

Mortgage Guaranty Insurance Corporation
270 E. Kilbourn Avenue, Milwaukee, Wisconsin 53202
P.O. Box 488, Milwaukee, Wisconsin 53201

On those Loans identified by the Initial Insured in the Insurance Application as being secured by ownership or membership in a cooperative housing corporation and the lease of a residential unit by such corporation to the stockholder or member, it is hereby understood and agreed that the Policy is hereby modified as follows:

1. Definitions.

Terms used and not defined in this Endorsement have the meanings set forth in the Policy.

(a) Advances

The definition of “Advances” in Section 1 of the Policy is hereby amended by addition of the following:

- (6) Cooperative maintenance fees (*i.e.*, the Borrower’s portion of shared fees related to the building mortgage and common areas attendant to the Property), to the extent necessary to preserve the lien priority of the Mortgage.

(b) Appropriate Proceedings

The definition of “Appropriate Proceedings” is hereby deleted and restated in its entirety as follows:

Appropriate Proceedings means (i) any action or proceeding to vest in the Servicer or Beneficiary all of the Borrower’s right, title and interest in and to the Security, including foreclosure by public or private sale, sales pursuant to the Uniform Commercial Code, (ii) eviction proceedings, (iii) voluntary conveyance from the Borrower, or (iv) any bankruptcy or similar proceedings pursuant to which the Servicer or Beneficiary is permitted to assert its interest in the Security to the extent that such action or proceeding is permitted by Applicable Law and is not inconsistent with the requirements of this Policy.

(c) Borrower’s Title

The definition of “Borrower’s Title” is hereby deleted and restated in its entirety as follows:

Borrower’s Title means all right, title and interest of the Borrower in and to a Property, as evidenced by (i) an executed trustee’s or sheriff’s deed (which need not reflect recordation) or other satisfactory evidence that a foreclosure sale has been properly completed and the redemption period has expired; provided, however, that

the redemption period need not have expired if so elected by the Servicer or Beneficiary, with such election being made by submission of a Claim before expiration of the redemption period, (ii) the possession and control of a unit that gives transferable ownership rights that may include the right to record ownership of the stock or membership certificate and the proprietary lease or occupancy agreement and/or evidence of a duly completed foreclosure pursuant to the Uniform Commercial Code, or (iii) in the case of a voluntary conveyance to the Servicer or Beneficiary, a deed from the Borrower.

(d) Good and Marketable Title

The definition of “Good and Marketable Title” is hereby deleted and restated in its entirety as follows:

Good and Marketable Title means title to a Property that is readily able to be sold and freely transferable and that is free and clear of all liens, defects, encumbrances and tenancies, including rights of parties in possession and rights of redemption, except for the following and any other exceptions that we approve for that Property:

- (1) the lien of general real estate taxes and other public charges and assessments for the current year not yet due and payable;
- (2) the rights of the cooperative housing corporation under the proprietary lease or occupancy agreement under the bylaws of the cooperative housing corporation or with respect to restrictions on stock transfers or transfers of the Security provided that there exists no material default under the terms and conditions of any such lease or agreement;
- (3) the underlying first mortgage lien, if any, on the entire building owned by the cooperative housing corporation if present as of the date the Commitment for the Loan is issued and disclosed to us in the Insurance Application for the Loan; and
- (4) easements for public utilities, recorded building and use restrictions and the effect of building laws or regulations with which the improvements on the Property comply and that do not impair the use of the Property for its intended purpose;

provided, however, that Good and Marketable Title does not exist if (a) there is a lien on the Property under Applicable Law in connection with an Environmental Condition or Impairment, or if notice has been given of commencement of proceedings which could result in the imposition of a lien on the Property pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. § 9601, *et seq.*), or any other Applicable Law, or (b) convenient means of ingress and egress or freely alienable rights to the use and enjoyment of municipal or private sources of water and means of sewage disposal are not conveyed, whether such rights are by easement or covenant running with the Property reflected in the public records.

(e) **Property**

The definition of “Property” is amended by addition of the following:

- (5) for those Loans identified as relating to cooperative housing units, the unit described on the Commitment and Certificate which the Borrower, by virtue of the Borrower’s interest in the Security which secures the Loan, has an exclusive right to occupy.

(f) **Security**

The following is added to Section 1 (Definitions) of the Policy as a new definition:

Security means the stock or membership certificate evidencing an ownership interest in an organization formed for the purpose of the cooperative ownership of real estate, together with the proprietary lease or occupancy agreement from such organization in favor of the Borrower allowing exclusive occupancy and use of the Property.

For purposes of this endorsement the term “Security” shall be substituted for the term “Property” in the following provisions of the Policy:

Section 1, Definitions of Acquisition Option, Property Sale, Default, Deficiency Judgment, Loan, Pre-Settlement Sale, Total Loss, and Workout;

Section 4.1(b) Assumption of Loan;

Section 4.1(c) Balloon Payment;

Section 4.1(i) First Lien Status;

Section 5.3(a) Servicer Actions;

Section 7.2 Settlement on Basis of Property Sale;

Section 8.1(c) Refund of Premium and Reinstatement;

Section 8.3(b) Obligations of Servicer or Beneficiary (other than in the penultimate paragraph);

Section 9.1(b) Redemption;

Section 9.2(a) Initial Claim Requirements;

Section 10.1 Company Options;

Section 11.1 Subrogation; and

Section 11.3 Deficiency Judgments.

2. Exclusions.

Section 4.1(k) of the Policy is hereby deleted and restated in its entirety as follows:

Incomplete Construction. Construction, rehabilitation or remodeling of the Property or of the underlying real estate owned by the cooperative housing corporation has not been completed in accordance with the applicable plans and specifications or as indicated in the Origination Valuation, in which case we may issue a Rescission Notice rescinding coverage on the Certificate.

3. Servicing Reports; Notice of Proceedings.

Section 5.1(b) of the Policy is hereby deleted and restated in its entirety as follows:

Notice of Proceedings. In addition to monthly Servicing Reports, the Servicer shall provide us with notice within 30 days after the Servicer or Beneficiary has knowledge of the commencement of any proceeding, including Appropriate Proceedings or Borrower Proceedings, which affects or may affect the Loan, Mortgage, Security, Property, or the Servicer's, Beneficiary's or Borrower's interest therein.

4. Mitigation of Loss.

Section 6.3 of the Policy is hereby deleted and restated in its entirety as follows:

Mitigation of Loss

The Servicer shall (a) prevent and mitigate loss in a reasonable and prudent manner and consistent with generally accepted standards of servicing then in use in the first-lien residential mortgage industry, including with respect to loans for which there is no mortgage guaranty insurance, but in no event at a standard less than the GSE-required servicing standards then in effect, and (b) comply with the Servicing Guide then in effect and any other applicable guidelines to which the Servicer or Beneficiary is subject, and as we may otherwise direct from time to time. Such prevention and mitigation efforts shall include good faith efforts to obtain a cure of any Default including, as applicable, prompt and ongoing Borrower contact and prompt reporting of Defaults to appropriate credit reporting agencies, collection of amounts due under the Loan, collection of rents, inspection and appraisal of the Property, effectuating the early disposition of the Security (including marketing pursuant to Section 6.5 (Marketing Efforts)), offering to any Borrower who has the willingness and ability to cure the Default a Workout approved by us pursuant to Section 5.2 (Workouts), assertion of the Servicer's and Beneficiary's rights in and to any collateral or security in its custody or control, assertion of rights against the Borrower, prompt reporting to us of any Pre-Settlement Sale offers and diligent pursuit and completion of Appropriate Proceedings in accordance with Section 6.2 (Appropriate Proceedings). The status of each Workout shall be reported to us on a monthly basis. Notwithstanding anything to the contrary herein, nothing in Section 6.2 (Appropriate Proceedings) or this Section 6.3 will prevent or restrict the Servicer or GSE Beneficiary from electing to foreclose on a Security; provided however, that if such foreclosure results in any noncompliance with the servicing requirements of this Policy, the Insurance Benefit otherwise payable for the Claim will be subject to reduction in

accordance with Section 4.1(h) (Failure to Satisfy Post-Origination Conditions or Obligations).

5. Acquisition Option Requirements.

Section 9.2(f) of the Policy is hereby deleted and restated in its entirety as follows:

Acquisition Option Requirements. If not already provided or requested pursuant to Section 9.2(b) (Additional Claim Requirements), we will notify the Servicer or Beneficiary of our need for access to the Property for purposes of determining its condition and value to evaluate a potential acquisition by us within 20 days after the Claim becomes a Perfected Claim. If the required Property access is not timely provided, or if eviction proceedings are needed in order to convey Good and Marketable Title, the Claim Settlement Period will be suspended until the Servicer or Beneficiary provides the required access; provided, however, that if such access is not provided by the end of the 210-day period following submission of the Claim, we will settle the Claim under the Anticipated Loss Option, subject to the terms and conditions of this Policy.

Within 20 days of obtaining access to the Property, we will notify the Servicer or Beneficiary if we will elect the Acquisition Option. Within 20 days following such notice, the Servicer or Beneficiary shall provide us with duly and properly executed assignments or other required documents of transfer, in usual and customary form and containing customary warranties and covenants applicable to the entire term of the Loan and conveying to us or our designee Good and Marketable Title to the Security and possession of the Property. If we elect the Acquisition Option in settlement of the Claim, we will: (i) pay the Insurance Benefit within five Business Days of our receipt of the required title transfer documentation; and (ii) submit the title transfer documents relating to the Property for recording within 60 days of receiving them.

Nothing contained in this Endorsement shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the Policy or any endorsement thereto, other than to the extent expressly set forth above.