
MASTER POLICY ENDORSEMENT

COOPERATIVE PROPERTIES

Policy Issued To:

Attached to and Forming Part
of Master Policy No:

Effective Date of Master Policy: 10.01.2014

Effective Date of Endorsement: 10.01.2014

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 above-captioned Master Policy is hereby modified as set forth below. Terms used and not defined in this Endorsement have the meanings set forth in the Policy.

1. Section 1 (Definitions), the definition of **Advances** is hereby amended by adding to the end of the definition the following:

(vi) 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.

2. Section 1 (Definitions), the definition of **Appropriate Proceedings** is hereby amended by adding to the end of the definition the following:

(v) sales pursuant to the Uniform Commercial Code.

3. Section 1 (Definitions), the definition of **Borrower's Title** is hereby amended by adding to the end of the definition the following:

(iii) 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 duly completed foreclosure pursuant to the Uniform Commercial Code.

4. Section 1 (Definitions), the definition of **Good and Marketable Title** is hereby deleted in its entirety and replaced by the following:

Good and Marketable Title means title to the Security 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:

- (i) the lien of general real estate taxes and other public charges and assessments for the current year not yet due and payable;
- (ii) 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;

(iii) The rights of the cooperative organization including, but not limited to any and all rights under the proprietary lease or occupancy agreement under the bylaws of the cooperative organization 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; provided however, that Good and Marketable Title does not exist if (x) 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 (y) 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.

5. Section 1 (Definitions), the definition of **Property**, is amended by adding a new clause (v):

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

6. Section 1 (Definitions), the following definition is inserted:

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.

7. For the purposes of this Endorsement, the term **Security** shall be substituted for the term **Property** in the following provisions of the Master Policy: Section 1, Definitions of Acquisition Option, Appropriate Proceedings, Approved Sale, Borrower's Title, 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 the Basis of Approved Sale); Section 8.1(c) (Refund of Premium and Reinstatement); Section 8.3(b) (Obligations of Servicer or Beneficiary) (other than Section 8.3(b)(ii)); Section 9.1(b) (Redemption), to the extent applicable; Section 9.2(a) (Initial Claim Requirements); Section 10.1 (Company Options), to the extent applicable; Section 11.1 (Subrogation); and Section 11.3 (Deficiency Judgments).

8. Section 4.1(k) (Incomplete Construction) is deleted in its entirety and replaced by the following:

Incomplete Construction. Construction, rehabilitation or remodeling of the Property or of the underlying real estate owned by the cooperative organization 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.

9. Section 5.1(b) (Notice of Proceedings) is deleted in its entirety and replaced by the following:

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.

10. Section 6.3 (Mitigation of Loss) is deleted in its entirety and replaced by the following:

Mitigation of Loss

The Servicer shall:

(i) 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

(ii) 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 7.4 (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 (Mitigation of Loss) shall prevent or restrict the Servicer or GSE Beneficiary from electing to foreclose on a Security; provided however, that if such foreclosure results in any non-compliance with the servicing requirements of this Policy, the Insurance Benefit otherwise payable for the Claim shall be subject to reduction in accordance with Section 4.1(h) (Failure to Satisfy Post-Origination Conditions or Obligations).

11. Section 9.2(f) (Acquisition Option Requirements) is deleted in its entirety and replaced by the following:

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 date the Claim becomes a Perfected Claim, in which case the Claim Settlement Period will be suspended until the Servicer or Beneficiary provides the required access or completes eviction proceedings, if necessary. If the Servicer or Beneficiary is unable to provide such access or obtain Good and Marketable Title within 210 days following the submission of the Claim under paragraph (a) (Initial Claim Requirements), we will settle such Claim pursuant to the Anticipated Loss Option, in accordance with Section 10.1(d) (Company Options).

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 will provide us with duly and properly executed assignments or other required documents of transfer, in customary form and containing customary warranties and covenants conveying to us 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 5 Business Days of receiving the title transfer documents relating to the Security; and (ii) submit the title transfer documents relating to the Security for recording within 60 days of receiving them.

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

IN WITNESS WHEREOF, we have caused this Endorsement to be signed by our duly authorized officers in facsimile.

President

Secretary