**INSTRUCTIONS FOR ALTA ENDORSEMENT FORM 6.2**

**VARIABLE RATE – NEGATIVE AMORTIZATION**

**PURPOSE OF ENDORSEMENT**

The ALTA 6.2 Variable Rate – Negative Amortization Endorsement, among other things, affords insured lenders with protection against loss by reason of the invalidity, loss of priority or unenforceability of the lien of the Insured Mortgage resulting from the provisions in the mortgage that provide for changes in the rate of interest and a negative amortization feature.

Negative amortization means that the monthly payments are not sufficient to pay off the principal and interest due in equal payments over the term of the mortgage. The unpaid portion of the interest is added back into the principal of the mortgage and can actually cause an increase in the indebtedness secured by the mortgage.

**UNDERWRITING REQUIREMENTS**

This endorsement may be issued provided the recorded mortgage discloses that (1) the loan has a variable or adjustable interest rate based upon a formula that can be ascertained by referring to the mortgage or the note referred to in the mortgage, and (2) the loan has a negative amortization feature based upon parameters that can be ascertained by referring to the mortgage or the note referred to in the mortgage.

This endorsement may be incorporated into a Standard Loan Policy by checking the appropriate box at the bottom of the policy's Schedule B.

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

ALTA 6.2 VARIABLE RATE MORTGAGE—NEGATIVE AMORTIZATION ENDORSEMENT

This endorsement is issued as part of Policy Number

issued by CATIC

1. As used in this endorsement, “Changes in the Rate of Interest” mean those adjustments in the rate of interest calculated pursuant to the formula provided in the Insured Mortgage or the loan documents secured by the Insured Mortgage at the Date of Policy.

2. 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 resulting from:

i. Changes in the Rate of Interest;

ii. interest on interest; or

iii. the addition of unpaid interest to the principal balance of the loan.

b. the loss of priority of the lien of the Insured Mortgage as security for the principal balance of the loan, together with interest as changed in accordance with the provisions of the Insured Mortgage or the loan documents secured by the Insured Mortgage, interest on interest, or any unpaid interest which was added to the principal balance in accordance with the provisions of the Insured Mortgage, which loss of priority results from:

i. Changes in the Rate of Interest;

ii. interest on interest; or

iii. the addition of unpaid interest to the principal balance of the loan.

3. This endorsement does not insure against loss or damage, and the Company will not pay costs, attorneys’ fees, or expenses, based upon usury law or Consumer Protection Law.

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