UNDERWRITING BULLETIN

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NY000271

Date: January 30, 2006

To: All Issuing Offices in New York

From: James G. Hyland, Chief Underwriting Counsel

Re: Premiums for Reverse Mortgages - Amendment to Section 6 and Addition of Section 36 to the TIRSA Rate Manual

Effective February 15, 2006, the Title Insurance Rate Service Association Rate Manual ("Rate Manual") has been amended to change the criteria for calculation of the premium for reverse mortgages. The definition of the term "Reverse Mortgage" for purposes of the Rate Manual is the same as is found for that term in Sections 280 and 280-a of the New York Real Property Law and will not be restated here. Suffice to say though that a reverse mortgage generally is one in which the borrower is advanced borrowed funds in stages without the corresponding obligation to make payments of principal, nor interest, at regular intervals. Upon the death of the borrower or sale of the property whichever occurs first, all principal advanced to that point, together with interest accrued thereon, becomes due and payable to the mortgagee. Typically, this is a mechanism by which elderly (to the extent that age 60 may be considered elderly) persons access the equity in their homes to finance current living expenses.

Formerly, under Section 6 (C) of the Rate Manual, a policy insuring a reverse mortgage could not be issued in an amount less than the **greater** of either the amount of the mortgage or the fair market value of the mortgaged property at the time the mortgage was made. Needless to say, this formula resulted in many transactions where premiums were being paid based on the market value of the property when the likelihood of the lenders' liability reaching that mark was speculative at best. To rectify that situation, the following changes are made.

First, Section 6 (C) of the Rate Manual has been deleted. Second, Section 36 of the Rate Manual has been added, which contains the revised criteria for premium calculation for reverse mortgages. Under Section 36, reference is now made to specific documentation from the borrower's loan application to determine the required amount of insurance.

Under Section 36 (A), a loan policy insuring a reverse mortgage may not be issued in an amount less the “Loan Amount” as shown on either:

- the HUD/VA Addendum to the Uniform Residential Loan Application, or;
- the Direct Endorsement Approval for a HUD/VA Insured mortgage, or, in the event that neither of those documents are available;
- the final loan application.

Further, under Section 36 (B), _*upon request of the insured*_, a policy insuring a reverse mortgage may be issued in a greater amount than above, but in any event, no greater than either:

- the Maximum Claim Amount on Home Equity Conversion Mortgages (HECM) insured by HUD or, in all other types of reverse mortgage loans;
- no greater than the value of the mortgaged property as determined by the appraisal used by the lender in making the loan.

Whichever method is employed in any given instance, when insuring a reverse mortgage, it will be required that the issuing office retain for its file copies of the document(s) used in determining the amount of insurance.

Copies of the revised sections are attached for your reference.

If you have any questions concerning this matter, please call company counsel.

ADDENDUM TO BULLETIN No. NY000271

TIRSA RATE MANUAL EFFECTIVE FEBRUARY 15, 2006

SECTION 6 - MINIMUM INSURANCE: LOAN POLICY

(A) A loan policy shall not be issued for less than the full unpaid principal amount of the New York mortgage liability except under the provisions of Section 3(A) (Co-Insurance) or Section 36 (Reverse Mortgages).

(B) A loan policy insuring Negative Amortization may not be issued in an amount less than the maximum principal amount (including interest which may be added to principal) which may be secured by such mortgage.

SECTION 36 – LOAN POLICY – REVERSE MORTGAGES

(A) A loan policy insuring a Reverse Mortgage (as identified in Section 280 and 280-a of the Real Property Law) may not be issued in an amount less than the “Loan Amount” as shown on the HUD/VA Addendum to Uniform Residential Loan Application or the Direct Endorsement Approval for a HUD/VA- Insured Mortgage. In the event that neither the HUD/VA Addendum to Uniform Residential Loan Application of the Direct Endorsement Approval for a HUD/VA-Insured Mortgage are available, an amount equal to the “Loan Amount” as shown on the final loan application shall be used.

(B) Upon the request of the insured, the policy may be issued in an amount greater than the minimum amount of insurance set forth in (A) above, but: (i) no greater than the Maximum Claim Amount on Home Equity Conversion Mortgages (HECM) insured by HUD, or (ii) in all other types on Reverse Mortgages loans, no greater than the property’s appraised value as used by the lender in connection with the making of the loan.