

ALTA Short Form Residential Loan Policy – Guidelines

1. When may the Short Form Loan Policy be used?

The ALTA Short Form Loan Policy is **only** issued on 1-4 Family Residential properties. Conditions needed for policy to be issued:

- a. platted subdivision - not acreage
 - b. existing improvements on property – **NOT for construction loans**
 - c. condominiums and townhouses are insurable
 - d. access to a public road must appear in the land records
 - e. residential property only
- Does not apply to:
 - a. construction loans
 - b. raw land, or unimproved property
 - c. commercial property
 - d. multi-family residential (more than 4 units, unless individual condominium or townhouse)

2. Why use a Short Form Loan Policy?

The ALTA Short Form Loan Policy was developed

- a. To speed up policy issuance – to allow loan policy to be issued at the time of settlement.

You do not need to have documents recorded before you issue the policy. The effective date is “date and time of recordation.” Policy can be issued at settlement.

- b. To reduce the paperwork by incorporating standard ALTA endorsements by reference. With some policy formats it is no longer necessary to “check the box,” all applicable endorsements are automatically incorporated.

The policy was designed to be a one-page document with Schedule A on one side and Schedule B on the other. Computer systems now typically print the Schedule A and B on separate pages. You may need to amend language at the lower left that says, “see reverse” (or words to that effect). In Virginia, a third page is also required by statute the “Information to Policyholders” which informs the insured parties how to file a claim.

There is no need to attach an ALTA 8.1.06 or an ALTA 9.06. They, as well as other standard endorsement forms, are incorporated by reference.

3. Issuing the Policy:

- a. **Schedule A** requires the following information to be added:
 - your file number
 - policy number
 - loan number
 - property address including city or county and state.
 - the amount of insurance
 - premium amount

- mortgage amount (loan amount)
- mortgage date (date of deed of trust)
- date of policy –use “the date and time of recording, whichever is later” so you may issue instant policy at settlement (no need to wait for the recording receipt)
- lender’s name (name of insured) – as shown on the deed of trust
- borrower’s name (not the owner, but the borrower)

“Addendum attached” must always be checked for Virginia policies, since the “Information to Policyholders” must always be attached, per Virginia statute. If “Schedule B (continued)” or “Schedule B-2” is being attached, it should also be noted here.

The ALTA 8.1.06 line should always have “NONE” printed on it.

- b. **Schedule B** is pre-printed and contains the standard Exceptions from Coverage and Affirmative Insurances. Exception is taken to recorded
- 1) Covenants, conditions, and restrictions (CCRs)
 - 2) Easements of record
 - 3) Mineral rights

Then appropriate affirmative coverage is given for each exception.

Please note, the 2006 short form policy does not mention survey matters. Since there is no exception there is automatically affirmative coverage.

- c. **Schedule B (continued)** is used to
- i. Show an existing first mortgage or other lien that takes priority over the one insured.
 - ii. Show a unique exception, such as a survey that shows an encroachment for which there is no affirmative coverage.
 - iii. Delete or amend coverage in Schedule A or B.
- d. **Schedule B-2** is used to show subordinate matters, such as a second deed of trust.

4. Search Guidelines

- a. Two Owner search **if there is an existing institutional deed of trust** on a **refinance** plus full search for taxes and judgments (20 years).
- b. Full 40-year search for a purchase or a refinance without an existing institutional deed of trust. If current Owner has an existing Owner’s policy title may be updated from the policy date as long as full searches are run on taxes and judgments (20 years)
- c. NOTE: If issued with an owner’s policy the search must go back to the subdivision, if the property is located in a subdivision, to obtain the restrictive covenants and easements.