



The American Land Title Association (ALTA) developed the Short Form Residential Title Policy **prior to** 1992. Through the years the ALTA Short Form has been adopted within each state with the exception of New Mexico. In recent months, Texas and Oregon adopted the ALTA Short Form Residential Title Policy. The format of Short Form Residential Title Policy adopted within each state is **the ALTA Short Form and in a few states such as Texas, which have modified forms, the adopted form is generally consistent** with the ALTA Short Form.

What is the ALTA Short Form?

The Short Form Policy is issued to a lender making a loan secured by a one-to-four family residential lot or condominium. The Short Form Policy is a condensed version of the standard title policy, which incorporates provisions of the ALTA Loan Policy (10/17/92) without reprinting the terms. The policy provides the same coverage as the ALTA standard Loan Policy, thus insuring against the invalidity or unenforceability of the lien of the mortgage and against loss or damage should the priority of the mortgage be other than as shown in the policy.

A full title policy jacket is not needed since the Short Form Policy incorporates by reference all of the Insuring Provisions, Conditions and Stipulations, and Exclusions set forth in the standard ALTA Loan Policy. Because they are automatically incorporated, the size of the form is dramatically reduced. The Exclusions deal with matters such as usury, zoning and other governmental regulation, and eminent domain. The Conditions and Stipulations primarily deal with claims handling, and notice of a claim. Other than the insuring sentence, the Short Form Policy consists of a Schedule A and a Schedule B. Policy coverage is limited by the exceptions set forth in Schedule B, the Exclusions from Coverage and the Conditions and Stipulations of the policy. The Short Form Policy is reduced to a one to two page policy, unless an addendum is attached. Endorsements are not attached to the Short Form Policy; they are incorporated therein. Depending upon the Short Form format adopted within the respective state, the standard Endorsements are either simply listed within the Short Form Policy or they are listed whereby a box is marked to reflect the applicable endorsement. The ALTA Short Form incorporates various endorsements, including the typical endorsements available on residential loans in other transactions. In most states, those endorsements include the Condominium Endorsement (ALTA 4), Planned Unit Development Endorsement (ALTA 5), Variable Rate Endorsement (ALTA 6), and Environmental Protection Lien Endorsement (ALTA 8.1). Because those endorsements are incorporated (either automatically under one version of the Short Form, or by checking boxes under the other version), the endorsements do not have to be attached. You just verify that they are referenced. There are minor revisions to the ALTA Short Form in Texas, New York and Oregon. Those forms will refer to customary endorsements available in those states.

The ALTA standard Schedule B exceptions and affirmative insurance dramatically reduce your time in reviewing the Policy and eliminate the need to secure corrections. The automatic insurance insures you against loss as provided because of outstanding restrictions, minerals, easements, and survey matters. It also insures against taxes that are due and payable. The addendum reflects title risks that are unacceptable to the insurer and therefore are **excepted** from coverage.

What is the value of the Short Form?

The Short Form Policy can be issued at the time of closing and delivered to the lender in the closing package, provided the agent closing the transaction was the insured or the policy can be delivered immediately following the closing. The policy date is reflected as the “date of settlement or the date of recording of the insured mortgage, whichever is later”. This means the Short Form Policy provides “gap coverage” between the date of closing and the date of recording. “Gap coverage” is where the title insurance company insures a title as of the later of the time of the closing of the transaction and of the time of the recording of the instrument, thus, giving coverage against intervening matters found of record between closing and recording.

This form addresses three common problems: (1) tardy delivery of title insurance policies and the additional expense incurred in securing issuance of those policies, (2) errors in title policy preparation and the additional expense incurred in securing corrections to policies, and (3) time invested in “long form” policy review. Because of these problems and tardy long form policy delivery, Ginnie Mae is encouraging use of the Short Form. Primary benefits of the Short Form are:

- 1) Improve turntime of the policy (can be issued at closing)
- 2) Gap coverage is automatically included
- 3) Errors in production of policy are reduced as well as number of follow-up calls from and to the mortgage and title company.
- 4) Property address and loan number are referenced on the short form.
- 5) Endorsements are incorporated and do not need to be attached.
- 6) Standardized Schedule B exceptions – no review necessary.
- 7) Standardized affirmative insurance in Schedule B – no review necessary. The affirmative insurance automatically enhances the coverage and is consistent with the coverage afforded in the ALTA Endorsement 9 coverage.
- 8) Improved service to lender customers and homebuyer that is faster and more accurate.

Lenders may wish to amend closing instructions to require that the Company issue the Short Form, to require that applicable boxes for endorsements be checked, and to prohibit any additional exceptions from being shown in an Addendum.

Not only can you speed up the delivery of your policy by using the ALTA Short Form Policy, the review of the policy is quick and easy. If you image your documents or make additional copies, remember the Short Form Policy consists only of one to two pages! This will save time and money. Using the Short Form Policy allows the loan to be delivered immediately into the secondary market. Ginnie Mae, Fannie Mae, and Freddie Mac have all approve and accept the ALTA Short Form Residential Title Policy.

Why doesn't my agent issue the ALTA Short Form Policy?

Unless you amend your closing instructions to require the use of the Short Form Title Policy for single family residential mortgages, then it is likely that you the lender will continue to receive the ALTA Standard Title Policy. It is easy – Just say I want the ALTA Short Form!

When will New Mexico adopt the use of the ALTA Short Form? The ALTA Short Form Residential Policy was previously filed with the Superintendent of Insurance in 2000. The New Mexico Land Title Association announced June of 2002, that it would not support or file the ALTA Short Form Residential Policy. In order for the ALTA Short Form Loan Policy to be considered for adoption in New Mexico, it will have to be filed again with the Superintendent of Insurance. You can write your letter of support for the ALTA Short Form Loan Policy to Eric Serna, who is the New Mexico Superintendent of Insurance. Mr. Serna's address is: 4th Level, PERA Bldg., 1120 Paseo de Peralta, Santa Fe, New Mexico 87504-1269 (Phone Number: 505-827-4299 Fax Number: 505-827-

4734), with copy to Charles G. Denton, Supervisor, Title Insurance Bureau, Insurance Division, Room 431, P.E.R.A. Building, Corner of Paseo de Peralta and Old Santa Fe Trail, P.O. Box 1269, Santa Fe, New Mexico

87504-1269. The new president of the NMLTA is LaMerle Boyd and she can be contacted at Capitol City Title Services, Inc. 515 Don Gaspar, P.O. Box 1941, Santa Fe, New Mexico 87504 (Phone: 505-982-4621).