

ISSUING GUIDELINES

ALTA Endorsement: 29-06 (Interest Rate Swap Endorsement – Direct Obligation)

Explanation:

This endorsement to a loan policy insures against loss resulting from:

- (1) invalidity or unenforceability of the insured mortgage as security for the repayment of the Direct Obligation (swap obligation amount is treated as principal) under the Swap Agreement;
- (2) lack of priority of the lien of the insured mortgage as security for the repayment of the Direct Obligation established under the Swap Agreement.

Please note that this endorsement contains exclusions from coverage: master interest rate exchange agreement, creditors' rights, calculations by court, and unpaid recording or similar taxes.

This endorsement (29-06) relates to Direct Obligations (swap obligation amount is treated as principal) under the Swap Agreement, while the 29.1-06 relates to Additional Interest Obligations (swap obligation amount is treated as additional interest) under the Swap Agreement.

Underwriting Requirements:

In addition to the following, prior approval from Dakota Homestead is required:

1. Verify the mortgage expressly secures the Direct Obligation established under the Swap Agreement and complies with applicable state requirements for disclosure of Swap Obligations, if any.
2. Verify the Direct Obligation established under the Swap Agreement is in fact evidenced by an existing, written Swap Agreement (or Interest Exchange Agreement), which must be in effect at the time of the execution of the Insured Mortgage.
3. Verify the mortgage establishes a maximum amount of the Direct Obligation established under the Swap Agreement.

Issuing guideline applies to the following Endorsement(s):

ALTA 29-06 Interest Rate Swap Endorsement – Direct Obligation - 2006 ALTA Loan Policy