE – LETTER OF CREDIT**

**PURPOSE OF ENDORSEMENT**

The ALTA 14.2 Future Advance – Letter of Credit Endorsement insures against loss resulting from the invalidity and unenforceability of a mortgage that secures any future (made after the recording of the mortgage) Advance of money pursuant to a letter of credit reimbursement agreement. This endorsement also insures against loss resulting from the lack of priority of the lien of the Insured Mortgage as security for each Advance over any other lien or encumbrance.

**UNDERWRITING REQUIREMENTS**

In some states, statutes protect the priority of future advances made pursuant to a letter of credit and reimbursement agreement secured by a mortgage, provided the statutory requirements are complied with in the mortgage instrument. The proposed mortgage instrument and its exhibits must be reviewed to verify compliance with any state statute that protects the priority of advances made pursuant to a letter of credit and letter of credit reimbursement agreement.

The letter of credit must be reviewed to verify that advances are mandatory and that the lender has no right or authority to terminate or limit future advances pursuant to the letter of credit.

***Please contact a CATIC title counsel if you have any questions or concerns regarding whether the mortgage to be insured complies with the state statute addressing future advance mortgages.***

ALTA 14.2 FUTURE ADVANCE—LETTER OF CREDIT ENDORSEMENT

This endorsement is issued as part of Policy Number

issued by CATIC

1. The insurance for Advances added by Section 3 of this endorsement is subject to the exclusions in Section 4 of this endorsement and the Exclusions from Coverage in the policy (except Exclusion 3.d.), the Conditions, and the exceptions from coverage contained in Schedule B.

2. The following terms when used in this endorsement mean:

a. “Advance”: Only an advance of principal made after the Date of Policy as provided in the Agreement, including expenses of foreclosure; amounts advanced pursuant to the Insured Mortgage to pay taxes and insurance, assure compliance with laws, or to protect the lien of the Insured Mortgage before the time of acquisition of the Title; and reasonable amounts expended to prevent deterioration of improvements, together with interest on those advances.

b. “Agreement”: The letter of credit and its reimbursement agreement, the repayment of Advances under which is secured by the Insured Mortgage.

3. The Company insures against loss or damage sustained by the Insured by reason of:

a. The invalidity or unenforceability of the lien of the Insured Mortgage as security for each Advance.

b. The lack of priority of the lien of the Insured Mortgage as security for each Advance over any lien or encumbrance on the Title.

c. The invalidity, unenforceability, or lack of priority of the lien of the Insured Mortgage as security for the Indebtedness, Advances, and unpaid interest resulting from:

i. re-Advances and repayments of Indebtedness;

ii. earlier periods of no indebtedness owing during the term of the Insured Mortgage; or

iii. the Insured Mortgage not complying with the requirements of State law of the State in which the Land is located to secure Advances.

4. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys’ fees, or expenses) resulting from:

a. The lien of real estate taxes or assessments on the Title imposed by governmental authority arising after the Date of Policy;

b. Any federal or state environmental protection lien[; or]

c. The limitations, if any, imposed under the Bankruptcy Code (11 U.S.C.) on the amount that may be recovered from the mortgagor's estate[; or

d. Any mechanic’s or materialman’s lien].

5. The Indebtedness includes Advances.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

CATIC



JAMES M. CZAPIGA, PRESIDENT