**INSTRUCTIONS FOR ALTA ENDORSEMENT FORM 32**

**CONSTRUCTION LOAN – LOSS OF PRIORITY**

**PURPOSE OF ENDORSEMENT**

The ALTA 32 Construction Loan – Loss of Priority Endorsement insures against: (1) the invalidity or unenforceability of the lien of the Insured Mortgage as security for each Construction Loan Advance made on or before Date of Coverage; (2) the lack of priority of the lien of the Insured Mortgage as security for each Construction Loan Advance made on or before Date of Coverage over any lien or encumbrance recorded in the Public Records and not shown on Schedule B; and (3) the lack of priority of the lien of the Insured Mortgage as security for each Construction Loan Advance made on or before Date of Coverage over any Mechanic's Lien, if notice of the Mechanic's Lien is not filed or recorded in the Public Records, but only to the extent that the charges for which the Mechanic's Lien is claimed were designated for payment in the documents supporting the Construction Loan Advance disbursed by or on behalf of the Insured on or before Date of Coverage.

This endorsement can be used in a state where periodic disbursements made pursuant to a construction loan may not have priority over liens or encumbrances intervening between the recording of the Insured Mortgage and the disbursement.

**UNDERWRITING REQUIREMENTS**

Review the title search of the property to confirm that there are no recorded mechanics' liens or any other recorded lien for labor or materials;

Obtain a signed Owner's Affidavit (CATIC A-100) verifying that no work has been done or material furnished on the subject property within the preceding time period where a mechanic's lien or other statutory lien for labor or materials could exist in unrecorded form;

Confirm whether there is pending work to be completed or there have been outstanding contracts executed prior to the Date of Coverage;

Obtain mechanics' lien waivers or subordinations acceptable to CATIC if work on the property has already commenced;

On the policy, insert this pending disbursement clause into the policy's Schedule B:

Pending disbursement of the full proceeds of the loan secured by the mortgage set forth under Schedule A hereof, this policy insures only to the extent of the amount actually disbursed, but increases as each disbursement is made in good faith and without knowledge of any defects in, or objections to, the title up to the face amount of the policy. At the time of each disbursement of the proceeds of the loan, the title must be continued down to such time for possible liens or objections intervening between the date hereof and the date of such disbursement*.*

Insert the Date of Coverage into the endorsement. For example, if the endorsement is issued at the same time as the policy, the Date of Coverage and Date of Policy will be the same. If the Date of Coverage is going to be subsequent to the Date of Policy, contact a member of CATIC's underwriting staff.

***Please contact a member of CATIC's underwriting staff if there are questions about the issuance of this endorsement.***

ALTA 32 CONSTRUCTION LOAN ENDORSEMENT

This endorsement is issued as part of Policy Number

issued by CATIC

1. Covered Risk 11.a. of this policy is deleted.

2. The insurance [for Construction Loan 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, the provisions of the Conditions, and the exceptions contained in Schedule B. For the purposes of this endorsement and each subsequent Disbursement Endorsement:

a. “Construction Loan Advance”: An advance that constitutes Indebtedness made on or before the Date of Coverage for the purpose of financing in whole or in part the construction of improvements on the Land.

b. “Date of Coverage”:       [Drafting Instructions: Insert a specific date], unless the Company sets a different Date of Coverage by an ALTA 33 Disbursement Endorsement issued at the discretion of the Company.

c. “Mechanic’s Lien”: Any statutory lien or claim of lien under State law, affecting the Title, that arises from services provided, labor performed, or materials or equipment furnished.

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 Construction Loan Advance made on or before the Date of Coverage;

b. The lack of priority of the lien of the Insured Mortgage as security for each Construction Loan Advance made on or before the Date of Coverage, over any lien or encumbrance on the Title recorded in the Public Records and not shown in Schedule B; and

c. The lack of priority of the lien of the Insured Mortgage, as security for each Construction Loan Advance made on or before the Date of Coverage over any Mechanic’s Lien, if notice of the Mechanic’s Lien is not filed or recorded in the Public Records, but only to the extent that the charges for the services, labor, materials, or equipment for which the Mechanic’s Lien is claimed were designated for payment in the documents supporting a Construction Loan Advance disbursed by or on behalf of the Insured on or before the Date of Coverage.

4. This policy does not insure against loss or damage and the Company will not pay costs, attorneys’ fees, or expenses by reason of any lien or claim of lien arising from services, labor, material, or equipment:

a. Furnished after the Date of Coverage; or

b. Not designated for payment in the documents supporting a Construction Loan Advance disbursed by or on behalf of the Insured on or before the Date of Coverage.

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