

Item 2006-1

CO-INSURANCE ENDORSEMENT (T-48)

Attached to Policy No.

**Issued by
BLANK TITLE INSURANCE COMPANY
HEREIN CALLED THE COMPANY**

Blank Title Insurance Company, a _____ corporation, and _____ Title Insurance Company, a _____ corporation [add additional title insurers as necessary], (herein referred to individually as the "Insurer" or jointly as the "Insurers") join as Insurers under that certain policy of title insurance issued by Blank Title Insurance Company under its Policy No. _____, to which this endorsement is attached.

Anything in this policy notwithstanding, each of the Insurers respectively shall be liable only for such proportion of loss for which the Insurers may become liable under the policy and costs which the Insurers are obligated to pay under the Conditions and Stipulations of the policy, in the proportion of the amount set forth for each Insurer below to the face amount of the policy.

Blank Title Insurance Company \$
Blank Title Insurance Company . . . \$
[add additional title insurers and amounts as necessary]

Wherever, in the policy, the term "the Company" is used, such term shall be interpreted to mean the Insurers; where proper, the singular number shall be deemed to include the plural.

All notices required to be given the Insurers and any statement in writing required to be furnished the Insurers shall be addressed to each of the Insurers at its Home Office, as follows:

Blank Title Insurance Company
(street address)
(city, state, zip code)
Blank Title Insurance Company
(street address)
(city, state, zip code)
[add additional title insurers and amounts as necessary]

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.

BLANK TITLE INSURANCE COMPANY

By

Dated:

BLANK TITLE INSURANCE COMPANY

By

Dated:

[add additional title insurers' signatures as necessary]

ADOPTED

Item 2006-2

P-6.Co-Insurance

(a) Should a Company elect to issue a policy for a lesser amount than the whole risk, it may do so by causing other Companies qualified to do business in Texas to co-insure the excess. Each Company issuing a policy under the above provisions shall insert in Schedule B thereof the following:

This policy is issued contemporaneously with Policy No. _____ of (Name of Title Insurance Company (ies)) for \$ _____. The liability of the Company hereunder is hereby limited to (proportion) of any loss, but said liability shall not exceed the face amount of this policy."

(b) Where the total amount of any and all policies issued on a single risk is in excess of \$15,000,000.00 (Fifteen Million Dollars), and when such risk is insured by more than one title insurance company, the premium charged shall be determined as if the risk was being insured in one policy and shall be apportioned between and among the different companies on a pro rata basis commensurate with the amount of risk insured by each title insurance company. In the event of issuance of mortgagee title policy binders on interim construction loans, each binder shall bear the full charge provided in Rule R-13.

(c) Where the total amount of a single risk is in excess of \$15,000,000 (Fifteen Million Dollars), and when such risk is insured by more than one title insurance company, one title insurance company may issue a policy and the other co-insurers may join in execution of the Co-Insurance Endorsement (T-48), in lieu of separate issuance of a policy subject to the terms of paragraph (a). The premium shall be determined for the total risk being insured under the policy and the premium shall be apportioned between or among the different companies on a pro rata basis commensurate with the amount of risk insured by each title insurance company as specified in the Co-Insurance Endorsement (T-48). The Amount of Insurance stated in Schedule A shall be the total risk being insured under the policy, followed by the statement "Subject to the terms of the Co-Insurance Endorsement (T-48) attached hereto."

ADOPTED

Item 2006-3

**VERIFICATION OF SERVICES RENDERED – Form T-00
INSTRUCTIONS**

1. The Agent/Entity desiring to be paid shall complete Section 1, sign, date and deliver the form, together with a written itemized statement or invoice, when the work is performed or delivered.
2. The Agent/Underwriter issuing the policy shall complete Section 2.
3. The Agent/Underwriter paying for the work shall complete Section 3, sign, date and deliver a copy of the form to both the Agent/Entity being paid and the Agent/Underwriter issuing the policy.
4. All parties shall retain in their records a fully signed copy of this Form T-00 and a copy of the written itemized statement or invoice.

SECTION 1 – INFORMATION FROM AGENT/ENTITY REQUESTING PAYMENT

1. Service for which payment is requested: Furnishing Title Evidence
 Title Examination
 Closing the Transaction

Address of location where work was done for selected service(s):

Order/File/GF# assigned to this order by Agent/Entity doing the work:

2. AGREEMENT REGARDING PAYMENT FOR SERVICE: Percentage or amount of premium (remaining after remittance to Underwriter) agreed to be paid to the Agent/Entity doing the work:

_____ % or \$ _____

3. INFORMATION ABOUT AGENT/ENTITY DOING THE WORK:

Type of entity: Texas Underwriter Texas Title Agent
 Texas Attorney at Law or Texas PC organized to provide legal services

Name: _____

Address: _____

City, State/ZIP _____

Texas Department of Insurance Number or Texas State Bar #: _____

Undersigned certifies that the service for which payment is requested was actually performed.

_____ Date: _____

Signature of Authorized Representative for Agent/
Entity Doing the Work

Item 2006-4

SUPPLEMENTAL COVERAGE MANUFACTURED HOUSING UNIT ENDORSEMENT
(T-31.1) ATTACHED TO AND MADE A PART OF POLICY OF TITLE INSURANCE
SERIAL NUMBER _____

ISSUED BY

_____ TITLE INSURANCE COMPANY
HEREIN CALLED THE COMPANY

Order No.:

1. The term "Land" as defined in this policy includes the manufactured housing unit located on the land at Date of Policy.
2. Unless excepted in Schedule B, the Company insures against loss or damage, sustained by the insured if,
 - (a) A manufactured housing unit is not located on the land.
 - (b) The manufactured housing unit located on the land is not real property under the law of the state where the land is located.
 - (c) The owner of the land is not the owner of the manufactured housing unit.
 - (d) Any lien is attached to the manufactured housing unit as personal property, including
 - (i) a federal, state, or other governmental tax lien,
 - (ii) UCC security interest,
 - (iii) a motor vehicular lien, or
 - (iv) other personal property lien.
 - (e) The lien of the insured mortgage is not valid and enforceable against the land in a single foreclosure procedure (mortgagee title policy only).

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.

Authorized Countersignature

(Printed Name of Title Insurance Company)

By: _____
(Signature)

Title: President

Printed Name: _____
(ATTEST IS OPTIONAL)

(Printed Name of Title Insurance Agent or
Direct Operation)

By _____
(Signature)

Title: _____
Printed Name: _____
(ATTEST IS OPTIONAL)

ADOPTED

Item 2006-5
FUTURE ADVANCE /REVOLVING CREDIT ENDORSEMENT (T-35)

ISSUED BY

_____ TITLE
INSURANCE COMPANY

File No. _____

Attached to and made a part of _____ Title Insurance Company
Mortgage Policy Number _____ dated the _____ day of
_____, 20_____.

1. The insurance for Advances added by Section 2 of this endorsement is subject to: the exclusions in Section 3 of this endorsement and the Exclusions from Coverage in the Policy, except Exclusion 3(d); the provisions of the Conditions, except Section 9(b); and the Exceptions contained in Schedule B.

a. "Agreement," as used in this endorsement, shall mean the note or loan agreement secured by the insured mortgage or the insured mortgage.

b. "Advances," as used in this endorsement, shall mean only those advances of principal indebtedness 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 estate or interest in the land and reasonable amounts expended to prevent deterioration of improvements, together with interest on those advances.

2. The Company insures against loss or damage to the insured as a result 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 or unenforceability or loss of priority of the lien of the insured mortgage as security for the unpaid indebtedness and Advances resulting from: (i) re-Advances and repayments of indebtedness; (ii) lack of outstanding indebtedness before an Advance; or (iii) failure to comply with the requirements of state law to secure Advances.

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

a. Advances made after a Petition for Relief under the Bankruptcy Code (11 U.S.C.) has been filed by or on behalf of the mortgagor.

b. The loss of priority of Advances to real estate taxes or assessments imposed on the land by governmental authority arising after the Date of Policy

c. The loss of priority to a federal tax lien of any Advance made more than forty-five days after a notice of federal tax lien has been filed in the public records.

d. The loss of priority of Advances to any federal or state environmental protection lien.

- e. Usury, or any consumer credit protection or truth-in-lending law.
- 4. The Amount of Insurance defined in Section 1(a) of the Conditions shall include Advances.
- 5. Section 8(d) of the Conditions shall not apply to 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.

Authorized Countersignature _____
(Printed Name of Title Insurance Company) By:

(Signature)
Title: President
Printed Name: _____
(ATTEST IS OPTIONAL)

(Printed Name of Title Insurance Agent or Direct Operation)

By: _____
(Signature)
Title: _____
Printed Name: _____
(ATTEST IS OPTIONAL)
(Endorsement Form T-35: Revolving Credit/Future Advance)

ADOPTED

Item 2006-6

**T-47 Residential Real Property Affidavit
(May be Modified as Appropriate for Commercial Transactions)**

Date: _____ GF No. _____
Name of Affiant(s): _____
Address of Affiant: _____
Description of Property: _____
County _____, Texas

"Title Company" as used herein is the Title Insurance Company whose policy of title insurance is issued in reliance upon the statements contained herein.

Before me, the undersigned notary for the State of _____, personally appeared Affiant(s) who after by me being sworn, stated:

1. We are the owners of the Property. (Or state other basis for knowledge by Affiant(s) of the Property, such as lease, management, neighbor, etc. For example, "Affiant is the manager of the Property for the record title owners.")

2. We are familiar with the property and the improvements located on the Property.

3. We are closing a transaction requiring title insurance and the proposed insured owner or lender has requested area and boundary coverage in the title insurance policy (ies) to be issued in this transaction. We understand that the Title Company may make exceptions to the coverage of the title insurance as Title Company may deem appropriate. We understand that the owner of the property, if the current transaction is a sale, may request a similar amendment to the area and boundary coverage in the Owner Policy of Title Insurance upon payment of the promulgated premium.

4. To the best of our actual knowledge and belief, since _____ there have been no:

- a. construction projects such as new structures, additional buildings, rooms, garages, swimming pools or other permanent improvements or fixtures;
- b. changes in the location of boundary fences or boundary walls;
- c. construction projects on immediately adjoining property(ies) which encroach on the Property;
- d. conveyances, replattings, easement grants and/or easement dedications (such as a utility line) by any party affecting the Property.

EXCEPT for the following (If None, Insert "None" Below:

5. We understand that Title Company is relying on the truthfulness of the statements made in this affidavit to provide the area and boundary coverage and upon the evidence of the existing real property survey of the Property. This Affidavit is not made for the benefit of any other parties and this Affidavit does not constitute a warranty or guarantee of the location of improvements.

6. We understand that we have no liability to Title Company or the title insurance company that will issue the policy(ies) should the information in this Affidavit be incorrect other than information that we personally know to be incorrect and which we do not disclose to the Title Company.

SWORN AND SUBSCRIBED this _____ day of _____, 20_____.

Notary Public

ADOPTED

Item 2006-7

P-63 - Policy Issued to Qualified Intermediary under IRS Code 1031. When a qualified intermediary under Internal Revenue Code §1031 takes title on behalf of the ultimate owner (the person making the exchange and receiving the tax benefit), Schedule A of the policy should be prepared as follows:

Owner Policy of Title Insurance

1. Name of Insured:
(Alternative 1) John Doe
(Alternative 2) Jane Smith, (insert "trustee", "on behalf of", "qualified intermediary" or other designation of capacity as approved by the underwriter, based on the wording of the applicable deed), and John Doe, as their interests may appear.
2. Title to the estate or interest in the land is insured as vested in: Jane Smith, (insert exact designation of capacity as shown in deed).

Texas Residential Owner Policy of Title Insurance

Name of Insured: Jane Smith, (insert "trustee", "on behalf of", "qualified intermediary" or other designation of capacity as approved by the underwriter, based on the wording of the applicable deed), and John Doe, as their interests may appear.

An issued policy should not be altered or endorsed after the deed from the intermediary to the ultimate owner, to change the insured to reflect the name of the ultimate owner.

ADOPTED

Item 2006-8

P-64. Subordinate Liens and Leases – Pursuant to Rule P-11.b.(8)

- A. When issuing a Mortgagee Policy insuring the validity and priority of a lien, the issuer shall not be required to itemize liens and leases that affect the title to the estate or interest, which are subordinate to the lien insured, either by express subordination or by operation of law, unless requested to do so in writing by the insured.
- B. If requested in writing prior to issuance of the policy, paragraph 4 of Schedule B of the Mortgagee Policy (T-1) may be deleted. In such case
 1. The subordinate lien(s) and lease(s), if any, shall be excepted in Schedule B and
 2. The Company may insure therein such lien(s) and lease(s) are subordinate.
 3. When insuring that a lien or lease is subordinate to the lien of the insured mortgage, the Company shall state, following the Exception:
"Company insures the insured against loss, if any, sustained by the insured under the terms of the Policy if this item is not subordinate to the lien of the insured mortgage."
- C. When issuing a Mortgagee's Title Policy Binder on Interim Construction Loan, the Company shall be required to show all subordinate liens in Schedule B-Part 2 of said binder, but a statement may be made therein that such lien(s) is subordinate.

ADOPTED

Item 2006-9

P-65. Issuance of Owner Policy Required in Connection with Issuance of Mortgagee Policy.

- A. Pursuant to Sec. 2704.051, Texas Insurance Code, except as provided below, whenever any improved residential real property shall be sold and a mortgagee title insurance policy issued in connection with a lien thereon, the agent or title insurance company shall also issue an owner title insurance policy to the owner of the property.
- B. The title insurance company or title insurance agent issuing the owner title insurance policy shall charge the required premium promulgated by the commissioner.
- C. Pursuant to Sec. 2704.052, Texas Insurance Code, at or before closing and settlement, the person acquiring title may reject the issuance of the owner title insurance policy required under this rule by executing the Owner Policy Rejection Form (Form T-56).

ADOPTED

Item 2006-10

P-66. Determination of Amount of Insurance (Policy Amount)

A. Owner's Policy – Owner's Policies shall be written to protect the estate or interest in the land, e.g. fee simple, leasehold or easement.

1. Fee Simple

a. All Owner's Policies shall be issued for the amount of the current sales price of the land and any existing improvements appurtenant thereto, plus, at the option of the insured, the cost of improvements immediately contemplated to be erected thereupon. In the last instance, such policy is permitted only if the applicable exception and clause provided for in Rule P-8 are placed in the policy.

b. If no sale is being made, all Owner's Policies shall be issued for an amount equal to the value of the land and any existing improvements appurtenant thereto, plus, at the option of the insured, the cost of the improvements immediately contemplated to be erected thereupon. In the last instance, such policy is permitted only if the applicable exception and clause provided for in Rule P-8 are placed in the policy.

c. If improvements are subsequently added, a new Owner's Policy may be issued in the aggregate amount of the original Owner's Policy, plus the cost of improvements. The premium for such policy shall be as provided in R-3.

2. Leasehold: The amount of the Owner's Policy covering a leasehold estate shall, at the option of the Insured, be based upon:

a. the total amount of the rentals payable under the lease contract, or
b. the value of the land and any existing improvements, or
c. the value of the land and any existing improvements and the cost of improvements immediately contemplated to be erected thereupon. In this instance, the policy must contain the applicable exception and clause provided for in Rule P-8.

3. Easement: An Owner's Policy covering an easement estate shall be written for the amount of the value of the easement at the time the policy is issued.

4. Acquisition by the United States of America: Where improvements are located on land acquired by the United States of America and such improvements will be removed or destroyed, at the option of the United States, an Owner's Policy (Form T-11) shall be issued for the stated amount of the sales price of the land only, which price shall not include the amount paid for the existing improvements which are to be removed or destroyed.

5. Increased Value: When the value of the insured land and improvements has increased and when requested by the Insured, upon compliance with Rule P-9.a.(2), endorsement form T-34 shall be attached to the Owner's Policy upon payment of the premium set forth in R-15a.

B. Loan Policy –

1. Except as otherwise provided in this rule, all Loan Policies shall be for the amount of the loan(s) insured, when the land covered in the policy represents all of the security of the loan(s).

2. When the land covered in the policy represents only part of the security of the loan(s), then the policy shall be written in the amount of the value of such land or the amount of the loan, whichever is the lesser.

3. When requested by the insured, the policy may be issued in an amount equal to the original principal amount of the indebtedness plus legal interest (capitalized or otherwise) not to exceed twenty-five percent (25%) of the said principal amount.

4. A previously issued mortgagee policy insuring variable rate mortgage loan may, when providing for negative amortization, be reissued (or endorsed), effective as of the date of the original Loan Policy, increasing the face amount of the Loan Policy from the original principal amount of the loan to an amount not to exceed one hundred twenty-five percent (125%) of the original principal amount upon the payment of additional premium as provided in R-4.

5. When a Loan Policy is issued subsequent to either an Owner's Policy or Loan Policy pursuant to Rate Rule R-6, it shall be issued in the amount of the current unpaid balance of said indebtedness.

6. When the insured lien secures a **reverse mortgage loan**, the Loan Policy may be issued in an amount not exceeding:

1. 150% of the total advances to be made according to a plan established by the original loan agreement; or
2. the maximum amount that may be secured by the lien of the insured mortgage, as estimated by the lender according to the written lender instructions; or,
3. in the case of an FHA-insured loan, the Maximum Claim Amount as established by FHA.

ADOPTED

Item 2006-12

P-7. Name of Insured on Loan Policy of Title Insurance or Proposed Insured on Commitment for Loan Policy of Title Insurance

A. When the Department of Housing and Urban Development, the Federal Housing Administration or the Veterans' Administration, or as their names may be changed from time to time, is guaranteeing the payment of loans, or portions thereof, the Secretary of Housing and Urban Development or the Administrator of Veterans' Affairs, or as their names may be changed from time to time, may be included as one of the Insureds.

B. At the request of the proposed insured, the following may be included when describing the Proposed Insured (in the case of a Commitment) or Name of Insured (in the case of a Loan Policy):

“, and each successor in ownership of the indebtedness secured by the insured mortgage, except a successor who is an obligor under the provisions of Section 12(c) of the Conditions and Stipulations”

C. No words may be added to, deleted from or substituted for the language allowed by Section B of this rule. Section B language may not be added by or to any endorsement nor may it be inserted in an Owner's Title Policy or a Loan Title Policy Binder on Interim Construction Loan.

ADOPTED

Item 2006-14

P-21. Additional Requirements for Contents of Commitment for Title Insurance

3. As to each Commitment for Title Insurance, the following additional language shall be included in each Schedule D, together with all required information included within the blanks contained below:

"You are entitled to receive advance disclosure of settlement charges in connection with the proposed transaction to which this commitment relates. Upon your request, such disclosure will be made to you. Additionally, the name of any person, firm or corporation receiving a portion of the premium from the settlement of this transaction will be disclosed on the closing or settlement statement.

You are further advised that the estimated title premium* is:

Owners Policy \$ _____
Mortgagee Policy \$ _____
Endorsement Charges \$ _____
Other \$ _____
Total \$ _____

Of this total amount: \$ _____ (or %) will be paid to the policy issuing Title Insurance Company; \$ _____ (or %) will be retained by the issuing Title Insurance Agent; and the remainder of the estimated premium will be paid to other parties as follows:

Table with 3 columns: Amount, To Whom, For Services. It contains three rows of blank lines for inputting payment details.

"*The estimated premium is based upon information furnished to us as of the date of this Commitment for Title Insurance. Final determination of the amount of the premium will be made at closing in accordance with the Rules and Regulations adopted by the Commissioner of Insurance."

Each Title Insurance Company and each Title Insurance Agency shall, prior to usage, file its proposed Schedule D form with the State Board of Insurance; in like manner each Title Insurance Company and each Title Insurance Agent shall file all amended Schedule D forms with the Commissioner of Insurance prior to usage.

Nothing contained in this Rule P-21 shall ever be deemed or considered to require the issuance of a Commitment for Title Insurance prior to the issuance of any policy or binder for title insurance.

Each Title Insurance Agent and Title Insurance Company may, in preparing its Schedule D, use whatever reasonable format it elects, provided that such format does

not alter or delete the furnishing of the disclosures hereby required. It is the express intent of this paragraph to enable usage of electronic equipment in preparation of the required Schedule D.

ADOPTED

Item 2006-15

P-28. Requirements for Continuing Education for Title Agents and Escrow Officers

2. Definitions. The following words and terms, when used in this rule, shall have the following meanings, unless the context clearly indicates otherwise.

Provider - A statewide title insurance association, statewide title agents' association or professional association, or a local chapter of a statewide title insurance or title agents' association or professional association; an accredited college or university; a proprietary school as defined in the Texas Proprietary School Act (the Education Code, Chapter 32); the State Bar of Texas; an educational publisher; a title insurance company authorized to do business in the State of Texas; a company owning one or more title insurance companies authorized to do business in the State of Texas; a Texas public school system; or an individual accredited by any of the organizations described in this paragraph as an instructor.

ADOPTED

Item 2006-16

P-45. Texas Reverse Mortgage Endorsement (T-43)

C. The Loan Policy of Title Insurance (T-2) insuring the lien securing a reverse mortgage loan may be issued in an amount not exceeding:

1. 150% of the total advances to be made according to a plan established by the original loan agreement; or
2. The maximum amount that may be secured by the lien of the insured mortgage, as estimated by the lender according to the written lender instructions; or,
3. In the case of an FHA-insured loan, the Maximum Claim Amount as established by FHA.

ADOPTED

Item 2006-17 and Item 2006-42

SECTION IV - PROCEDURAL RULES

P-53. Rebates and Discounts Prohibited

(The sunset provision, paragraph 6, has been deleted.)

ADOPTED

Item 2006-19

Amend Administrative Rule L-1, IV A. to read as follows:

Agent licenses shall, on the date of expiration, be renewed pursuant to Texas Insurance Code 4003.002. Agent licenses shall be renewed for a period not to exceed two years and expire on the date designated by the Title Division of the Department. If an agent holds two or more licenses, each license held by the agent shall, on the date of expiration, be renewed with an expiration date to coincide with the expiration date of the initial license issued to the Title Agent or renewed by the Title Agent pursuant to this paragraph. Unless revoked, terminated, cancelled or previously surrendered by the holder, the department shall send written notice of renewal to each agent at least 45 days prior to the expiration date of such license. In the event that the license is not renewed by the agent by the expiration date, the department shall, within 45 days after the license expires, send written notice of expiration to the agent. Failure of the department to send written notice of renewal or expiration shall not, in any event, toll the expiration date of the agent license nor prejudice any enforcement action brought by the department.

ADOPTED

Item 2006-22

Basic Manual – Section V. Exhibits and Forms

**MINIMUM STANDARDS, SPECIFIC INSTRUCTIONS AND REPORT FORMS FOR
AUDIT OF TRUST FUNDS REQUIRED OF TEXAS TITLE INSURANCE AGENTS,
DIRECT OPERATIONS, TITLE ATTORNEYS, AND ATTORNEYS LICENSED AS
ESCROW OFFICERS POLICY GUARANTY FEE AND GUARANTY ASSESSMENT
RECOUPMENT CHARGE**

The escrow agent's policy guaranty fee escrow account and the guaranty assessment recoupment charge escrow account, if agent opts to maintain these accounts separate from agent's standard audited escrow account maintained in the ordinary course of business, should be audited annually. The scope of these minimum requirements should be expanded accordingly to include these accounts. These fees must be retained in or deposited directly into an escrow or trust account and remitted quarterly to the Texas Title Insurance Guaranty Association. Appropriate procedures must be utilized to determine that amounts collected and remitted are reasonable and that funds are maintained properly in an escrow or trust account.

ADOPTED

OWNER'S POLICY OF TITLE INSURANCE (T-1)

Issued by

Blank Title Insurance Company

Any notice of claim and any other notice or statement in writing required to be given the Company under this Policy must be given to the Company at the address shown in Section 18 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS, BLANK TITLE INSURANCE COMPANY, a Blank corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from:
 - (a) A defect in the Title caused by:
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding.
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
 - (d) Any statutory or constitutional mechanic's, contractor's, or materialman's lien for labor or materials having its inception on or before Date of Policy.
3. Lack of good and indefeasible Title.

4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting or relating to:
 - (a) the occupancy, use or enjoyment of the Land;
 - (b) the character, dimensions or location of any improvement erected on the Land;
 - (c) subdivision of land; or
 - (d) environmental protection

if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.

6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.

9. Title being vested other than as stated in Schedule A or being defective:

(a) as a result of the avoidance in whole or in part, or from a court order providing an alternative remedy, of a transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction vesting Title as shown in Schedule A because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency or similar creditors' rights laws; or

(b) because the instrument of transfer vesting Title as shown in Schedule A constitutes a preferential transfer under federal bankruptcy, state insolvency or similar creditors' rights laws by reason of the failure of its recording in the Public Records:

- (i) to be timely, or
- (ii) to impart notice of its existence to a purchaser for value or a judgment or lien creditor.

10. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 9 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of any matter insured against by this Policy, but only to the extent provided in the Conditions.

[Witness clause optional]

BLANK TITLE INSURANCE COMPANY

BY:

PRESIDENT

BY:

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 that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting or relating to:

(i) the occupancy, use, or enjoyment of the Land;

(ii) the character, dimensions or location of any improvement erected on the Land;

(iii) subdivision of land; or

(iv) environmental protection;

or the effect of any violation of these laws, ordinances or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.

2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.

3. Defects, liens, encumbrances, adverse claims or other matters:

(a) created, suffered, assumed or agreed to by the Insured Claimant;

(b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

(c) resulting in no loss or damage to the Insured Claimant;

(d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or

(e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.

4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is:

(a) a fraudulent conveyance or fraudulent transfer; or

(b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.

5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

6. The refusal of any person to purchase, lease or lend money on the estate or interest covered hereby in the land described in Schedule A because of Unmarketable Title.

SCHEDULE A

Name and Address of Title Insurance Company:

[File No.:] Policy No.:

[Address for Reference only:]

Amount of Insurance: \$ [Premium: \$]

Date of Policy: [at a.m./p.m.]

1. Name of Insured:

2. The estate or interest in the Land that is insured by this policy is:

3. Title is insured as vested in:

4. The Land referred to in this policy is described as follows:

SCHEDULE B

[File No.] Policy No.

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of the terms and conditions of the leases and easements, if any, shown in Schedule A, and the following matters:

1. The following restrictive covenants of record itemized below (the Company must either insert specific recording data or delete this exception):

2. Any discrepancies, conflicts, or shortages in area or boundary lines, or any encroachments or protrusions, or any overlapping of improvements.

3. Homestead or community property or survivorship rights, if any, of any spouse of any Insured.

4. Any titles or rights asserted by anyone, including but not limited to, persons, the public, corporations, governments or other entities,

a. to tidelands, or lands comprising the shores or beds of navigable or perennial rivers and streams, lakes, bays, gulfs or oceans, or

b. to lands beyond the line of the harbor or bulkhead lines as established or changed by any government, or

c. to filled-in lands, or artificial islands, or

d. to statutory water rights, including riparian rights, or

e. to the area extending from the line of mean low tide to the line of vegetation, or the right of access to that area or easement along and across that area.

5. Standby fees, taxes and assessments by any taxing authority for the year ____, and subsequent years; and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, Texas Tax Code, or because of improvements not assessed for a previous tax year.

6. The following matters and all terms of the documents creating or offering evidence of the matters (The Company must insert matters or delete this exception).:

CONDITIONS

1. DEFINITION OF TERMS.

The following terms when used in this policy mean:

(a) "Amount of Insurance": the amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b), or decreased by Sections 10 and 11 of these Conditions.

(b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.

(c) "Entity": A corporation, partnership, trust, limited liability company or other similar legal entity.

(d) "Insured": the Insured named in Schedule A.

(i) The term "Insured" also includes:

(A) successors to the Title of the Insured by operation of law as distinguished from purchase, including heirs, devisees, survivors, personal representatives or next of kin;

(B) successors to an Insured by dissolution, merger, consolidation, distribution or reorganization;

(C) successors to an Insured by its conversion to another kind of Entity;

(D) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title;

(1) If the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,

(2) If the grantee wholly owns the named Insured,

(3) If the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity, or

(4) If the grantee is a trustee or beneficiary of a trust created by a written instrument established by the Insured named in Schedule A for estate planning purposes.

(ii) With regard to (A), (B), (C) and (D) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured.

(e) "Insured Claimant": an Insured claiming loss or damage.

(f) "Knowledge" or "Known": actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.

(g) "Land": the land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.

(h) "Mortgage": mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.

(i) "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. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.

(j) "Title": the estate or interest described in Schedule A.

(k) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title to be released from the obligation to purchase, lease or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE.

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT.

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) below, or (ii) in case Knowledge shall come to an Insured hereunder of any claim of title or interest that is adverse to the Title, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

When, after the Date of the Policy, the Insured notifies the Company as required herein of a lien, encumbrance, adverse claim or other defect in Title insured by this policy that is not excluded or excepted from the coverage of this policy, the Company shall promptly investigate the charge to determine whether the lien, encumbrance, adverse claim or defect or other matter 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 lien, encumbrance, adverse claim or defect is not covered by this policy, or was otherwise addressed in the closing of the transaction in connection with which this policy was issued, the Company shall specifically advise the Insured of the reasons for its determination. If the Company concludes that the lien, encumbrance, adverse claim or defect is valid, the Company shall take one of the following actions: (i) institute the necessary proceedings to clear the lien, encumbrance, adverse claim or defect from the Title as insured; (ii) indemnify the Insured as provided in this policy; (iii) upon payment of appropriate premium and charges therefor, issue to the Insured Claimant or to a subsequent owner, mortgagee or holder of the estate or interest in the Land insured by this policy, a policy of title insurance without exception for the lien, encumbrance, adverse claim or defect, said policy to be in an amount equal to the current value of the Land or, if a mortgagee policy, the amount of the loan; (iv) indemnify another title insurance company in connection with its issuance of a policy(ies) of title insurance without exception for the lien, encumbrance, adverse claim or defect; (v) secure a release or other document discharging the lien, encumbrance, adverse claim or defect; or (vi) undertake a combination of (i) through (v) herein.

4. PROOF OF LOSS.

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS.

(a) Upon written request by the Insured, and subject to the options contained in Sections 3 and 7 of these Conditions, 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 covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters 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. It 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 that allege matters not insured against by this policy.

(b) The Company shall have the right, in addition to the options contained in Sections 3 and 7, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title, as insured, or to prevent or

reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.

(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction and it expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order. When the Company has reasonable grounds to dispute coverage under this policy, the Company may reserve its rights to pay the claim and the costs of defense and seek reimbursement from the Insured for all amounts paid for which there was no coverage.

6. DUTY OF INSURED CLAIMANT TO COOPERATE.

(a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

(b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

(c) If the Insured demands that the Company accept a settlement offer that is not greater than the Amount of Insurance or if the Insured expressly agrees that a settlement offer should be accepted, the Company has a right to be reimbursed if it has timely asserted its reservation of rights and notified the Insured that it intends to seek reimbursement if it pays to settle or defend a claim that is not covered by the policy.

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

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.

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 that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in this subsection, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

(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. In addition, the Company will pay any costs, attorneys' fees and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that 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 that were authorized by the Company up to the time of payment and that the Company is obligated to pay. Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY.

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.

(a) The extent of liability of the Company for loss or damage under this policy shall not exceed the lesser of:

(i) the Amount of Insurance; or

(ii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy.

(b) If the Company pursues its rights under Section 3 or 5 and is unsuccessful in establishing the Title, as insured,

(i) the Amount of Insurance shall be increased by 10%, and

(ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.

(c) In addition to the extent of liability under (a) and (b), the Company will also pay those costs, attorneys' fees and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY.

(a) If the Company establishes the Title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the Land, all as insured, or takes action in accordance with Section 3 or 7, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

(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, adverse to the Title, as insured.

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

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the Amount of Insurance by the amount of the payment.

11. LIABILITY NONCUMULATIVE.

The Amount of Insurance shall be reduced by any amount the Company pays under any policy insuring a Mortgage to which exception is taken in Schedule B or to which the Insured has agreed, assumed, or taken subject or which is executed by an Insured after Date of Policy and which is a charge or lien on the Title, and the amount so paid shall be deemed a payment to the Insured under this policy.

12. PAYMENT OF LOSS.

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

13. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT.

(a) Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Company's right of subrogation includes the rights of the Insured to indemnities, guaranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

14. ARBITRATION.

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. 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 in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured, unless the Insured is an individual person (as

distinguished from an Entity). All arbitrable matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.

(a) This policy together with all endorsements, if any, attached to it 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.

(b) Any claim of loss or damage that arises out of the status of the Title or by any action asserting such claim, shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy or (iv) increase the Amount of Insurance. Each Commitment, endorsement or other form, or provision in the Schedules to this policy that refers to a term defined in Section 1 of the Conditions shall be deemed to refer to the term regardless of whether the term is capitalized in the Commitment, endorsement or other form, or Schedule. Each Commitment, endorsement or other form, or provision in the Schedules that refers to the Conditions and Stipulations shall be deemed to refer to the Conditions of this policy.

16. SEVERABILITY.

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

17. CHOICE OF LAW; FORUM.

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title that are adverse to the Insured, and in interpreting and enforcing the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of laws principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

18. NOTICES, WHERE SENT.

Any notice of claim and any other notice or statement in writing required to be given the Company under this Policy must be given to the Company at [fill in].

NOTE: Bracketed [] material optional
Form T-1: Owner's Policy of Title Insurance

ADOPTED

LOAN POLICY OF TITLE INSURANCE (T-2)

Issued by

Blank Title Insurance Company

Any notice of claim and any other notice or statement in writing required to be given the Company under this Policy must be given to the Company at the address shown in Section 17 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS, BLANK TITLE INSURANCE COMPANY, a Blank corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 11, 13 and 14, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from:
 - (a) A defect in the Title caused by:
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding.
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Lack of good and indefeasible Title.
4. No right of access to and from the Land.

5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting or relating to:

- (a) the occupancy, use or enjoyment of the Land;
- (b) the character, dimensions or location of any improvement erected on the Land;
- (c) subdivision of land; or
- (d) environmental protection

if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.

6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.

7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.

8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.

9. The invalidity or unenforceability of the lien of the Insured Mortgage upon the Title. This Covered Risk includes but is not limited to insurance against loss from any of the following impairing the lien of the Insured Mortgage:

- (a) forgery, fraud, undue influence, duress, incompetency, incapacity or impersonation;
- (b) failure of any person or Entity to have authorized a transfer or conveyance;
- (c) the Insured Mortgage not being properly created, executed, witnessed, sealed, acknowledged, notarized or delivered;
- (d) failure to perform those acts necessary to create a document by electronic means authorized by law;
- (e) a document executed under a falsified, expired or otherwise invalid power of attorney;
- (f) a document not properly filed, recorded or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
- (g) a defective judicial or administrative proceeding.

10. The lack of priority of the lien of the Insured Mortgage over any other lien or encumbrance.

11. The lack of priority of the lien of the Insured Mortgage

(a) as security for each and every advance of proceeds of the loan secured by the Insured Mortgage over any statutory or constitutional mechanic's, contractor's, or materialman's lien for services, labor or material having its inception on or before Date of Policy ; and

(b) over the lien of any assessments for street improvements under construction or completed at Date of Policy.

12. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens.

13. The invalidity, unenforceability, lack of priority or avoidance of the lien of the Insured Mortgage:

(a) resulting from the avoidance in whole or in part, or from a court order providing an alternative remedy, of any transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction creating the lien of the Insured Mortgage because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency or similar creditors' rights laws; or

(b) because the Insured Mortgage constitutes a preferential transfer under federal bankruptcy, state insolvency or similar creditors' rights laws by reason of the failure of its recording in the Public Records:

(i) to be timely, or

(ii) to impart notice of its existence to a purchaser for value or a judgment or lien creditor.

14. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 13 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the Insured Mortgage in the Public Records.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of any matter insured against by this Policy, but only to the extent provided in the Conditions.

[Witness clause optional]

BLANK TITLE INSURANCE COMPANY

BY:

PRESIDENT

BY:

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 that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting or relating to:

(i) the occupancy, use, or enjoyment of the Land;

(ii) the character, dimensions or location of any improvement erected on the Land;

(iii) subdivision of land; or

(iv) environmental protection;

or the effect of any violation of these laws, ordinances or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.

2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.

3. Defects, liens, encumbrances, adverse claims or other matters:

(a) created, suffered, assumed or agreed to by the Insured Claimant;

(b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

(c) resulting in no loss or damage to the Insured Claimant;

(d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13 or 14); or

(e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.

4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing business laws of the state where the Land is situated.

5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth in lending law.

6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is:

(a) a fraudulent conveyance or fraudulent transfer; or

(b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.

7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

8. The refusal of any person to purchase, lease or lend money on the estate or interest covered hereby in the land described in Schedule A because of Unmarketable Title.

SCHEDULE A

Name and Address of Title Insurance Company:

[File No.:] Policy No.:

Loan No.:

[Address for Reference only:]

Amount of Insurance: \$ [Premium: \$]

Date of Policy: [at a.m./p.m.]

1. Name of Insured:

2. The estate or interest in the Land that is encumbered by the Insured Mortgage is:

3. Title is insured as vested in:

4. The Insured Mortgage, and its assignments, if any, are described as follows:

5. The Land referred to in this policy is described as follows:

6. This policy incorporates by reference those endorsements selected below:

T-5 (Leasehold Mortgagee Policy Endorsement)

T-17 (Planned Unit Development) The following subparagraphs of this endorsement are deleted: _____

T-19 (Restrictions, Encroachments, Minerals) The following subparagraph(s) of this endorsement are deleted: _____

T-28 (Condominium) The following subparagraph(s) of this endorsement are deleted:

 T-30 (Tax Deletion)

T-31 (Manufactured Housing) referring to manufactured housing unit serial number _____

T-31.1 (Supplemental Coverage Manufactured Housing Unit)

T-33 (Variable Rate)

T-33.1 (Variable Rate--Negative Amortization)

T-35 (Revolving Credit/Future Advance)

T-36 (Environmental Protection Lien) Paragraph b refers to the following state statute(s):

T-39 (Balloon Mortgage)

T-42 (Equity Loan Mortgage) and subparagraph 2 (f) of the Equity Loan Mortgage Endorsement set forth in Procedural Rule P-44.C(2) ___ is ___ is not added. The following subparagraph(s) of this endorsement are deleted: _____

T-42.1 (Supplemental Coverage Equity Loan Mortgage) The following subparagraph(s) of this endorsement are deleted: _____ T-43 (Texas Reverse Mortgage) The following subparagraph(s) of this endorsement are deleted: _____]

Section 13 of the Conditions of this policy, which relates to Arbitration, is hereby deleted.

The Company may insert or preprint all or part of paragraph 6 as applicable and may delete boxes or substitute lines for boxes. The Company also may substitute the following at the beginning of paragraph 6: "This policy incorporates by reference those endorsements shown below:"

SCHEDULE B

[File No.] Policy No.

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of the terms and conditions of leases and easements, if any, shown in Schedule A, and the following matters:

1. The following restrictive covenants of record itemized below, but the Company insures that any such restrictive covenants have not been violated so as to affect, and that future violation thereof will not affect, the validity or priority of the Insured Mortgage (insert specific recording data or delete this exception):

2. Any discrepancies, conflicts, or shortages in area or boundary lines, or any encroachments or protrusions, or any overlapping of improvements.

Item 2 of Schedule B is hereby amended to read: "shortages in area".

3. Standby fees, taxes and assessments by any taxing authority for the year ____, and subsequent years; and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, Texas Tax Code, or because of improvements not assessed for a previous tax year.

Item 3 of Schedule B is hereby amended to delete: "and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership,"

Item 3 of Schedule B is hereby to add the following: "Company insures that standby fees, taxes and assessments by any taxing authority for the year ____ are not yet due and payable."

4. Liens and leases that affect the Title, but that are subordinate to the lien of the Insured Mortgage.

5. (Insert here all other specific exceptions as to superior liens, easements, outstanding mineral and royalty interests, etc.)

[The Company may substitute lines for boxes or delete the boxes and incorporate any applicable change to the exception above in the exception.]

CONDITIONS

1. DEFINITION OF TERMS.

(a) "Amount of Insurance": the amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b), or decreased by Section 10 of these Conditions.

(b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.

(c) "Entity": A corporation, partnership, trust, limited liability company or other similar legal entity.

(d) "Indebtedness": The obligation secured by the Insured Mortgage including one evidenced by electronic means authorized by law, and if that obligation is the payment of a debt, the Indebtedness is the sum of:

(i) the amount of the principal disbursed as of Date of Policy;

(ii) the amount of the principal disbursed subsequent to Date of Policy;

(iii) construction loan advances made subsequent to Date of Policy for the purpose of financing in whole or in part the construction of an improvement to the Land or related to the Land that the Insured was and continued to be obligated to advance at Date of Policy and at the date of the advance;

(iv) interest on the loan;

(v) prepayment premiums, exit fees and other similar fees or penalties allowed by law;

(vi) expenses of foreclosure and any other costs of enforcement;

(vii) amounts advanced to assure compliance with laws or to protect the lien or the priority of the lien of the Insured Mortgage before the acquisition of the estate or interest in the Title;

(viii) amounts to pay taxes and insurance; and,

(ix) reasonable amounts expended to prevent deterioration of improvements;

but reduced by the total of all payments and by any amount forgiven by an Insured.

(e) "Insured": the Insured named in Schedule A.

(i) The term "Insured" also includes:

(A) the owner of the Indebtedness and each successor in ownership of the Indebtedness, whether the owner or successor owns the Indebtedness for its own account or as a trustee or other fiduciary, except a successor who is an obligor under the provisions of Section 12(c) of these Conditions;

(B) if the Indebtedness is evidenced by a "transferable record," the person or Entity who has "control" of the "transferable record," as these terms are defined by applicable electronic transactions law;

(C) successors to an Insured by dissolution, merger, consolidation, distribution or reorganization;

(D) successors to an Insured by its conversion to another kind of Entity;

(E) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title:

(1) If the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,

(2) If the grantee wholly owns the named Insured, or

(3) If the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity;

(F) any government agency or instrumentality that is an insurer or guarantor under an insurance contract or guaranty insuring or guaranteeing the Indebtedness secured by the Insured Mortgage, or any part of it, whether named as an Insured or not;

(ii) With regard to (A), (B), (C), (D) and (E) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured, unless the successor acquired the Indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance or other matter insured against by this policy.

(f) "Insured Claimant": an Insured claiming loss or damage.

(g) "Insured Mortgage": the Mortgage described in paragraph 4 of Schedule A.

(h) "Knowledge" or "Known": actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.

(i) "Land": the land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond

the lines of the area described in Schedule A, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.

(j) "Mortgage": mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.

(k) "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. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.

(l) "Title": the estate or interest described in Schedule A.

(m) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title or a prospective purchaser of the Insured Mortgage to be released from the obligation to purchase, lease or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE.

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured after acquisition of the Title by an Insured or after conveyance by an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT.

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) below, or (ii) in case Knowledge shall come to an Insured of any claim of title or interest that is adverse to the Title or the lien of the Insured Mortgage, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

Subject to the provisions of this policy, upon acquisition of all or any part of the Title pursuant to the provisions of Section 2 of these Conditions, when, after the Date of the Policy, the Insured notifies the Company as required herein of a lien, encumbrance, adverse claim or other defect in Title insured by this policy that is not excluded or excepted from the coverage of this policy, the Company shall promptly investigate the charge to determine whether the lien, encumbrance, adverse claim or defect or other matter 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 lien, encumbrance, adverse claim or defect is not covered by this policy, or was otherwise addressed in the closing of the transaction in connection with which this policy was issued, the Company shall specifically advise the Insured of the reasons for its determination. If the Company concludes that the lien, encumbrance, adverse claim or defect is valid, the Company shall take one of the following actions: (i) institute the necessary proceedings to clear the lien, encumbrance, adverse claim or defect from the Title as insured; (ii) indemnify the Insured as

provided in this policy; (iii) upon payment of appropriate premium and charges therefor, issue to the Insured Claimant or to a subsequent owner, mortgagee or holder of the estate or interest in the Land insured by this policy, a policy of title insurance without exception for the lien, encumbrance, adverse claim or defect, said policy to be in an amount equal to the current value of the Land or, if a mortgagee policy, the amount of the loan; (iv) indemnify another title insurance company in connection with its issuance of a policy(ies) of title insurance without exception for the lien, encumbrance, adverse claim or defect; (v) secure a release or other document discharging the lien, encumbrance, adverse claim or defect; or (vi) undertake a combination of (i) through (v) herein.

4. PROOF OF LOSS.

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS.

(a) Upon written request by the Insured, and subject to the options contained in Sections 3 and 7 of these Conditions, 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 covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters 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. It 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 that allege matters not insured against by this policy.

(b) The Company shall have the right, in addition to the options contained in Sections 3 and 7, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title or the lien of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.

(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction and it expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order. When the Company has reasonable grounds to dispute coverage under this policy, the Company may reserve its rights to pay the claim and the costs of defense and seek reimbursement from the Insured for all amounts paid for which there was no coverage.

6. DUTY OF INSURED CLAIMANT TO COOPERATE.

(a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the

right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title, the lien of the Insured Mortgage, or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

(b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

(c) If the Insured demands that the Company accept a settlement offer that is not greater than the Amount of Insurance or if the Insured expressly agrees that a settlement offer should be accepted, the Company has a right to be reimbursed if it has timely asserted its reservation of rights and notified the Insured that it intends to seek reimbursement if it pays to settle or defend a claim that is not covered by the policy.

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

In case of a claim under this policy, the Company shall have the following additional options:

(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 that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay; or

(ii) to purchase the Indebtedness for the amount of the Indebtedness on the date of purchase, together with any costs, attorneys' fees and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of purchase and that the Company is obligated to pay.

When the Company purchases the Indebtedness, the Insured shall transfer, assign, and convey to the Company the Indebtedness and the Insured Mortgage, together with any collateral security.

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

(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. In addition, the Company will pay any costs, attorneys' fees and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that 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 that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

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

8. DETERMINATION AND EXTENT OF LIABILITY.

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.

(a) The extent of liability of the Company for loss or damage under this policy shall not exceed the least of:

(i) the Amount of Insurance;

(ii) the Indebtedness;

(iii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy; or

(iv) if a government agency or instrumentality is the Insured Claimant, the amount it paid in the acquisition of the Title or the Insured Mortgage in satisfaction of its insurance contract or guaranty.

(b) If the Company pursues its rights under Section 3 or 5 and is unsuccessful in establishing the Title or the lien of the Insured Mortgage, as insured,

(i) the Amount of Insurance shall be increased by 10%, and

(ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.

(c) In the event the Insured has acquired the Title in the manner described in Section 2 of these Conditions or has conveyed the Title, then the extent of liability of the Company shall continue as set forth in Section 8(a) of these Conditions.

(d) In addition to the extent of liability under (a), (b) and (c), the Company will also pay those costs, attorneys' fees and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY.

(a) If the Company establishes the Title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the Land, or establishes the lien of the Insured Mortgage, all as insured, or takes action in accordance with Section 3 or 7, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

(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, adverse to the Title or to the lien of the Insured Mortgage, as insured.

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

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.

(a) All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the Amount of Insurance by the amount of the payment. However, any payments made prior to the acquisition of Title as provided in Section 2 of these Conditions shall not reduce the Amount of Insurance afforded under this policy except to the extent that the payments reduce the Indebtedness.

(b) The voluntary satisfaction or release of the Insured Mortgage shall terminate all liability of the Company except as provided in Section 2 of these Conditions.

11. PAYMENT OF LOSS.

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

12. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT.

(a) The Company's Right to Recover.

Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title or Insured Mortgage and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Insured's Rights and Limitations.

(i) The owner of the Indebtedness may release or substitute the personal liability of any debtor or guarantor, extend or otherwise modify the terms of payment, release a portion of the Title from the lien of the Insured Mortgage, or release any collateral security for the Indebtedness, if it does not affect the enforceability or priority of the lien of the Insured Mortgage.

(ii) If the Insured exercises a right provided in (b)(i), but has Knowledge of any claim adverse to the Title or the lien of the Insured Mortgage insured against by this policy, the Company shall be required to pay only that part of any losses insured against by this policy that shall exceed the amount, if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.

(c) The Company's Rights Against Non-insured Obligors.

The Company's right of subrogation includes the Insured's rights against non-insured obligors including the rights of the Insured to indemnities, guaranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights. The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor (except an obligor described in Section 1(e)(i)(F) of these Conditions) who acquires the Insured Mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond and the obligor will not be an Insured under this policy.

13. ARBITRATION.

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. 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 in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured, unless the Insured is an individual person (as distinguished from an Entity). All arbitrable matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

14. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.

(a) This policy together with all endorsements, if any, attached to it 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.

(b) Any claim of loss or damage that arises out of the status of the Title or lien of the Insured Mortgage or by any action asserting such claim, shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy or (iv) increase the Amount of Insurance. Each Commitment, endorsement or other form, or provision in the Schedules to this policy that refers to a term defined in Section 1 of the Conditions shall be deemed to refer to the term regardless of whether the term is capitalized in the Commitment, endorsement or other form, or Schedule. Each Commitment, endorsement or other form, or provision in the Schedules that refers to the Conditions and Stipulations shall be deemed to refer to the Conditions of this policy.

15. SEVERABILITY.

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

16. CHOICE OF LAW; FORUM.

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title or the lien of the Insured Mortgage that are adverse to the Insured, and in interpreting and enforcing the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of laws principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

17. NOTICES, WHERE SENT. Any notice of claim and any other notice or statement in writing required to be given the Company under this Policy must be given to the Company at [fill in].

NOTE: Bracketed [] material optional
(Form T-2: Loan Policy of Title Insurance)

ADOPTED

Item 2006-27

P-1. Definitions

- a. Land---The land described, specifically or by reference, and improvements affixed thereto which by law constitute real property.
- b. Company---Any Title Insurance Company and/or any Title Insurance Agent or direct operation each as herein defined.
- c. Board---The State Board of Insurance of the State of Texas. A reference to the State Board of Insurance means the Commissioner of Insurance or the Texas Department of Insurance, as consistent with the respective power and duties of the Commissioner and the department.
- d. Policy---Any contract of title insurance, the form for which is prescribed by the Commissioner.
- e. Title Examination---The search and examination of a title to determine the conditions of the title to be insured and to evaluate the risk to be undertaken in the issuance of a title insurance policy or other title insurance form.
- f. Closing the Transaction---The investigation made on behalf of a title insurance company, title insurance agent or direct operation before the actual issuance of the title policy to determine proper execution, acknowledgment and delivery of all conveyances, mortgage papers, and other title instruments which may be necessary to the consummation of the transaction and includes the determination that all delinquent taxes are paid, all current taxes, based on the latest available information, have been properly prorated between the purchaser and seller in the case of an Owner's Policy, the consideration has been passed, all proceeds have been properly disbursed, a final search of the title has been made, and all necessary papers have been filed for record. The foregoing definition does not prevent voluntary assistance rendered by the Company as a convenience to a party to the transaction, although not necessary to the closing of the transaction and issuance of the policy (such as receiving and disbursing Insurance , money for the mortgagee, furnishing copies of restrictions, prorating insurance and rents, etc.), so long as the same does not violate the provisions of Chapter 2502, Texas Code prohibiting rebates, discounts, etc. The Company may specify the requirements necessary for the issuance of title insurance, but it is the responsibility of the applicant for the insurance to meet such requirements. It is not the responsibility of the Company to cure defects of title, nor to perform escrow or other services extraneous to closing the transaction. The premium does not include the cost of legal services performed for the benefit of anyone other than the Company. Legal services as here referred to, are those constituting the practice of law, and shall, accordingly, be performed only by Attorneys at Law, licensed to practice law in Texas.
- g. Insuring Around---Refer to Rule P-11 for definition.

- h. Title Insurance Agent---A person, firm, association or corporation owning or leasing and controlling an abstract plant or participating in a bona fide joint abstract plant operation, and authorized in writing by a title insurance company to solicit insurance and collect premiums and to issue or countersign policies in its behalf.
- i. Abstract Plant---A geographically arranged abstract plant, currently kept to date, that is adequate for use in insuring titles, so as to provide for the safety and protection of the policyholders. An abstract plant as further defined in Rule P-12 and as further provided for in the Insurance Code, Chapter 2501.003 and Chapter 2502, must include an abstract plant for each county in which a title insurance agent or direct operation maintains an office.
- j. Endorsement---The form promulgated by the Commissioner for use in amending policies as prescribed by the rules.
- k. Person---As used in these rules, "person" includes individuals, corporations, associations, partnerships, trusts and estates.
- l. Title Insurance Company---Any domestic company organized under the provisions of Title 11, Insurance Code, for the purpose of conducting the business of title insurance, any title insurance company organized under the laws of another state, or foreign government meeting the requirements of Title 11, Insurance Code, and holding a certificate of authority to transact business in Texas and any domestic or foreign company having a certificate of authority to insure titles to real estate within this state and which meets the requirements of Title 11, Insurance Code.
- m. Date of the Original Indebtedness---The date of the original indebtedness as used in Rule R-8 is the stated date of the Loan Policy of Title Insurance first issued to insure the lien securing the indebtedness described in such Loan Policy without consideration of any Endorsement subsequently placed upon such Loan Policy.
- n. Fiscal Year---An accounting period of twelve (12) months (or less) designated in writing prior to usage and filed with the Title Insurance Section of the Texas Department of Insurance. For the purpose of audits of trust fund accounts, provided, however, no such designation shall extend any audit period beyond twelve (12) months.
- o. Verifying The Services Rendered---As used in Procedural Rule P-22, this term shall require completion of promulgated Form T-00, Failure to substantially complete Form T-00 is a violation of Procedural Rule P-22. A copy of the completed T-00 form shall be made available to all parties to a transaction upon request.
- p. Title Insurance---Insuring, guaranteeing or indemnifying owners of real property or others interested therein against loss or damage suffered by reason of liens, encumbrances upon, or defects in the title to said property, or the invalidity or impairment of liens thereon, or doing any business in substance equivalent to

any of the foregoing in a manner designed to evade the provisions of Title 11, Insurance Code.

- q. The business of title insurance---(1) the making as insurer, guarantor or surety, or proposing to make as insurer, guarantor or surety, of any contract or policy of title insurance or any equivalent thereof; (2) the transacting or proposing to transact, any phase of title insurance, including solicitation, title examination, except when conducted by an attorney, closing the transaction, except when conducted by an attorney, execution of a contract of title insurance, insuring and transacting matters subsequent to the execution of the contract and arising out of it, including reinsurance; (3) the making of a guaranty or warranty of a title search, a title examination, or any component thereof by a person other than the one performing the search or examination; or (4) the doing or proposing to do, any business in substance equivalent to any of the foregoing whether or not designed to evade the provisions of Title 11, Insurance Code.
- r. Commissioner---The Commissioner of Insurance of the State of Texas.
- s. Escrow Officer---An attorney, or bona fide employee of either an attorney licensed as an escrow officer, bona fide employee of a title insurance agent, or bona fide employee of a direct operation whose duties include any or all of the following: (1) countersigning title insurance forms; or (2) supervising the preparation and supervising the delivery of title insurance forms; (3) signing escrow checks; or (4) closing the transaction.
- t. Foreign Title Insurance Company---A title insurance company organized under the laws of any jurisdiction other than the State of Texas.
- u. Residential real property---
 - (1) Any real property which has improvements thereon designed principally for the occupancy of from one to four families (including individual units of condominiums and cooperatives) and either (a) situated in a platted subdivision of record, or (b) consisting of five acres or less, or
 - (2) Any real property which has improvements thereon designed principally for the occupancy of from one to four families and consisting of more than five acres but not more than 200 acres used for agricultural production by individual insureds (according to the information known by the Company at the time of issuance of the policy of title insurance).
- v. Thing of value---Includes any payment, advance, funds, loan, service, or other consideration.
- w. Premium---The rate promulgated by the Commissioner pursuant to Chapter 2703, Insurance Code, including the charges of title examination and for closing the transaction, whether or not performed by an attorney, and for issuance of a policy.
- x. Attorney---A person who is both licensed to practice law and a member of the State Bar of Texas, including a Texas professional corporation organized for the purpose of rendering professional legal services.

- y. Direct Operation---The operations of a title insurance company under the authority of a license issued under Subchapter B of Chapter 2651, Insurance Code. Whenever the term "title insurance agent" is used it shall be construed to include "direct operation" unless the context indicates to the contrary.
- z. Furnishing title evidence---Providing information regarding instruments affecting title to a tract of land, going back not less than 25 years or such greater period of time as is necessary to determine the ownership and appropriate liens, encumbrances upon or defects in the title. The information must include, at a minimum, the following:
 - 1. Grantor of each instrument;
 - 2. Grantee of each instrument;
 - 3. Type of each instrument;
 - 4. Recording information of each instrument;
 - 5. Copy of each instrument as needed by the examiner.

It is not required that the information include:

- 1. Following the title to a right of way or easement, or showing instruments executed by the grantee in such right of way or easement, other than amendments to such right of way or easement;
- 2. Following the title to an oil, gas, or mineral lease or interest.

In considering the necessary length of time to determine ownership and search the title, the searcher may be authorized by the title insurance company to accept what it considers prior indicia of title. Prior indicia of title include, for example, a prior title policy, a final order of a court of competent jurisdiction determining the entire title, or, on subdivision tracts, the base title of the dedicated subdivision

- aa. Directly Issued Policy---A title insurance policy issued and countersigned by a duly authorized officer, or employee, of a title insurance company, whose principal activities performed on behalf of such title insurance company take place in one or more designated offices maintained by the title insurance company located in the State of Texas, and which address is designated in writing and placed on file with the Title Insurance Section of the Texas Department of Insurance.
- bb. Owner's Policy---The Owner's Policy of Title Insurance (Form T-1) or the Residential Owner Policy of Title Insurance - One-To-Four family Residences (Form T-1R). Any rule referring to the Owner's Policy shall apply to both forms unless the Rule refers to the specific Form number. Unless a rule expressly requires the use of the Owner's Policy of Title Insurance (Form T-1) a title insurance company may use the Residential Owner Policy of Title Insurance - One-To-Four Family Residences (Form T-1R) if the property has any improvements thereon designed for the occupancy of from one to four families. Each Rule, endorsement or other form, or provision in the Schedules or in an endorsement to the Owner's Policy (T-1) that refers to a term defined in Section

1 of the Conditions of the Owner's Policy (T-1) shall be deemed to refer to the term regardless of whether the term is capitalized in the Rule, endorsement or other form, or Schedule. Each Rule, endorsement or other form, or provision in the Schedules that refers to the Conditions and Stipulations of the Owner's Policy (T-1) shall be deemed to refer to the Conditions of the Owner's Policy (T-1). Wherever in the Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas ("Basic Manual"), including an amendment, revision or re-adoption of a provision of the Basic Manual, the term "Owner Policy" is found, it shall mean "Owner's Policy". Insuring forms and other promulgated forms may be produced with the revised term.

- cc. Commitment for Title Insurance---A commitment for title insurance is a title insurance form that offers to issue a title policy subject to stated exceptions, requirements, and terms. The term includes a mortgagee title policy binder on an interim construction loan. The commitment, mortgagee title policy binder on an interim construction loan, title policy, or other insurance form is not an abstract of title. The commitment or binder constitutes a statement of the terms and conditions on which the title insurance company is willing to issue its policy. The title insurance policy or other insurance form constitutes a statement of the terms and conditions of the indemnity under the title insurance policy or other form. An abstract of title prepared from an abstract plant for a chain of title of real property described in the abstract of title is not title insurance, a commitment for title insurance or any other title insurance form.
- dd. Department---The Texas Department of Insurance
- ee. Loan Policy---The Loan Policy of Title Insurance (Form T-2) or the Texas Short Form Residential Mortgagee Policy of Title Insurance (Form T-2R). Any rule referring to the Loan Policy or Loan Title Policy or T-2 shall apply to both forms unless the Rule specifically refers to the Texas Short Form Residential Mortgagee Policy of Title Insurance (Form T-2R). Each Rule, endorsement or other form, or provision in the Schedules or in an endorsement to the Loan Policy that refers to a term defined in Section 1 of the Conditions of the Loan Policy (T-2) shall be deemed to refer to the term regardless of whether the term is capitalized in the Rule, endorsement or Schedule. Each Rule, endorsement or other form, or provision in the Schedules that refers to the Conditions and Stipulations shall be deemed to refer to the Conditions of the Loan Policy. Wherever in the Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas ("Basic Manual"), including an amendment, revision or re-adoption of a provision of the Basic Manual, the term "Mortgagee Policy" is found it shall mean "Loan Policy". Insuring forms and other promulgated forms may be produced with the revised term.

ADOPTED

Item 2006-29

P-32. Document Retention. Pursuant to Tex. Ins. Code Ann. § 2704.001, evidence of insurability shall be preserved and retained in the files of the title insurance company, direct operation, or title insurance agent for a period of not less than fifteen (15) years after the policy or contract of title insurance has been issued. Electronically produced or scanned documents may be retained in place of hard copies. Hard copies, electronically produced or scanned copies shall be retained for the following periods:

- (1) escrow accounting documentation (such as signed settlement statements, disbursement sheets, invoices, and check copies) must be retained for at least three years;
- (2) evidence of insurability, including a title insurance commitment, a title report, a title opinion, or a run sheet, but not including copies of documents filed in the public records, must be retained for at least fifteen (15) years; and
- (3) title insurance policies must be retained indefinitely.

These time periods for retention shall apply to electronically produced forms retained in compliance with Procedural Rule P-17.

ADOPTED

Item 2006-30

P-36. Arbitration Provisions.

A Company shall notify its proposed insured under a Mortgagee Policy or an Owner Policy (Form T-1) of the insured's right to delete the arbitration provision [§13 of the Conditions of the Mortgagee Policy and §14 of the Conditions of the Owner Policy (Form T-1) from the policy at no additional charge to the insured.

1. A Company shall, upon specific request of the proposed insured under a Mortgagee Policy, delete Section 13 of the Conditions relating to arbitration from that policy by typing in Schedule B of the policy the following language: "Section 13 of the Conditions of this Policy is hereby deleted."

2. A Company shall, upon specific request of the proposed insured under an Owner Policy (Form T-1), delete Section 14 of the Conditions relating to arbitration from that policy by typing in Schedule B of the policy the following language:

"Section 14 of the Conditions of this Policy is hereby deleted."

3. If a Company does not issue a commitment prior to issuance of the Owner Policy (Form T-1) or Mortgagee Policy (Form T-2), it shall provide the promulgated Deletion of Arbitration form to the insured before issuance of the policy or shall delete the arbitration provision as provided above.

Any request made under this procedural rule must be made prior to the issuance of the policy.

The Deletion of Arbitration Provision form shall read as follows:

DELETION OF ARBITRATION PROVISION

(Not applicable to the Texas Residential Owner Policy)

Arbitration is a common form of alternative dispute resolution. It can be a quicker and cheaper means to settle a dispute with your Title Insurance Company. However, if you agree to arbitrate, you give up your right to take the Title Company to court and your rights to discovery of evidence may be limited in the arbitration process. In addition, you cannot usually appeal an arbitrator's award.

Your policy contains an arbitration provision (shown below). It allows you or the Company to require arbitration if the amount of insurance is \$2,000,000 or less. If you want to retain your right to sue the Company in case of a dispute over a claim, you must request deletion of the arbitration provision before the policy is issued. You can do this by signing this form and returning it to the Company at or before the closing of your real estate transaction or by writing to the Company.

The arbitration provision in the Policy is as follows:

"Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. 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 in

connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured, unless the Insured is an individual person (as distinguished from an Entity). All arbitrable matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.”

SIGNATURE

DATE

ADOPTED

Item 2006-31

P-37. Lack of a Right of Access---If the company is not satisfied as to the insurability of access to and from the land, the title to which or a lien thereon is to insured, it may make the following exceptions to the insuring form:

a. To the Owner Policy (Form T-1): "Lack of a right of access to and from the Land. Covered Risk number 4 is hereby deleted."

b. To the Mortgagee Policy: "Lack of a right of access to and from the Land. Covered Risk number 4 is hereby deleted."

c. to the Residential Owner Policy (Form T-1R): "Lack of a right of access to and from the land. Company deletes the insurance of access under Covered Title Risks."

ADOPTED

Item 2006-32

_____ Company

FACULTATIVE REINSURANCE AGREEMENT (T-18.1)

These facultative reinsurance provisions, including Schedule I, constitute the Facultative Reinsurance Agreement entered into by and between Ceder and each Reinsurer shown in Schedule I.

PROVISIONS

WHEREAS, Ceder has assumed or is about to assume a title insurance risk pursuant to its policy or policies shown in Schedule I, herein called the Policy; and

WHEREAS, Ceder desires to retain, unceded, a Primary Loss Risk under the Policy and to cede and reinsure all or part of the excess Loss Risk in the amounts and proportionate shares shown in Schedule I; and

WHEREAS, Ceder and Reinsurer desire to arrange for the allocation of protection to the party entitled to the protection of the Policy, herein called the Insured; and

WHEREAS, Reinsurer desires to assume its share of Secondary Loss Risk shown in Schedule I.

Now, THEREFORE, it is mutually agreed between Ceder and each Reinsurer as follows:

1. CEDER'S CESSION AND WARRANTY

Ceder, to induce Reinsurer to accept the offer of reinsurance, represents and warrants that Ceder has made disclosure of (a) the Policy being reinsured, and (b) any extra hazardous risk of which Ceder has actual knowledge. Ceder shall immediately upon issuance of the Policy forward a conformed copy to Reinsurer and pay its premium for reinsurance.

Ceder cedes to Reinsurer the Reinsurer's coordinate and proportionate share of the Secondary Loss Risk shown in Schedule I and Ceder shall retain without reinsurance hereunder the entire amount of the Primary Loss Risk shown in Schedule I, and the unceded portion, if any, of the Secondary Loss Risk.

2. REINSURER'S ASSUMPTION

Reinsurer assumes its coordinate and proportionate share of Secondary Loss Risk shown in Schedule I and not the coordinate and proportionate share, if any, of Ceder or of any other Reinsurer.

The liability of Reinsurer shall begin simultaneously with that of Ceder under the Policy, without notice of the issuance of its Policy or payment of the reinsurance premium.

The liability of Reinsurer and any loss payable by Reinsurer under this Agreement shall be limited to expressed contractual liability of Ceder under the Policy, not including punitive or exemplary damages, and does not include any other contractual or any noncontractual liability of Ceder.

3. DIRECT ACCESS

Provided Insured shall give to Reinsurer notice of any claim under the Policy within a reasonable time after notice of the claim is given to or received by Ceder and is pursuing its remedies under the Policy against Ceder, **UNLESS PREVENTED BY LAW OR REGULATION**, then in the event that under the terms of the Policy Insured has

sustained a loss or losses which, in the aggregate, exceeds Ceder's Primary Loss Risk, the liability of Reinsurer under this Agreement shall be extended to and in favor of Insured. Failure to so notify as provided in this paragraph shall not defeat the rights of the Insured hereunder unless Reinsurer shall establish that it was actually prejudiced by the failure, and then only to the extent of the prejudice. Thereafter, if Insured requests payment of Reinsurer's liability under this Agreement directly to Insured, then this Agreement may be enforced by Insured directly against Reinsurer to the extent of Reinsurer's liability to Ceder hereunder, without diminution, defense, set off or counterclaim which Reinsurer may have against Ceder. Any defense to liability which Ceder has against Insured shall inure to Reinsurer.

Reinsurer agrees that Insured shall have the right to commence a legal action to enforce this Agreement against it in **THE STATE IN WHICH THE LAND IS LOCATED OR IN** any state where Reinsurer is qualified to do business, provided that when any service of process is made in any action, a copy is sent by Registered or Certified Mail to Reinsurer at its address set forth in Schedule I.

4. NOTICES, INVESTIGATION AND SETTLEMENT OF CLAIMS

Ceder shall have full charge of the investigation, negotiation, litigation and settlement of all claims under the Policy. Upon receipt of notice from Insured of a claim under the Policy or upon learning of a potential claim thereunder, Ceder shall notify Reinsurer of the claim or potential claim. Ceder shall notify Reinsurer of any proposed substantial payments or settlement of such claim and shall give Reinsurer reasonable opportunity to investigate the claim at its own expense. Failure to so notify as provided in this paragraph shall not defeat the rights of Ceder hereunder unless Reinsurer shall be actually prejudiced by the failure, and then only to the extent of the prejudice.

Reinsurer shall have the right, but shall not be obligated, to join in any action brought by or against Ceder under the Policy. Reinsurer shall have the right, through such representatives as it may designate, to inspect and copy, at any reasonable time at the office of Ceder, any and all searches, abstracts, certificates, correspondence, attorneys' opinions, intra-company communications and other documents and records relating to the Policy. This right is and shall continue to be a right in rem and shall follow and attach to said documents and records regardless of changes in ownership or possession.

Unless Insured has given Reinsurer notice that Insured intends to enforce this Agreement directly against Reinsurer and requests payment of Reinsurer's liability under this Agreement directly to Insured, as provided in Section 3 of this Agreement, Reinsurer shall pay the amount of its liability determined hereunder to Ceder within fifteen days after notice and demand by Ceder. Each payment by Reinsurer to Ceder shall satisfy pro tanto the amount of Reinsurer's liability hereunder to Insured and Ceder. The payment shall be received by Ceder, if not by way of reimbursement, in trust to be paid to or for the account of Insured, together with all other amounts similarly applicable, in satisfaction of Ceder's liability under the Policy.

If Insured shall give notice to Reinsurer that Insured intends to enforce this Agreement directly against Reinsurer and requests payment of Reinsurer's liability under this Agreement directly to Insured, as provided in Section 3 of this Agreement, no payment to Ceder of any part of Reinsurer's liability to Insured shall be made without the written consent of Insured. Any payment by Reinsurer of its liability to Insured shall

discharge Ceder's and Reinsurer's liability to Insured pro tanto. If Reinsurer makes payments directly to Insured as required by this Agreement, Reinsurer's liability to Ceder shall be reduced pro tanto.

5. PAYMENT OF LOSSES

Any loss or aggregate of losses sustained and payable by Ceder under the Policy, including costs, attorneys' fees and expenses, which do not exceed the amount of Primary Loss Risk retained by Ceder shall be sustained and paid by Ceder without recourse to Reinsurer. Reinsurer's liability and any loss or aggregate of losses payable by Reinsurer under Section 2 of this Agreement, including costs, attorneys' fees and expenses, shall be the amount of Reinsurer's proportionate share of the Secondary Loss Risk as shown in Schedule I that exceeds the Primary Loss Risk retained by Ceder.

If the loss or aggregate of all losses under the Policy exceeds the amount thereof, Ceder shall pay that portion of the excess as the proportion of its retained Loss Risk, both Primary and Secondary, bears to the amount of the Policy, and the balance of the excess shall be divided among the Reinsurers in the proportions that the amount assumed by each bears to the amount of the Policy.

Notwithstanding anything stated in this Section, Ceder's retained Loss Risk, whether Primary, Secondary, or according to the preceding paragraph, shall not be reduced and Reinsurer's liability shall not be increased by the payment of any loss not assumed by Reinsurer under Section 2.

6. INSOLVENCY OF CEDER

The reinsurance under this Agreement shall be payable by Reinsurer on the basis of the liability of Reinsurer under this Agreement without diminution because of the insolvency of Ceder.

In the event of insolvency of Ceder, the liquidator, receiver or statutory successor of Ceder shall give written notice to Reinsurer of the pendency of a claim against Ceder on the Policy within a reasonable time after the claim is filed in the insolvency proceeding. During the pendency of the claim, Reinsurer may investigate the claim and interpose, at its own expense, in the proceeding where the claim is to be adjudicated, any defense or defenses which it may deem available to Ceder to its liquidator, receiver or statutory successor. The expense so incurred by Reinsurer shall be charged against the insolvent company as part of the expense of liquidation.

In the event that two or more Reinsurers are involved in the same claim and a majority in interest elects to interpose a defense to the claim, the expenses shall be apportioned in accordance with the terms of this Agreement as though the expense had been incurred by Ceder.

In the event of the insolvency of Ceder, the reinsurance under this Agreement shall be payable by Reinsurer directly to Ceder, pursuant to Section 4 or to its liquidator, receiver or statutory successor, except when the direct access provisions of Section 3 and the notice provisions of Section 4 have been implemented, in which case, it shall be paid directly to Insured.

7. RECOUPMENT AND SUBROGATION

After payment of any loss or losses hereunder by Reinsurer, it shall be the duty of Ceder, by its right of subrogation or otherwise, to proceed diligently to recoup the losses paid. The net amount after expenses of collection of any recoupment or salvage,

shall be distributed and paid to Reinsurer in the fractional proportions set forth on Schedule I. Any surplus, after full recoupment of losses sustained on the Secondary Loss Risk, shall be retained by Ceder in reduction of loss or losses paid on its Primary Loss Risk.

In addition to the right of subrogation, which is secured to Ceder by the conditions of the Policy, Ceder will retain all the rights secured to it thereby unaffected by this agreement. In the event, however, of the temporary or permanent discontinuance of business by Ceder, or if Ceder becomes insolvent, or if Ceder fails to proceed to recoup any loss or losses paid as aforesaid, Reinsurer shall be and is hereby subrogated to all rights of Ceder to recoup any losses paid by it hereunder.

8. RIGHTS OF INSURED NOT PREJUDICED

Ceder is authorized to furnish insured with a duplicate original or conformed copy of this Agreement.

Neither this Agreement nor any modification thereof shall prejudice the rights of Insured under the Policy or conferred upon Insured under this Agreement.

9. LAWS APPLICABLE

The provisions of this Agreement shall be governed by the laws of the situs of the real property described in the Policy.

10. ACTIONS BY OR ON BEHALF OF CEDER

In the event Reinsurer is not licensed or accredited in the state of domicile of Ceder, Reinsurer agrees: (1) that, in the event of the failure of Reinsurer to perform its obligations under the terms of this Agreement, Reinsurer, at the request of Ceder, shall submit to the jurisdiction of an alternative dispute resolution panel or court of competent jurisdiction in any state of the United States, will comply with all requirements necessary to give such panel or court jurisdiction, and will abide by the final decision of such panel or court or of any appellate court in the event of an appeal; and (2) to designate the appropriate insurance regulatory authority or an attorney in fact as its true and lawful agent for the purpose of service of any lawful process in any action, suit or proceeding instituted by or on behalf of the ceding company.

11. SEVERABILITY

In the event any provision of this Agreement is held invalid or unenforceable under applicable law, the Agreement 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 given hereunder shall be addressed to the party to receive the notice at its mailing address set forth in Schedule I.

13. EFFECTIVE DATE

This Agreement shall be in effect between Ceder and Reinsurer from the time a counterpart of Schedule I is executed by Reinsurer notwithstanding that other counterparts are not executed by other reinsurers.

SCHEDULE I

1. The parties hereto are:

(a) _____, a corporation of the State of _____, having its principal office in _____ (city, state) _____ as Ceder, and

(b) Each Reinsurer named in 3(b) herein.

2. Ceder's Policy, identified herein and reinsured hereby, assumes a title insurance risk in the aggregate amount of \$ _____. The land described in the Policy is located in:

POLICY NO.	INSURED	TYPE OF POLICY	POLICY AMOUNT \$
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3. The distribution of the title insurance risk is:
Primary Loss Risk

Secondary Loss Risk Amount	Share
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(a) RETAINED BY CEDER \$ _____ and \$ _____

(b) CEDED TO, REINSURED WITH, AND ASSUMED BY		Secondary Loss Risk	
Reinsurer	State of Incorporation	Amount	Share

4. This Schedule I is part of and incorporates by reference the provisions of the Texas Form T-18.1 Facultative Reinsurance Agreement.

IN WITNESS WHEREOF, the undersigned each has caused this Agreement to be executed as of the date set forth below:

CEDER
 By _____
 (Ceder's Mailing Address)
 Date of Execution: _____
 Reinsurance File No. _____

REINSURER
 By _____
 (Reinsurer's Mailing Address)
 Date of Execution: _____
 Reinsurance File No. _____

ADOPTED

Item 2006-33
Restrictions, Encroachments, Minerals Endorsement (T-19)

ENDORSEMENT
Attached to Policy No.
Issued by
BLANK TITLE INSURANCE COMPANY

The Company insures the owner of the Indebtedness secured by the Insured Mortgage against loss or damage sustained by reason of:

1. The existence at Date of Policy of any of the following:
 - a. Covenants, conditions, or restrictions under which the lien of the Insured Mortgage can be divested, subordinated, or extinguished or its validity, priority, or enforceability impaired.
 - b. Unless expressly excepted in Schedule B
 - i. Present violations on the Land of any enforceable covenants, conditions, or restrictions, or existing improvements on the Land that violate any building setback lines shown on a plat of subdivision recorded or filed in the Public Records.
 - ii. Any instrument referred to in Schedule B as containing covenants, conditions, or restrictions on the Land that, in addition, (A) establishes an easement on the Land, (B) provides a lien for liquidated damages, (C) provides for a private charge or assessment, (D) provides for an option to purchase, a right of first refusal, or the prior approval of a future purchaser or occupant.
 - iii. Any encroachment of existing improvements located on the Land onto adjoining land or any encroachment onto the Land of existing improvements located on adjoining land.
 - iv. Any encroachment of existing improvements located on the Land onto that portion of the Land subject to any easement excepted in Schedule B.
 - v. Any notices of violation of covenants, conditions, or restrictions relating to environmental protection recorded or filed in the Public Records.
2. Any future violation on the Land of any existing covenants, conditions, or restrictions occurring prior to the acquisition of Title by the Insured, provided the violation results in:
 - a. invalidity, loss of priority, or unenforceability of the lien of the Insured Mortgage;
or
 - b. loss of Title if the Insured shall acquire Title in satisfaction of the Indebtedness.
3. Damage to existing improvements, including lawns, shrubbery, or trees, located or encroaching on that portion of the Land subject to any easement excepted in Schedule B, which damage results from the exercise of the right to maintain the easement for the purpose for which it was granted or reserved.
4. Damage to improvements, including lawns, shrubbery, or trees, located on the Land on or after Date of Policy resulting from the future exercise of any right to use

the surface of the Land for the extraction or development of minerals excepted from the description of the Land or excepted in Schedule B.

5. Any final court order or judgment requiring the removal from any land adjoining the Land of any encroachment excepted in Schedule B.
6. Any final court order or judgment denying the right to maintain any existing improvements on the Land because of any violation of covenants, conditions, or restrictions, or building setback lines shown on a plat of subdivision recorded or filed in the Public Records.

Wherever in this endorsement the words "covenants, conditions, or restrictions" appear, they do not include the terms, covenants, conditions, or limitations contained in an instrument creating a lease.

As used in paragraphs 1.b.i. and 6, the words "covenants, conditions, or restrictions" do not include any covenants, conditions, or restrictions (a) relating to obligations of any type to perform maintenance, repair, or remediation on the Land, or (b) pertaining to environmental protection of any kind or nature, including hazardous or toxic matters, conditions, or substances, except to the extent that a notice of a violation or alleged violation affecting the Land has been recorded or filed in the Public Records at Date of Policy and is not excepted in Schedule B.

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.

[Witness clause optional]

BLANK TITLE INSURANCE COMPANY

By: _____
Authorized Signatory

Item 2006-34
Restrictions, Encroachments, Minerals Endorsement – Owner Policy (T-19.1)

ENDORSEMENT
Attached to Policy No.
Issued by
BLANK TITLE INSURANCE COMPANY

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

1. The existence, at Date of Policy, of any of the following unless expressly excepted in Schedule B:
 - a. Present violations on the Land of any enforceable covenants, conditions, or restrictions, or any existing improvements on the Land that violate any building setback lines shown on a plat of subdivision recorded or filed in the Public Records.
 - b. Any instrument referred to in Schedule B as containing covenants, conditions, or restrictions on the Land that, in addition, (i) establishes an easement on the Land, (ii) provides for an option to purchase, a right of first refusal, or the prior approval of a future purchaser or occupant, or (iii) provides a right of reentry, possibility of reverter, or right of forfeiture because of violations on the Land of any enforceable covenants, conditions, or restrictions.
 - c. Any encroachment of existing improvements located on the Land onto adjoining land, or any encroachment onto the Land of existing improvements located on adjoining land.
 - d. Any encroachment of existing improvements located on the Land onto that portion of the Land subject to any easement excepted in Schedule B.
 - e. Any notices of violation of covenants, conditions, or restrictions relating to environmental protection recorded or filed in the Public Records.
2. Damage to existing buildings that are located on or encroach upon that portion of the Land subject to any easement excepted in Schedule B, which damage results from the exercise of the right to maintain the easement for the purpose for which it was granted or reserved.
3. Damage to improvements (excluding lawns, shrubbery, or trees) located on the Land on or after Date of Policy resulting from the future exercise of any right existing at Date of Policy to use the surface of the Land for the extraction or development of minerals excepted from the description of the Land or excepted in Schedule B.
4. Any final court order or judgment requiring the removal from any land adjoining the Land of any encroachment, other than fences, landscaping, or driveways, excepted in Schedule B.
5. Any final court order or judgment denying the right to maintain any existing building on the Land because of any violation of covenants, conditions, or restrictions, or building setback lines shown on a plat of subdivision recorded or filed in the Public Records.

Wherever in this endorsement the words "covenants, conditions, or restrictions" appear, they do not include the terms, covenants, conditions, or limitations contained in an instrument creating a lease.

As used in paragraphs 1.a. and 5, the words "covenants, conditions, or restrictions" do not include any covenants, conditions, or restrictions (a) relating to obligations of any type to perform maintenance, repair, or remediation on the Land, or (b) pertaining to environmental protection of any kind or nature, including hazardous or toxic matters, conditions, or substances, except to the extent that a notice of a violation or alleged violation affecting the Land has been recorded or filed in the Public Records at Date of Policy and is not excepted in Schedule B.

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.

[Witness clause optional]

BLANK TITLE INSURANCE COMPANY

By: _____
Authorized Signatory

Item 2006-35

**TERTIARY FACULTATIVE REINSURANCE AGREEMENT (TYPE I)
(FORM T-21.1)**

These facultative reinsurance provisions, including Schedule 1, constitute the Tertiary Facultative Reinsurance Agreement entered into by and between Ceder and each Reinsurer shown in Schedule 1.

PROVISIONS

WHEREAS, Ceder has assumed or is about to assume a title insurance risk pursuant to its policy or policies shown in Schedule 1, herein called the Policy; and

WHEREAS, Ceder desires to retain, unceded, a Primary Loss Risk under the Policy and to cede and reinsure all or part of the excess Loss Risk (herein called the Secondary Loss Risk) with the Secondary Reinsurers and all or part of the balance of the excess Loss Risk (herein called the Tertiary Loss Risk) with the Tertiary Reinsurers in the amounts and proportionate shares shown in Schedule 1; and

WHEREAS, Ceder and Reinsurer desire to arrange for the allocation of protection to the party entitled to the protection of the Policy, herein called the Insured; and

WHEREAS, Reinsurer desires to assume its share of Secondary and/or Tertiary Loss Risk shown in Schedule 1.

NOW, THEREFORE, it is mutually agreed between Ceder and each Reinsurer as follows:

1. Ceder's Cession and Warranty

Ceder, to induce Reinsurer to accept the offer of reinsurance, represents and warrants that Ceder has made disclosure of (a) the Policy being reinsured, and (b) any extra hazardous risk of which Ceder has actual knowledge. Ceder shall immediately upon issuance of the Policy forward a conformed copy to Reinsurer and pay its premium for reinsurance.

Ceder cedes to Reinsurer the Reinsurer's coordinate and proportionate share of the Secondary Loss Risk or Tertiary Loss Risk shown in Schedule 1 and Ceder shall retain without reinsurance hereunder the entire amount of the Primary Loss Risk shown in Schedule 1, and the unceded portions, if any, of the Secondary Loss Risk and Tertiary Loss Risk.

2. Reinsurer's Assumption

Reinsurer assumes its coordinate and proportionate share of Secondary Loss Risk or Tertiary Loss Risk shown in Schedule 1 and not the coordinate and proportionate share, if any, of Ceder or of any other Reinsurer.

The liability of Reinsurer shall begin simultaneously with that of Ceder under the Policy, without notice of the issuance of its Policy or payment of the reinsurance premium.

The liability of Reinsurer and any loss payable by Reinsurer under this Agreement shall be limited to expressed contractual liability of Ceder under the Policy, not including punitive or exemplary damages, and does not include any other contractual or any noncontractual liability of Ceder.

3. Direct Access

Provided Insured shall give to Reinsurer notice of any claim under the Policy within a reasonable time after notice of the claim is given to or received by Ceder and is pursuing its remedies under the Policy against Ceder unless prevented by law or regulation, then in the event that under the terms of the Policy Insured has sustained a loss or losses which, in the aggregate, exceeds Ceder's Primary Loss Risk, the liability of Reinsurer under this Agreement shall be extended to and in favor of Insured. Failure to so notify as provided in this paragraph shall not defeat the rights of the Insured hereunder unless Reinsurer shall establish that it was actually prejudiced by the failure, and then only to the extent of the prejudice. Thereafter, if Insured requests payment of Reinsurer's liability under this Agreement directly to Insured, then this Agreement may be enforced by Insured directly against Reinsurer to the extent of Reinsurer's liability to Ceder hereunder, without diminution, defense, set off or counterclaim which Reinsurer may have against Ceder. Any defense to liability which Ceder has against Insured shall inure to Reinsurer.

Reinsurer agrees that Insured shall have the right to commence a legal action to enforce this Agreement against it in the state in which the land is located or in any state where Reinsurer is qualified to do business, provided that when any service of process is made in any action, a copy is sent by Registered or Certified Mail to Reinsurer at its address set forth in Schedule 1.

4. Notices, Investigation and Settlement of Claims

Ceder shall have full charge of the investigation, negotiation, litigation and settlement of all claims under the Policy. Upon receipt of notice from Insured of a claim under the Policy or upon learning of a potential claim thereunder, Ceder shall notify Reinsurer of the claim or potential claim. Ceder shall notify Reinsurer of any proposed substantial payments or settlement of such claim and shall give Reinsurer reasonable opportunity to investigate the claim at its own expense. Failure to so notify as provided in this paragraph shall not defeat the rights of Ceder hereunder unless Reinsurer shall be actually prejudiced by the failure, and then only to the extent of the prejudice.

Reinsurer shall have the right, but shall not be obligated, to join in any action brought by or against Ceder under the Policy. Reinsurer shall have the right, through such representatives as it may designate, to inspect and copy, at any reasonable time at the office of Ceder, any and all searches, abstracts, certificates, correspondence, attorneys' opinions, intra-company communications and other documents and records relating to the Policy. This right is and shall continue to be a right in rem and shall follow and attach to said documents and records regardless of changes in ownership or possession.

Unless Insured has given Reinsurer notice that Insured intends to enforce this Agreement directly against Reinsurer and requests payment of Reinsurer's liability under this Agreement directly to Insured, as provided in Section 3 of this Agreement, Reinsurer shall pay the amount of its liability determined hereunder to Ceder within fifteen days after notice and demand by Ceder. Each payment by Reinsurer to Ceder shall satisfy pro tanto the amount of Reinsurer's liability hereunder to Insured and Ceder. The payment shall be received by Ceder, if not by way of reimbursement, in trust to be paid to or for the account of Insured, together with all other amounts similarly applicable, in satisfaction of Ceder's liability under the Policy.

If Insured shall give notice to Reinsurer that Insured intends to enforce this Agreement directly against Reinsurer and requests payment of Reinsurer's liability under this Agreement directly to Insured, as provided in Section 3 of this Agreement, no payment to Ceder of any part of Reinsurer's liability to Insured shall be made without the written consent of Insured. Any payment by Reinsurer of its liability to Insured shall discharge Ceder's and Reinsurer's liability to Insured pro tanto. If Reinsurer makes payments directly to Insured as required by this Agreement, Reinsurer's liability to Ceder shall be reduced pro tanto.

5. Payment of Losses

Any loss or aggregate of losses sustained and payable by Ceder under the Policy, including costs, attorneys' fees and expenses, which do not exceed the amount of Primary Loss Risk retained by Ceder shall be sustained and paid by Ceder without recourse to Reinsurer. Reinsurer's liability and any loss or aggregate of losses payable by Reinsurer under Section 2 of this Agreement, including costs, attorneys' fees and expenses, shall be the amount of Reinsurer's proportionate share of the Secondary Loss Risk or Tertiary Loss Risk as shown in Schedule I that exceeds the Primary Loss Risk retained by Ceder.

If the loss or aggregate of all losses under the Policy exceeds the amount thereof, Ceder shall pay that portion of the excess as the proportion of its retained Loss Risk, both Primary, Secondary, and Tertiary, bears to the amount of the Policy, and the balance of the excess shall be divided among the Reinsurers in the proportions that the amount assumed by each bears to the amount of the Policy.

Notwithstanding anything stated in this Section, Ceder's retained Loss Risk, whether Primary, Secondary, Tertiary, or according to the preceding paragraph, shall not be reduced and Reinsurer's liability shall not be increased by the payment of any loss not assumed by Reinsurer under Section 2.

6. Insolvency of Ceder

The reinsurance under this Agreement shall be payable by Reinsurer on the basis of the liability of Reinsurer under this Agreement without diminution because of the insolvency of Ceder.

In the event of insolvency of Ceder, the liquidator, receiver or statutory successor of Ceder shall give written notice to Reinsurer of the pendency of a claim against Ceder on the Policy within a reasonable time after the claim is filed in the insolvency proceeding. During the pendency of the claim, Reinsurer may investigate the claim and interpose, at its own expense, in the proceeding where the claim is to be adjudicated, any defense or defenses which it may deem available to Ceder or its liquidator, receiver or statutory successor. The expense so incurred by Reinsurer shall be charged against the insolvent company as part of the expense of liquidation.

In the event that two or more Reinsurers are involved in the same claim, and a majority in interest elects to interpose a defense to the claim, the expense shall be apportioned in accordance with the terms of this Agreement as though the expense had been incurred by Ceder.

In the event of the insolvency of Ceder, the reinsurance under this Agreement shall be payable by Reinsurer directly to Ceder, pursuant to Section 4 or to its liquidator, receiver or statutory successor, except when the direct access provisions of Section 3

and the notice provisions of Section 4 have been implemented, in which case, it shall be paid directly to Insured.

7. Recoupment and Subrogation

After payment of any loss or losses hereunder by Reinsurer, it shall be the duty of Ceder, by its right of subrogation or otherwise, to proceed diligently to recoup the losses paid. The net amount, after expenses of collection of any recoupment or salvage, shall be distributed and paid first to the Tertiary Reinsurers in the fractional proportions set forth on Schedule 1. Any surplus, after full recoupment of losses sustained on the Tertiary Loss Risk, shall be distributed and paid to the Secondary Reinsurers in the fractional proportions set forth on Schedule 1 in reduction of the loss or losses paid on the Secondary Loss Risk. Any further surplus, after full recoupment of losses sustained on the Tertiary and Secondary Loss Risks shall be retained by Ceder in reduction of loss or losses paid on its Primary Loss Risk.

In addition to the right of subrogation, which is secured to Ceder by the conditions of the Policy, Ceder will retain all the rights secured to it thereby unaffected by this Agreement. In the event, however, of the temporary or permanent discontinuance of business by Ceder, or if Ceder becomes insolvent, or if Ceder fails to proceed to recoup any loss or losses paid as aforesaid, Reinsurer shall be and is hereby subrogated to all rights of Ceder to recoup any losses paid by it hereunder.

8. Rights of Insured Not Prejudiced

Ceder is authorized to furnish Insured with a duplicate original or conformed copy of this Agreement.

Neither this Agreement nor any modification thereof shall prejudice the rights of Insured under the Policy or conferred upon Insured under this Agreement.

9. Laws Applicable

The provisions of this Agreement shall be governed by the laws of the situs of the real property described in the Policy.

10. Actions By or On Behalf of Ceder

In the event Reinsurer is not licensed or accredited in the state of domicile of Ceder, Reinsurer agrees: (1) that, in the event of the failure of Reinsurer to perform its obligations under the terms of this Agreement, Reinsurer, at the request of Ceder, shall submit to the jurisdiction of an alternative dispute resolution panel or court of competent jurisdiction in any state of the United States, will comply with all requirements necessary to give such panel or court jurisdiction, and will abide by the final decision of such panel or court or of any appellate court in the event of an appeal; and (2) to designate the appropriate insurance regulatory authority or an attorney in fact as its true and lawful agent for the purpose of service of any lawful process in any action, suit or proceeding instituted by or on behalf of the ceding company.

11. Severability

In the event any provision of this Agreement is held invalid or unenforceable under applicable law, the Agreement 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 given hereunder shall be addressed to the party to receive the notice at its mailing address set forth in Schedule 1.

13.

Effective Date

This Agreement shall be in effect between Ceder and Reinsurer from the time a counterpart of Schedule 1 is executed by Reinsurer notwithstanding that other counterparts are not executed by other reinsurers.

Tertiary Facultative Reinsurance Agreement (Type I) (Form T-21.1)

SCHEDULE I

1. The parties hereto are:

(a) _____, a corporation of the State of _____, having its principal office in _____ (city, state) _____ as Ceder, and

(b) Each Reinsurer named in 3(b) herein.

2. Ceder's Policy, identified herein and reinsured hereby, assumes a title insurance risk in the aggregate amount of \$ _____. The land described in the Policy is located in: _____.

POLICY NO. INSURED TYPE OF POLICY POLICY AMOUNT

3. The distribution of the title insurance risk is:

	Primary Loss Risk	Secondary Loss Risk	Tertiary Loss Risk
	Amount	Share	Amount Share
(a) RETAINED BY CEDER \$	\$		\$

(b) CEDED TO, REINSURED WITH, AND ASSUMED BY

Reinsurer

State of Incorporation

4. This Schedule I is part of and incorporates by reference the provisions of the Tertiary Facultative Reinsurance Agreement (Type 1) (Form T-21.1).

IN WITNESS WHEREOF, the undersigned each has caused this Agreement to be executed as of the date set forth below:

(Ceder)

(Reinsurer)

By _____
Mailing Address:

By _____
Mailing Address:

Date of Execution: _____

Date of Execution: _____

Reins. File No.: _____

Reins. File No.: _____

ADOPTED

Item 2006-36

**TERTIARY FACULTATIVE REINSURANCE AGREEMENT (TYPE II)
(FORM T-21.2)**

These facultative reinsurance provisions, including Schedule 1, constitute the Tertiary Facultative Reinsurance Agreement entered into by and between Ceder and each Reinsurer shown in Schedule 1.

PROVISIONS

WHEREAS, Ceder has assumed a title insurance risk pursuant to a Reinsurance Agreement reinsuring the policy or policies shown in Schedule 1, herein collectively called the Policy; and

WHEREAS, Ceder desires to retain, unceded, a portion of the Secondary Loss Risk under the Reinsurance Agreement and to cede and reinsure all or a part of the balance of the Secondary Loss Risk (herein called the Tertiary Loss Risk) with the Tertiary Reinsurers in the amounts and proportionate shares shown in Schedule 1; and

WHEREAS, Ceder and Reinsurer desire to arrange for the allocation of protection to the party entitled to the protection of the Policy, herein called the Insured; and

WHEREAS, Reinsurer desires to assume its share of Tertiary Loss Risk shown in Schedule 1.

NOW, THEREFORE, it is mutually agreed between Ceder and each Reinsurer as follows:

1. Ceder's Cession and Warranty

Ceder, to induce Reinsurer to accept the offer of reinsurance, represents and warrants that Ceder has made disclosure of (a) the Policy being reinsured, and (b) any extra hazardous risk of which Ceder has actual knowledge. Ceder shall immediately upon issuance of the Policy forward a conformed copy to Reinsurer and pay its premium for reinsurance.

Ceder cedes to Reinsurer the Reinsurer's coordinate and proportionate share of the Tertiary Loss Risk shown in Schedule 1 and Ceder shall retain without reinsurance hereunder the entire amount of the Secondary Loss Risk shown in Schedule 1, and any unceded portion of the Tertiary Loss Risk.

2. Reinsurer's Assumption

Reinsurer assumes its coordinate and proportionate share of Tertiary Loss Risk shown in Schedule 1 and not the coordinate and proportionate share, if any, of Ceder or of any other Reinsurer.

The liability of Reinsurer shall begin simultaneously with that of Ceder under the Policy, without notice of the issuance of its Policy or payment of the reinsurance premium.

The liability of Reinsurer and any loss payable by Reinsurer under this Agreement shall be limited to expressed contractual liability of Ceder under the Policy, not including punitive or exemplary damages, and does not include any other contractual or any noncontractual liability of Ceder.

3. Direct Access

Provided Insured shall give to Reinsurer notice of any claim under the Policy within a reasonable time after notice of the claim is given to or received by Ceder and is

pursuing its remedies under the Policy against Ceder unless prevented by law or regulation, then in the event that under the terms of the Policy Insured has sustained a loss or losses which, in the aggregate, exceeds Ceder's Primary Loss Risk, the liability of Reinsurer under this Agreement shall be extended to and in favor of Insured. Failure to so notify as provided in this paragraph shall not defeat the rights of the Insured hereunder unless Reinsurer shall establish that it was actually prejudiced by the failure, and then only to the extent of the prejudice. Thereafter, if Insured requests payment of Reinsurer's liability under this Agreement directly to Insured, then this Agreement may be enforced by Insured directly against Reinsurer to the extent of Reinsurer's liability to Ceder hereunder, without diminution, defense, set off or counterclaim which Reinsurer may have against Ceder. Any defense to liability which Ceder has against Insured shall inure to Reinsurer.

Reinsurer agrees that Insured shall have the right to commence a legal action to enforce this Agreement against it in the state in which the land is located or in any state where Reinsurer is qualified to do business, provided that when any service of process is made in any action, a copy is sent by Registered or Certified Mail to Reinsurer at its address set forth in Schedule 1.

4. Notices, Investigation and Settlement of Claims

Ceder shall have full charge of the investigation, negotiation, litigation and settlement of all claims under the Policy. Upon receipt of notice from Insured of a claim under the Policy or upon learning of a potential claim thereunder, Ceder shall notify Reinsurer of the claim or potential claim. Ceder shall notify Reinsurer of any proposed substantial payments or settlement of such claim and shall give Reinsurer reasonable opportunity to investigate the claim at its own expense. Failure to so notify as provided in this paragraph shall not defeat the rights of Ceder hereunder unless Reinsurer shall be actually prejudiced by the failure, and then only to the extent of the prejudice.

Reinsurer shall have the right, but shall not be obligated, to join in any action brought by or against Ceder under the Policy. Reinsurer shall have the right, through such representatives as it may designate, to inspect and copy, at any reasonable time at the office of Ceder, any and all searches, abstracts, certificates, correspondence, attorneys' opinions, intra-company communications and other documents and records relating to the Policy. This right is and shall continue to be a right in rem and shall follow and attach to said documents and records regardless of changes in ownership or possession.

Unless Insured has given Reinsurer notice that Insured intends to enforce this Agreement directly against Reinsurer and requests payment of Reinsurer's liability under this Agreement directly to Insured, as provided in Section 3 of this Agreement, Reinsurer shall pay the amount of its liability determined hereunder to Ceder within fifteen days after notice and demand by Ceder. Each payment by Reinsurer to Ceder shall satisfy pro tanto the amount of Reinsurer's liability hereunder to Insured and Ceder. The payment shall be received by Ceder, if not by way of reimbursement, in trust to be paid to or for the account of Insured, together with all other amounts similarly applicable, in satisfaction of Ceder's liability under the Policy.

If Insured shall give notice to Reinsurer that Insured intends to enforce this Agreement directly against Reinsurer and requests payment of Reinsurer's liability under this Agreement directly to Insured, as provided in Section 3 of this Agreement, no

payment to Ceder of any part of Reinsurer's liability to Insured shall be made without the written consent of Insured. Any payment by Reinsurer of its liability to Insured shall discharge Ceder's and Reinsurer's liability to Insured pro tanto. If Reinsurer makes direct payments directly to Insured as required by this Agreement, Reinsurer's liability to Ceder shall be reduced pro tanto.

5. Payment of Losses

Any loss or aggregate of losses sustained and payable by Ceder under the Policy, including costs, attorneys' fees and expenses, which do not exceed the amount of Primary Loss Risk retained by Ceder shall be sustained and paid by Ceder without recourse to Reinsurer. Reinsurer's liability and any loss or aggregate of losses payable by Reinsurer under Section 2 of this Agreement, including costs, attorneys' fees and expenses, shall be the amount of Reinsurer's proportionate share of the Secondary Loss Risk or Tertiary Loss Risk as shown in Schedule I that exceeds the Primary Loss Risk retained by Ceder.

If the loss or aggregate of all losses under the Policy exceeds the amount thereof, Ceder shall pay that portion of the excess as the proportion of its retained Loss Risk, both Primary, Secondary, and Tertiary, bears to the amount of the Policy, and the balance of the excess shall be divided among the Reinsurers in the proportions that the amount assumed by each bears to the amount of the Policy.

Notwithstanding anything stated in this Section, Ceder's retained Loss Risk, whether Primary, Secondary, Tertiary, or according to the preceding paragraph, shall not be reduced and Reinsurer's liability shall not be increased by the payment of any loss not assumed by Reinsurer under Section 2.

6. Insolvency of Ceder

The reinsurance under this Agreement shall be payable by Reinsurer on the basis of the liability of Reinsurer under this Agreement without diminution because of the insolvency of Ceder.

In the event of insolvency of Ceder, the liquidator, receiver or statutory successor of Ceder shall give written notice to Reinsurer of the pendency of a claim against Ceder on the Policy within a reasonable time after the claim is filed in the insolvency proceeding. During the pendency of the claim, Reinsurer may investigate the claim and interpose, at its own expense, in the proceeding where the claim is to be adjudicated, any defense or defenses which it may deem available to Ceder or its liquidator, receiver or statutory successor. The expense so incurred by Reinsurer shall be charged against the insolvent company as part of the expense of liquidation.

In the event that two or more Reinsurers are involved in the same claim, and a majority in interest elects to interpose a defense to the claim, the expense shall be apportioned in accordance with the terms of this Agreement as though the expense had been incurred by Ceder.

In the event of the insolvency of Ceder, the reinsurance under this Agreement shall be payable by Reinsurer directly to Ceder, pursuant to Section 4 or to its liquidator, receiver or statutory successor, except when the direct access provisions of Section 3 and the notice provisions of Section 4 have been implemented, in which case, it shall be paid directly to Insured.

7. Recoupment and Subrogation

After payment of any loss or losses hereunder by Reinsurer, it shall be the duty of Ceder, by its right of subrogation or otherwise, to proceed diligently to recoup the losses paid. The net amount, after expenses of collection of any recoupment or salvage, shall be distributed and paid first to the Tertiary Reinsurers in the fractional proportions set forth on Schedule 1. Any surplus, after full recoupment of losses sustained on the Tertiary Loss Risk, shall be distributed and paid to the Ceder in the fractional proportions set forth on Schedule 1 in reduction of the loss or losses paid on the Secondary Loss Risk. Any further surplus, after full recoupment of losses sustained on the Tertiary and Secondary Loss Risks shall be paid to primary ceder in reduction of loss or losses paid on its Primary Loss Risk.

In addition to the right of subrogation, which is secured to Ceder by the Conditions of the Reinsurance Agreement, Ceder will retain all the rights secured to it thereby unaffected by this Agreement. In the event, however, of the temporary or permanent discontinuance of business by Ceder, or if Ceder becomes insolvent, or if Ceder fails to proceed to recoup any loss or losses paid as aforesaid, Reinsurer shall be and is hereby subrogated to all rights of Ceder to recoup any losses paid by it hereunder.

8. Rights of Insured Not Prejudiced

Ceder is authorized to furnish Insured with a duplicate original or conformed copy of this Agreement.

Neither this Agreement nor any modification thereof shall prejudice the rights of Insured under the Policy or conferred upon Insured under this Agreement.

9. Laws Applicable

The provisions of this Agreement shall be governed by the laws of the situs of the real property described in the Policy.

10. Actions By or On Behalf of Ceder

In the event Reinsurer is not licensed or accredited in the state of domicile of Ceder, Reinsurer agrees: (1) that, in the event of the failure of Reinsurer to perform its obligations under the terms of this Agreement, Reinsurer, at the request of Ceder, shall submit to the jurisdiction of an alternative dispute resolution panel or court of competent jurisdiction in any state of the United States, will comply with all requirements necessary to give such panel or court jurisdiction, and will abide by the final decision of such panel or court or of any appellate court in the event of an appeal; and (2) to designate the appropriate insurance regulatory authority or an attorney in fact as its true and lawful agent for the purpose of service of any lawful process in any action, suit or proceeding instituted by or on behalf of the ceding company.

11. Severability

In the event any provision of this Agreement is held invalid or unenforceable under applicable law, the Agreement 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 given hereunder shall be addressed to the party to receive the notice at its mailing address set forth in Schedule 1.

13. Effective Date

This Agreement shall be in effect between Ceder and Reinsurer from the time a counterpart of Schedule 1 is executed by Reinsurer notwithstanding that other counterparts are not executed by other reinsurers.

Tertiary Facultative Reinsurance Agreement (Type II) (Form T-21.2)

SCHEDULE 1

1. The parties hereto are

(a) _____, a corporation of the State of _____, having its principal office at _____, as Ceder, and

(b) Each Reinsurer named in 3(b) hereof.

2. Ceder's reinsurance risk, pursuant to the Reinsurance Agreement, on the Policy identified herein, issued by _____, is in the aggregate amount of \$_____. The land described in the Policy is located in: _____.

POLICY NO. INSURED TYPE OF POLICY POLICY AMOUNT

3. The distribution of the title insurance risk is:

	SECONDARY LOSS RISK	TERTIARY LOSS RISK
	Amount Share	Amount Share
(a) Retained by Ceder	\$	\$
(b) Ceded to, Reinsured with, and Assumed by Reinsurer		
	State of Incorporation	

4. This Schedule 1 is part of and incorporates by reference the provisions of the Tertiary Facultative Reinsurance Agreement (Type II) (Form T-21.2).

IN WITNESS WHEREOF, the undersigned each has caused this Agreement to be executed as of the date set forth below:

(Ceder)

By _____
Mailing Address:

Date of Execution: _____

Reins. File No.: _____

(Reinsurer)

By _____
Mailing Address:

Date of Execution: _____

Reins. File No.: _____

ADOPTED

Item 2006-38

P-67. Insured Closing and Settlement Letters (T-50)

A. Each Title Insurance Company must maintain an electronic database record of each identifiable, specific transaction in which an Insured Closing and Settlement Letter (T-50) has been issued. The database record must include items 1 through 4 below.

1. The name of the Lender to whom the Insured Closing and Settlement Letter was issued.
2. The name of the Borrower.
3. The Guaranty File number, if known on the date of issuance of the Insured Closing and Settlement Letter.
4. The property address or legal description.

B. Each Title Insurance Company must provide to each of its Title Insurance Agents and Direct Operations, upon request, online access to the electronic database record.

Procedural Rule 67, adopted on May 1, 2008, is effective October 1, 2008.

ADOPTED

Item 2006-39

P-68. Consumer Notice.

- A. Pursuant to Texas Insurance Code §§ 521.101-521.103, a Title Insurance Company must provide consumer notice of insurer toll-free number for information and complaints with each title insurance policy issued in the manner prescribed by the Commissioner.
- B. Compliance with 28 Texas Administrative Code §1.601 is deemed compliance with part A of this Rule.

ADOPTED

Item 2006-40

P-1. Definitions

- f. Closing the Transaction – The investigation made on behalf of a title insurance company, title insurance agent or direct operation before the actual issuance of the title policy to determine proper execution, acknowledgment and delivery of all conveyances, mortgage papers, and other title instruments which may be necessary to the consummation of the transaction and includes the determination that all delinquent taxes are paid, all current taxes, based on the latest available information, have been properly prorated between the purchaser and seller in the case of an Owner Policy, the consideration has been passed, all proceeds have been properly disbursed, a final search of the title has been made, and all necessary papers have been filed for record.

ADOPTED

Item 2006-44

Minimum Standards, Specific Instructions and Report Forms for Audit of Trust Funds Required of Texas Title Insurance Agents, Direct Operations, Title Attorneys and Attorneys Licensed as Escrow Officers

MINIMUM ESCROW ACCOUNTING PROCEDURES AND INTERNAL CONTROLS

18. If a settlement statement requires changes, a new statement must be prepared or pen-and-ink changes must be initialed by all parties affected by the changes, or sufficient evidence to support the changes must be maintained in the guaranty file. A copy of the revised, final settlement statement must be provided to the lender and borrower.

ADOPTED

Item 2006-45

Section VI – ADMINISTRATIVE RULES

L-1. Title Insurance Agent.

VI. "SPECIAL NOTE REGARDING CHANGE IN OPERATIONS"

- E. An agent may not operate in a County for a specific Underwriter until the Agent has been notified by the Title Division of the Department that the Change of County filing has been approved and the County has been added to their title agent license.

ADOPTED

Item 2006-46

Section VI – ADMINISTRATIVE RULES

L-2. TITLE INSURANCE ESCROW OFFICER

All of the forms referred to herein are available upon request from the Title Division of the Department.

I. PERSONS REQUIRED TO BE LICENSED

- D. An attorney may become licensed as an Escrow Officer, in which case the attorney shall comply with all requirements of the Texas Insurance Code with regard to Escrow Officers and trust funds, as if the attorney were a Title Insurance Agent. All escrow accounts utilized by licensed Escrow Officers for closing transactions shall be subject to the audit requirements contained in Texas Insurance Code Chapter 2651 Subchapter D. An attorney licensed as an escrow officer must use a title agency escrow account to close title insurance transactions. The transaction must be closed in the title agent's name.

VII. CHANGE OF RESIDENCE ADDRESS OF A LICENSED ESCROW OFFICER

Upon a change in the residence address of a licensed escrow officer, written notification must be made to the Title Division of the Texas Department of Insurance by the licensed escrow officer. Written notification may be by letter, fax, or e-mail and must include the new residence address as well as new residence phone number if applicable.

ADOPTED

Item 2006-47

SECTION VI – ADMINISTRATIVE RULES

L-2. TITLE INSURANCE ESCROW OFFICER

I. PERSONS REQUIRED TO BE LICENSED

B. No person shall act in the capacity of Escrow Officer without being licensed by the Department, and obtaining and maintaining a surety bond as required by Texas Insurance Code Chapter 2652 Subchapter C; and no Title Insurance Agent or Direct Operation shall employ any person as Escrow Officer who is not licensed and bonded in accordance with the provisions of the Texas Title Insurance Act.

C. No attorney shall be required to be licensed as an Escrow Officer in order to perform the duties of an Escrow Officer as defined in Texas Insurance Code § 2501.003(4). All non-attorney employees of an attorney who perform any or all of the duties of an Escrow Officer are required to be licensed. Notwithstanding the foregoing a Direct Operation or Title Insurance Agent shall NOT permit an attorney to conduct the attorney's business in the name of the Direct Operation or Title Insurance Agent unless the attorney and all of the bona fide employees of the attorney who perform any or all of the duties of an Escrow Officer are licensed as Escrow Officers.

ADOPTED

Item 2006-48

SECTION VI – ADMINISTRATIVE RULES

DEFINITIONS

- A. "Agent" and "Title Agent" shall mean Title Insurance Agent as defined in Texas Insurance Code § 2501.003(13) and as further defined in PROCEDURAL RULES AND DEFINITIONS P-1.h.
- B. "Direct Operation" shall mean direct operation as defined in Texas Insurance Code § 2501.003(3) and as further defined in PROCEDURAL RULES AND DEFINITIONS P-1.y.
- C. "Department" shall mean the Texas Department of Insurance.
- D. "Company" shall mean a Title Insurance Company as defined in Texas Insurance Code § 2501.003(14) and as further defined in PROCEDURAL RULES AND DEFINITIONS P-1.i.
- E. The "business of title insurance" shall mean the business of title insurance as defined in and as further defined in PROCEDURAL RULES AND DEFINITIONS P-1.q.
- F. "Partnership" shall mean a partnership NOT registered with the Office of the Texas Secretary of State in accordance with the Texas Business Organizations Code.
- G. "Entity" shall mean an entity registered with the Office of the Texas Secretary of State in accordance with the Texas Business Organizations Code. The term shall include only those organizational types authorized to engage in the business of title insurance in the State of Texas.
- H. "Certificate of Formation" shall mean a certificate of formation filed with the Office of the Texas Secretary of State in accordance with the Texas Business Organizations Code and shall include valid articles of incorporation, articles of organization, certificate of limited partnership or other valid filing instrument accepted by the Office of the Texas Secretary of State prior to January 1, 2006, for the purposes of initial business organization.

L-1. TITLE INSURANCE AGENT

- I. **ISSUANCE (Long Form - used for the initial licensing of Title Agent)**
Each Title Agent's initial license expires on the first day of the month two years after the date on which the license is issued. If a Title Agent holds two or more licenses, all licenses held by the agent shall expire on the same date as the initial license.
 - A. Individual - the following must be submitted:

1. Completed Section A of the application for Title Insurance Agent's license by the individual and each on-site manager.
2. One completed Section B of the application for Title Insurance Agent's license for the proposed Sole owner. The Agent name on Section B must appear in the form as follows: Sole owner's name d/b/a Trade Name.
3. Copy of a valid Assumed Name Certificate filed in the county(ies) in which the Title Agent will operate.
4. Section C of the application for Title Insurance Agent's license completed by the sponsoring Title Insurance Company.
5. Non-refundable license fee of \$50.00.
6. Title Insurance Agent's Bond or in lieu thereof a cash deposit or irrevocable letter(s) of credit issued by a financial institution in this state insured by an agency of the United States Government (or securities approved by the Department) in the sum of the greater of ten thousand dollars (\$10,000) or an amount equal to ten percent (10%) of the gross premium written by the agent in accordance with the latest statistical report to the Department but not to exceed one hundred thousand dollars (\$100,000). The Principal name on the Bond must reflect as follows: Sole owner's name d/b/a Trade Name.

B. Partnership - the following must be submitted:

1. Completed Section A of the application for Title Insurance Agent's license for each partner, and on-site manager if other than a partner and each officer, director, manager, or partner of an entity designated as a partner.
2. One completed Section B of the application for Title Insurance Agent's license for the proposed partnership. The Agent name on Section B must reflect the exact Agent name. If an Assumed Name is being used the Agent name on Section B must appear in the form: Partnership Agent Name d/b/a Assumed Name.
3. If using an Assumed Name, a copy of a valid Assumed Name Certificate filed with the Secretary of State and/or County Clerk(s) in the county(ies) in which the Title Agent will operate.
4. Section C of the application for Title Insurance Agent's license completed by the sponsoring Title Insurance Company.
5. Non-refundable license fee of \$50.00.
6. Title Insurance Agent's Bond or in lieu thereof a cash deposit or irrevocable letter(s) of credit issued by a financial institution in this state insured by an agency of the United States Government (or securities approved by the Department) in the sum of the greater of ten thousand dollars (\$10,000) or an amount equal to ten percent (10%) of the gross premium written by the agent in accordance with the latest statistical report to the Department but not to exceed one hundred thousand dollars (\$100,000).

- i. The Principal name on the Bond must reflect as follows:
Name of the Partnership.
 - ii. If an Assumed Name is being used, the Agent name on the Bond must appear in the form: Partnership Agent Name d/b/a Assumed Name.
7. Copy of Partnership Agreement.

- C. Entity - the following must be submitted:
1. Completed Section A of the application for Title Insurance Agent's license for each officer, director, manager, on-site manager, or partner, and each officer, director, manager, or partner of an entity designated as a partner.
 2. One completed Section B of the application for Title Insurance Agent's license for the proposed Entity. The Agent name on Section B must reflect the exact Agent name. If an Assumed Name is being used the Agent name on Section B must appear in the form: Entity Agent Name d/b/a Assumed Name. (If a single Entity uses more than one assumed name, a separate license application must be submitted for each assumed name.)
 3. An ORIGINAL certified copy of the Certificate of Formation from the Office of the Texas Secretary of State.
 4. If using an Assumed Name, a copy of a valid Assumed Name Certificate filed with the Office of the Texas Secretary of State and/or County Clerk(s).
 5. A current Certificate of Account Status issued by the Franchise Tax Division of the Texas State Comptroller's Office.
 6. Section C of the application for Title Insurance Agent's license completed by the sponsoring Title Insurance Company.
 7. Non-refundable license fee of \$50.00.
 8. Title Insurance Agent's Bond or in lieu thereof a cash deposit or irrevocable letter(s) of credit issued by a financial institution in this state insured by an agency of the United States Government (or securities approved by the Department) in the sum of the greater of ten thousand dollars (\$10,000) or an amount equal to ten percent (10%) of the gross premium written by the agent in accordance with the latest statistical report to the Department but not to exceed one hundred thousand dollars (\$100,000).
 - i. The Principal name on the Bond must reflect as follows: Name of the Entity.
 - ii. If an Assumed Name is being used, the Agent name on the Bond must appear in the form: Entity Agent Name d/b/a Assumed Name.
 9. Application for at least one individual to act as Escrow Officer for the Entity Title Agent and a Texas Escrow Officers Schedule Bond or in lieu thereof a cash deposit or irrevocable letter(s) of credit issued by a financial institution in this state insured by an agency of the United States Government (or securities approved by the Department).

V. Change in Operations

A. The following changes in operations DO NOT REQUIRE cancellation of existing license and issuance of a new license:

1. A change in Entity ownership of less than 50% and/or a change in the officers, directors, manager, on-site managers, or partners of a currently licensed corporate Title Agent requires notification by letter to the Title Division of the Department. Such notification must be accompanied by the following documents, as applicable:
 - i. Title Agent Update Form signed and dated by the Agent.
 - ii. Schedule D.
 - iii. Section A of the application for Title Insurance Agent's license for each new officer, director, manager, on-site manager, or partner, and each new officer, director, manager, or partner of an entity designated as a partner.

4. Change in the "Entity Name" and/or "Assumed Name" or "Trade Name" of an entity title agent. The change requires notification by letter from the Title Agent to the Title Division of the Department. Such notification must be accompanied by the following, as applicable:
 - i. Executed original Agent Contract, or an Amendment thereto.
 - ii. Agent Contract Submission Form.
 - iii. Title Agent Update Form signed and dated by the Agent.
 - iv. Texas Title Insurance Agent's/Direct Operation's bond and Texas Escrow Officer Schedule bond or an original rider or endorsement thereto reflecting the new Agent name.
 - v. An original certified copy of the amended Certificate of Formation reflecting the Entity name as amended.
 - vi. If a "Trade Name" or "Assumed Name" is used, a copy of a valid Assumed Name Certificate filed with the Secretary of State and/or County Clerk(s).
 - vii. The current Title Insurance Agent's license and all current Title Insurance Escrow Officer licenses or a sworn statement from the Agent stating that the license has been lost or misplaced.

7. Ownership change of an Entity Title Agent due to a person ceasing to be an owner or stockholder through the transfer or sale of all of the person's shares of stock or interest and no new stockholder(s) or owners added to the Entity including the withdrawal of a partner(s) and

no new partner(s) added. This change requires notification by letter from the Title Agent to the Title Division of the Department. Such notification must be accompanied by the following:

- i. Title Agent Update Form signed and dated by the Agent.
- ii. Copy of documentation evidencing ownership change.

8. Subject to Administrative Rule L-1.V.B.2, a change in organizational structure made by an Entity pursuant to the Texas Business Organization Code. This change requires notification by letter from the currently licensed Title Agent to the Title Division of the Department. Such notification must be accompanied by the following documents, as applicable:

- i. Title Agent Update Form signed and dated by the Agent.
- ii. Schedule D
- iii. Completed Section A of the application for Title Insurance Agent's license for each new officer, director, manager, on-site manager, or partner, and each new officer, director, manager, or partner of an entity designated as a partner.
- iv. The applicable certificate issued by the Office of the Texas Secretary of State (e.g. Certificate of Merger, Exchange, or Conversion).
- v. In cases involving a change in the "Entity Name," "Trade Name," or "Assumed Name," the requirements of Administrative Rule L-1.V.A.4 may be completed simultaneously with these requirements.

B. The following changes in operations REQUIRE cancellation of existing license and issuance of a new license.

- 1. Ownership change of an individual or partnership Title Agent with new partner(s) added to partnership.
- 2. Entity ownership change of 50% or more with new owner(s) or partners(s) added to the Entity.

L-2. TITLE INSURANCE ESCROW OFFICER

I. PERSONS REQUIRED TO BE LICENSED

- E. Neither the sole owner nor individual partners of a Title Insurance Agent, doing business as an Individual or Partnership, are required to be licensed as an Escrow Officer, only the employees of such Agents who perform any or all of the duties of an Escrow Officer. Each corporate officer and employee of a Title Agent, doing business as an Entity, who performs any or all of the duties of an Escrow Officer must obtain an Escrow Officer's license.

ADOPTED

Item 2006-49

SECTION VI – ADMINISTRATIVE RULES

G.1. POLICY GUARANTY FEE

II. Remittance Procedures

- E. All remittances shall be addressed to the designated address of the Association and shall be accompanied by a completed Policy Guaranty Fee Remittance Form. If no closings occurred during the quarter and no policy guaranty fees were received, the form must be sent in with the amount of "0." All remittances must be postmarked on or before the remittance due date.

ADOPTED

Item 2006-50

Amend the Texas Title Insurance Statistical Plan as follows:

1. Delete Table 6, Property Classification Codes for Texas Operations.
2. Delete Note 7 and renumber Note 8 as Note 7, on page 8.
3. Add a new Standard Endorsement Code for Texas Operations in Table 4, on page 13, to read as follows:
"Restrictions, Encroachment, Minerals Endorsement-Owner's Policy (T-19.1) for a single issue policy and an amendment of exception to area and boundaries is made R-29C 0895".
4. Amend Table 4, Standard Endorsement Codes for Texas Operations, on page 13, by amending Standard Endorsement Code 0889 to read as follows:
"Restrictions, Encroachment, Minerals Endorsement-Owner's Policy (T-19.1) for a single issue policy and no amendment of exception to area and boundaries is made R-29C 0889".
5. Correct the county code for Nolan County by changing the code to 353.

The amended changes are set forth in the Texas Title Insurance Statistical Plan attached hereto.

ADOPTED

Item 2006-65

P-24. PAYMENT FOR SERVICES RENDERED BY A TITLE INSURANCE COMPANY, TITLE INSURANCE AGENT, OR DIRECT OPERATION TO ANOTHER TITLE INSURANCE COMPANY, TITLE INSURANCE AGENT OR DIRECT OPERATION

In negotiating the portion of the premium to be paid by a Title Insurance Company ("Company"), Title Insurance Agent ("Agent"), or Direct Operation ("Direct Operation"), including any of their attorneys who are licensed escrow officers ("Escrow Officers") to another Company, Agent, Direct Operation or any of their Escrow Officers for: (i) furnishing title evidence, (ii) furnishing title evidence and examining title, (iii) closing a transaction, or (iv) closing a transaction and examining title, the payments shall not exceed the following percentages as applied to the portion of the title insurance premium remaining after payment of the underwriter's portion of the premium:

(a) If the insured policy amount is in excess of \$125,000

Furnishing title evidence, or furnishing title evidence and title examination by the Company, Agent, or Direct Operation furnishing the evidence	50%
Closing the transaction, or Closing the transaction and title examination	50%

(b) If the insured policy amount is 125,000, or less.

Furnishing title evidence, or furnishing title evidence and title examination by the Company, Agent, or Direct Operation furnishing the evidence	90%
Closing the transaction, or Closing the transaction and title examination	10%

In addition to these percentages, reasonable charges may also be made and paid for copies of documents.

Any payment in excess of the sums calculated by use of the percentages specified in this Rule shall be deemed to be an unreasonable and excessive amount, unless the Company, Agent, or Direct Operation providing such services and the Company, Agent, or Direct Operation, paying for such services (i) under section (a) above enter into a prior written agreement not less than ninety (90) days prior to closing specifying and agreeing to percentages (but not services)

different from those provided in this Rule or (ii) under section (b) above are licensed in the same county or in contiguous counties **and** enter into a prior written agreement not less than ninety (90) days prior to closing specifying and agreeing to percentages (but not services) different from those provided in this Rule . All payments must be remitted no later than the thirtieth (30th) day after the date of recording by the county clerk of an instrument conveying an interest in the land.

On and after January 1, 2013, the insured policy amount in sections (a) and (b) above shall be \$150,000.00.

This Rule, including the provisions pertaining to prior written agreements, and the percentages specified in this Rule apply to each Escrow Officer of a Company, Agent, or Direct Operation to the same extent and in the same manner as is applicable to the Company, Agent, or Direct Operation for which the person is acting as an Escrow Officer.

Nothing in this Rule shall affect the division of premium between a title insurance company and its subsidiary title insurance agent when the title insurance company directly issues its policy or contract of title insurance company pursuant to § 2704.002, Insurance Code. For purposes of this Rule, a subsidiary is a company at least fifty percent (50%) of the voting stock of which is owned by the title insurance company or by a wholly owned subsidiary of the title insurance company.

The amendments to P-24 adopted on May 1, 2008, are effective July 1, 2008.

ADOPTED