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## **Endorsement for Insurance of Loans Relating to Cooperative Properties**

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The purpose of this Endorsement is to amend terms and conditions of the Policy to provide for the insurance of Loans which are secured by ownership or membership in cooperative housing corporations and the lease of a residential unit by such corporation to the stockholder or member. This Endorsement will apply only to a Loan if the Application submitted by the Insured identifies the Collateral as such ownership or membership and lease, or is so identified by the Company on the Commitment for the Loan. To the extent of any inconsistency or conflict between the terms of the Policy and this Endorsement, this Endorsement will control. The Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated:

A. The following definition is added to Section 1 of the Policy:

1.8A **Collateral** means: (a) the stock or membership certificate issued to a tenant-stockholder or resident-member by a completed fee simple or leasehold cooperative housing corporation; and (b) the proprietary lease relating to one (1) unit in the cooperative housing corporation executed by said tenant-stockholder or resident-member and any other rights of said stockholder or member relating to any of the foregoing.

B. The following Sections are amended, deleted, or otherwise changed, as indicated below:

1. Section 1.2 is amended by replacing the phrase "where the Property is located" to "affecting either the Loan or the Collateral."

2. Section 1.12 is deleted in its entirety and replaced with the following:

1.12 **Good and Merchantable Title** means, when used with respect to the Collateral, the title both to the Collateral and the Property free and clear of all liens, encumbrances, covenants, conditions, restrictions and easements, rights of redemption, except for any of the following or as permitted in writing by the Company:

- a. Any lien established by public bond, assessment or tax, when no installment, call or payment of or under such bond, assessment or tax is delinquent;
- b. Any municipal and zoning ordinances and exceptions to title waived by the regulations of federal mortgage insurers and guarantors with respect to mortgages on one-to-four family residences in effect on the date on which the Loan was closed and all documents were executed;
- c. A first mortgage lien on the entire real estate owned by the cooperative housing corporation which has been disclosed to the Company in the Application for the Loan secured by the Collateral; and
- d. Any other impediments which will not have a materially adverse effect on either the transferability of the Collateral or the sale thereof to a bona fide purchaser.

Good and Merchantable Title will not exist if (i) there is any lien pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, or similar federal or state law as in effect from time to time providing for liens in connection with the removal of environmental conditions, or if notice has been given of commencement of proceedings which could result in such a lien, or (ii) there are limitations on ingress or egress to the Property or on use of utilities. Any action or proceeding after a judicial foreclosure sale relating to establishing a deficiency judgment will not be considered in determining whether the Insured has acquired Good and Merchantable Title.

3. Section 1.21 is amended by adding the following at the end of Section 1.21:

"subject to the terms of the proprietary lease from the cooperative housing corporation."

4. Section 1.22 is deleted in its entirety and replaced with the following:

1.22 **Property** means the Residential real property and all improvements thereon which is owned by the cooperative housing corporation, and which is leased to the Borrower who holds an ownership or membership interest in such cooperative housing corporation, which lease and interest secure the related Loan, together with all easements and appurtenances, all rights of access, all rights to use common areas, recreational and other facilities, and all replacements or additions to any of the foregoing.

5. Section 1.23 is deleted in its entirety and replaced with the following:

1.23 **Residential** means a type of building or a portion thereof which is designed for occupancy by more than one family, with ownership by a cooperative housing corporation.

6. A new Section 3.7 is added as follows:

3.7 **Indebtedness and Liens** – The Insured shall not consent to or approve, without the prior written approval of the Company, (a) a lien on the entire real estate or the Property that is owned by the cooperative housing corporation, other than that indebtedness secured by a first mortgage lien or other liens disclosed to the Company in the Application, or (b) a modification or termination of any rights of the Insured to exercise its consent or approval respecting the matters described in (a).

C. For purposes of the Policy, wherever the term "Property" is used and instead refers to the stock or membership certificate, the lease, or any other asset or right related thereto, it shall be deemed to be changed to "Collateral", including for purposes of provisions relating to foreclosure, Appropriate Proceedings, or redemption; acquisition of title or other status of title, lien or ownership (including Borrower's Title and Good and Merchantable Title); or acquisition, disposition or conveyance by any Person.

All terms capitalized will have the meanings set forth in the Policy, except as otherwise defined herein. Nothing herein contained will be held to vary, alter, waive or extend any of the terms and conditions of the Policy, or any amendments thereto, except as expressly set forth above.