CHICAGO TITLE INSURANCE COMPANY

Notice to Customers Regarding Availability of "Enhanced Coverage" Owner's & Loan Policies

File No. AAT-2120809

The Commissioner of Banking and Insurance has approved the use of the **ALTA Homeowner's Policy** and the **ALTA Expanded Coverage Residential Loan Policy.** Commonly known as "enhanced coverage" policies, these forms supplement (or "enhance") the coverage afforded by the traditional policy forms known as the ALTA Residential Owner's Policy (1987) (now withdrawn) and the ALTA Owner's and Loan Policies (2006). They are available to insure fee simple or mortgage interests in owner-occupied one-to-four family dwellings (including residential condominium units). Some of the additional coverages which are found in these policies are summarized below.

SUMMARY OF COVERAGE

Note: This summary is **not** intended as an exhaustive treatment of policy coverage. In the event of a conflict between this summary and the wording of the policy itself, the latter takes precedence.

ALTA HOMEOWNER'S POLICY (1998) (2013 REVISION)

In contrast to the ALTA Residential Owner's Policy (1987) (now withdrawn) and the ALTA Owner's Policy (2006), the enhanced version of the owner's policy contains **32** covered title risks**.** Some of these are discussed below.

●**Availability.** Use limited to owner-occupied one-to-four family dwellings (including condominium units).

●**Amount of Coverage.** Face amount of policy automatically increases by 10% every year for the first five (5) years, up to 150% of face amount of policy.

●**Access.** Actual pedestrian **and** vehicular access are insured.

●**Forgery.** Protection against loss arising from **future** forgery.

●**Future Encroachments.** Loss arising from future encroachments caused by structures (other than boundary walls and fences) erected by adjoining owners.

●**Reversion of Title.** Loss if title reverts because of a prior violation of a restrictive covenant.

●**Mining Rights.** Loss arising from damage to improvements resulting from the exercise of the right to extract minerals.

●**Restrictions.** Loss arising from the **enforcement** of restrictive covenants which were previously violated, and for **unmarketability** of title resulting from the prior violation of restrictive covenants

●**Subdivision.** Loss arising from certain consequences of failure to comply with subdivision laws or regulations.

●**Building Permit.** Enforced removal of structures (other than boundary walls or fences) arising from lack of a building permit.

●**Zoning.** Enforced removal of structures (other than boundary walls or fences), or inability to use the insured land as a single-family residence, on account of zoning violations.

●**Enforced removal.** Loss arising from enforced removal of encroachments onto adjoining land.

●**Easements.** Enforced removal of existing structures which encroach upon an easement or a set-back line, even if excepted in Schedule B.

●**Street Address.** Failure of the residence with the street address shown on the policy to be located on the insured land.

●**Caps and Deductibles.** Four of the covered risks are subject to liability limits ("caps") and deductibles. These are Covered Risks Nos. 16 (subdivision), 18 (building permit), 19 (zoning) and 21 (encroachments).

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY – CURRENT ASSESSMENTS (2015)

In contrast to the ALTA Loan Policy (2006), the enhanced version of the policy contains 28 covered title risks. Some of these are discussed below.

●**Availability.** Use limited to mortgages secured by owner-occupied one-to-four family dwellings (including condominium units).

●**Amount of Coverage.** Policy limit is automatically increased by 25% above stated amount to provide indemnification for accrued interest, etc.

●**Access.** Both pedestrian and vehicular access are insured.

●**Usury.** Claims that the mortgage is invalid because the interest rate is usurious under New Jersey law.

●**Construction liens.** Coverage is given regardless of whether or not the work commences before or after the recording of the mortgage and regardless of whether the mortgage proceed are used to finance the construction.

●**Street Improvements.** Loss arising from assessments for street improvements.

●**Street Address.** Loss arising from the failure of the land to have the street address shown on Schedule A.

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Type of Structure; zoning. Loss arising from the failure of the land to contain a one-to-four family dwelling or condominium unit or to be zoned to permit same.

●**Subdivision.** Loss arising from violation of subdivision laws.

●**Building Permit.** Loss arising from the failure to obtain a building permit.

●**Restrictions.** Loss arising from inability to use the structure located on the land because its use violates restrictions.

●**Future Encroachments.** Loss arising from a structure erected by an adjoining owner in the future which encroaches onto the land.

●**Mineral Rights.** Loss arising from damage to improvements resulting from the exercise of mining rights.

●**Forgery.** Loss arising from forgery *after the policy date* of an assignment, release, subordination or satisfaction of the insured mortgage; or any instrument purporting to convey or encumber the insured land.

●**Endorsements.** The policy automatically includes the coverage provided by the following endorsements, to the extent the same are applicable: ALTA Nos. 4.1-06, 5.1-06, 6-06, 6.2-06, 8.1-06 and 9.10-06. In addition, coverage equivalent to the survey endorsement (without survey) is provided.

PRICING

Under *Rate Manual* §4.8, there is an additional charge for the "enhanced" policies: a surcharge equal to 20% of the regular premium. For example, if in a given transaction the premium is $1,000.00, an additional 20% (or $200.00) will be charged. Thus, the premium for the "enhanced" policy in that case will be $1,200.00 ($1,000.00 + $200.00) (exclusive of search and examination fees, endorsements, etc.). Under *Rate Manual* §3.4, in the event the insurer is asked to issue *simultaneously* a standard and an enhanced policy, the additional charge will be applied up to the face amount of the enhanced policy, and the normal rate will apply to the amount in excess thereof (if any), up to the face amount of the standard policy. For example, if a $100,000 standard owner's policy and an $80,000 enhanced loan policy are issued simultaneously, the additional charge would apply to the first $80,000, and the normal rate would apply to the last $20,000.