

FLORIDA BULLETIN 03-01

TO: ALL AGENTS AND TITLE PLANT OPERATIONS
FROM: UNDERWRITING DEPARTMENT
DATE: JULY 11, 2003
RE: MULTIPLE SIMULTANEOUS MORTGAGE TRANSACTIONS
WITH A SINGLE LENDER

Many of our agents in Florida have been asked to close an increasing number of transactions where a single lender makes both a first and a second mortgage, typically with the lender doing an 80% loan-to-value first mortgage and a second mortgage, simultaneously. The end result is two mortgages with an aggregate loan-to-value in excess of 80%. This is often referred to as a "blend," and is designed to keep the borrower's payments as low as possible. While there is nothing wrong with this practice from a title insurance perspective, agents have been requested to do certain acts associated with these transactions that are improper.

Many agents have been asked to insure these two mortgage transactions on one mortgagee policy. This practice has presented several problems. First, insuring in this manner violates our state's Promulgated Rule. When simultaneously issued, there should be two simultaneous issue rates (\$25.00 each). If they are not simultaneously issued with an owner's policy, then there is the likelihood it violates the Promulgated Rule by not charging enough per thousand for the second mortgage because it has been artificially "stacked" on top of the first mortgage. Accordingly, Old Republic National Title Insurance Company **does not** authorize the coverage of two mortgages on a single policy.

Some lenders require two policies but demand that the agent make no reference to the second mortgage on either the policy for the first mortgage (as a subordinate matter), or on the face of the HUD-1 closing statement. Agents need to be careful in these situations and prepare their HUD-1 closing statements properly. On the HUD-1 for the first mortgage, it is inappropriate to show the monies from the second mortgage as "cash to close." This creates the impression that the borrower has more equity than is factual. It is essential that the closing statement accurately discloses the facts.

It bears repeating that there is nothing wrong with insuring these dual mortgage situations as long as it is done properly.

Should you have any questions, please contact Old Republic's Underwriting Department.

**This Bulletin is to become a permanent part of your Bulletin Manual,
and you are to comply with the requirements contained herein.**