

BULLETIN 0001

TO: All Agents, Direct Operations & Attorneys in the State of Texas
FROM: David W. Rhodes
DATE: January 6, 2000
SUBJECT: New Rule and Form Changes

Several pending Agenda items were approved and adopted by the Texas Department of Insurance effective December 30, 1999.

- New Procedural Rule P-49

This new procedural rule sets a standard for title insurance companies to follow in reporting delinquent audit reports of title agents and direct operations. The new rule requires that each title insurance agent and direct operation shall have an annual audit prepared and sent to the Department of Insurance within 91 days of the end of its fiscal year. In addition, a copy of the audit and transmittal to the Department of Insurance must be sent to each underwriter the agent or direct operation represents. If the underwriter does not receive a copy of the audit report before 91 days from the end of the fiscal year, the underwriter must report that omission to the Department of Insurance within 30 days after the end of the 90 day period.

A copy of the new rule is attached.

- New Form T-63- Texas Escrow Accounting Addendum Special Disbursement Reconciliation

This new form concerns "POC" items which the title company may be asked to disburse through its escrow account. True "POC" items are paid outside of closing and do not pass through the title company's escrow account. In order to accommodate those lenders who wished the escrow agent to disburse these items for them; this new form was adopted. The purpose of the new form is to create an audit record of the two different types of "POC" items.

A copy of Form T-63 is attached.

- Amendment of Tax Exception- P-20 and Others

Legislation passed in 1999, required that policy coverage be given for subsequent taxes that arise because a change in status affects an exemption granted to a prior owner of the real property or because of improvements not assessed for a prior tax year. This change will cover roll back taxes levied because of a change in status such as a conveyance by an owner who had an over - 65" age exemption, etc.

The tax exception language in the Commitment, Owner Policy, Mortgagee Policy, Interim Construction Binder, Limited Pre-Foreclosure Policy and Procedural Rule P-20 are all amended to reflect this change.

A copy of the forms and P-20 as amended is attached.

- Amendment of Procedural Rule P-31

Procedural Rule P-31 has been amended to require that any "Home Office Issue" policy be signed by a designated employee or officer at a designated address. There may be more than one authorized signatory and there may be more than one designated address for each underwriter. These employees and office addresses must be submitted to the Texas Department of Insurance before January 31st of each year.

All signatures must be original. At this time, electronic signatures are not acceptable.

A copy of the new Procedural Rule P-31 is attached.

- Procedural Rule P-32 was repealed.

This rule affecting the reporting of "home office issues" expired by its own terms on December 31, 1995.

- Proposed Amendment to Procedural Rule P-22 Withdrawn.

The pending proposal to allow an agent to retain its share of the premium and remit only the title insurance company's portion of the premium was withdrawn from consideration.

The other Agenda items originally proposed at the 1998 Biennial Hearing have been disposed of in earlier Commissioner's Orders or were not adopted.

P-49 Annual Audit

A. As provided in Article 9.39, Texas Insurance Code, every title insurance Agent and direct operation shall have an annual audit prepared, and before the 91st day after the date of termination of its fiscal year, shall send by certified mail, postage prepaid, to the Texas Department of Insurance one copy of such audit report with a letter of transmittal, and each such agent, shall also send a copy of such letter of transmittal and audit report to every title insurance company which it represents.

B. If a title insurance company fails to receive an audit report from any of its agents or direct operations before the 91st day after the date of the termination of the fiscal year of the agent or direct operation, the title insurance company shall report that omission to the department not later than the 30th day after the expiration of the 90-day period.

P-31 Authorized Execution of Directly Issued Policy.

All directly issued policies of title insurance (authorized by Art. 9.34, Insurance Code, defined in Procedural Rule P-1.aa., and sometimes referenced "Home Office Issue") shall be countersigned, prior to delivery, by a bone fide officer or employee of the title Insurance Company issuing the directly issued policy. Each employee or officer countersigning directly issued policies shall be employed at a designated office location in the State of Texas maintained by the issuing Title Insurance Company for the issuance of directly issued policies. Each Title Insurance Company shall file annually on or before January 3 i of each calendar year a written designation of its office addresses with the Texas Department of Insurance, together with the name and position of each person or persons at each designated address it has authorized to countersign directly issued policies at such address.

No person or entity may be authorized, designated or empowered to countersign directly issued policies for a Title Insurance Company until designated with the Texas Department of Insurance in compliance with this Rule P-3 1. For the purpose of this rule all directly issued policies must reflect original countersigned signatures and it is prohibited to affix facsimile or any other form of signature that is not the originally executed signature of a designated individual.

P 32 Report on Directly Issued Policy... ..

REPEALED EFFECTIVE December 30,1999

Form T-6
Texas Escrow Accounting Addendum
Special Disbursement Reconciliation

LENDER:

LOAN NO:

BORROWERS:

GUARANTY FILE NO.:

**Special Disbursement Reconciliation
Items Shown as "POC" on Settlement Statement
And Paid From Lenders Funds at Settlement by Settlement Agent**

The purpose of this Special Disbursement Reconciliation form is to disclose that certain charges to be paid by the Lender to an affiliated or independent service provider, have been shown as P.O.C. (Paid Outside of closing) on the HUD-1 Settlement Statement and were not used in computing totals under Section L Settlement Charges.

The items described below have been designated as P.O.C. in Section L of the HUD-1 Settlement Statement. In accordance with the Lender's instructions, these items are shown as P.O.C. in accordance with 24 C.F.R. §3500.7(a)(2) and the Section L Settlement Charges instructions of Appendix A to 24 C.F.R. §3500. The items described below were actually paid at settlement, with the Lenders funds, by the settlement agent:

HUD-1 Line Number	Item Description	Name of Payee	Amount of Payment

This Special Disbursement Reconciliation is executed by the settlement agent as of the date shown below:

Settlement Agent

Date

COMMITMENT FOR TITLE INSURANCE (Form T-7)

SCHEDULE B
EXCEPTIONS FROM COVERAGE

5. Standby fees, taxes and assessments by any taxing authority for the year ____, and subsequent years; and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, Texas Tax Code, or because of improvements not assessed for a previous tax year.

OWNER POLICY OF TITLE INSURANCE (Form T-1)

SCHEDULE B
EXCEPTIONS FROM COVERAGE

5. Standby fees, taxes and assessments by any taxing authority for the year ____, and subsequent years; and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, Texas Tax Code, or because of improvements not assessed for a previous tax year.

TEXAS RESIDENTIAL OWNER POLICY OF TITLE INSURANCE ONE-TO-FOUR
FAMILY
RESIDENCES (Form T-1R)

5. Standby fees, taxes and assessments by any taxing authority for the year ____, and subsequent years; and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, Texas Tax Code, 017 because of improvements not assessed for a previous tax year.

MORTGAGEE POLICY OF TITLE INSURANCE (Form T-2)

SCHEDULE B

3. Standby fees, taxes and assessments by any taxing authority for the year ____, and subsequent years; and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, Texas Tax Code, or because of improvements not assessed for a previous tax year.

MORTGAGEE TITLE POLICY BINDER ON INTERIM CONSTRUCTION LOAN
(Form T- 13)

SCHEDULE B-1
EXCEPTIONS FROM COVERAGE

3. Standby fees, taxes and assessments by any taxing authority for the year ____, and subsequent years; and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, Texas Tax Code, or because of improvements not assessed for a previous tax year.

LIMITED PREFORECLOSURE POLICY (Form T-40)

LIMITED PRE-FORECLOSURE POLICY COMBINED SCHEDULE

EXCEPTIONS FROM COVERAGE

1 Taxes

Standby fees, taxes and assessments by any taxing authority for the year and subsequent years; and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, Texas Tax Code, or because of improvements not assessed for a previous tax year.

Section IV of the Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas

P-20. Amendment of Standard Exception in Mortgagee Policy or Mortgagee Title Policy Binder on Interim Construction Loan (Interim Binder) Relating to Taxes - In connection with the issuance or amendment (after issuance) of any Mortgagee Policy or any Mortgagee Title Policy Binder on Interim Construction Loan (Interim Binder), and upon payment of the premium required under Rate Rule R-1 9, the words: "and subsequent taxes and assessments by any taxing authority for prior years - due to change in land usage or ownership" as contained in the standard tax exception (designated "3." in Schedule B of the Mortgagee Policy or in Schedule B-Part 1 of the Interim Binder) may be deleted by: (a) deletion of such words upon the policy or binder form; or (b) by attachment to the policy or binder of (i) endorsement form T-30, or (ii) a completed form T-3 providing for the deletion of the herein before quoted words.