



Arch Mortgage Insurance Company
3003 Oak Road
Walnut Creek, CA 94539

Cooperative Property Endorsement

COOPERATIVE PROPERTY ENDORSEMENT TO FIRST LIEN MASTER POLICY, FORM ARCH 1800.00 (07/14)

This Cooperative Property Endorsement amends the terms and conditions of the Master Policy to provide for the insurance of Loans which are secured by ownership or membership in cooperative housing corporations and the lease of a residential unit by such corporation to the stockholder or member. The Endorsement shall only apply to a Loan if: (i) the Loan meets all of the requirements in the Underwriting Guidelines related to cooperative properties; and (ii) the Insurance Application or, in the case of a Loan delivered to the Company for coverage under a delegated underwriting program, the data transmission regarding the Loan, identifies the Security as such ownership or membership and lease, or is so identified by the Company on the Certificate for the Loan. The Master Policy is amended by adding, deleting, or amending the following terms and conditions, as indicated:

1. The following definition is added to Section 1 (Glossary) of the Master Policy:

“Security” means: (i) the stock or membership certificate issued to a tenant-stockholder or resident-member by a completed fee simple or leasehold cooperative housing corporation; and (ii) the proprietary lease relating to one unit in the cooperative housing corporation executed by said tenant-stockholder or resident-member and any other rights of said stockholder or member relating to any of the foregoing.

2. Section 1.34 (Good and Merchantable Title) is deleted in its entirety and replaced with the following:

“Good and Merchantable Title” means when used with respect to a Loan secured by ownership or membership in a cooperative housing corporation, the title to both the Security and the Property free and clear of all liens and encumbrances, covenants, conditions, restrictions, easements and rights of redemption, except for:

a) any lien established by public bond, assessment or tax, when no installment, call or payment of, or under, such bond, assessment or tax is delinquent; and

b) any municipal or zoning ordinances, building restrictions or other restrictions, covenants, or regulations of use, provided that the Property is in compliance with, and/or its use is permitted by, and its intended and normal use and occupancy is not materially adversely affected by, such restrictions, covenants, regulations or ordinances; and



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c) *easements, rights of way, sewer and utility rights, mineral, oil or timber rights, or any impediments which will not have a material adverse effect on either the transferability of the Property or the sale thereof to a bona fide purchaser; and*

d) *Any impediments which will not have a material adverse effect on the transferability of or the sale of the Security or the Property including those contained in the articles of incorporation or the bylaws of the cooperative housing corporation owning the building, including any right of the cooperative housing corporation to approve a transferee of the Security and any right of first refusal of the cooperative housing corporation to acquire the Security.*

The Property must have, at a minimum, the following characteristics to establish Good and Merchantable Title: (i) adequate means of ingress and egress; (ii) the right to use public or private water and sewer facilities appertaining to the Property, whether such rights be by virtue of public easement or private grant; and (iii) the Property must be free of any lien for any Environmental Impairment, and no proceedings to initiate such a lien may be noticed, commenced or pending, unless otherwise agreed to by the Company.

3. Section 1.68 (Possession of the Property) is amended by the addition of the following to the end of the last sentence of the definition:

or (iii) the terms of the proprietary lease from the cooperative housing corporation.

4. Section 1.71 (Property) is deleted in its entirety and replaced with the following:

1.71 "Property" means the Residential real property and all improvements thereon which is owned by the cooperative housing corporation, and which is leased to the Borrower who holds an ownership or membership interest in such cooperative housing corporation, which lease and interest secure the related Loan, together with all easements and appurtenances, all rights of access, as well as any co-ownership interests in common areas, recreational and appurtenant facilities, and all replacements or additions thereto. Wherever the term "Property" is used in the Master Policy and instead refers to the stock or membership certificate, the lease, or any other asset or right related thereto, it shall be deemed to be changed to "Security", including for the purposes of provisions relating to foreclosure, Appropriate Proceedings, redemption; acquisition of title or other status of title, lien or ownership (including Borrower's Title and Good and Merchantable Title) or acquisition, disposition or conveyance by any Person. Instances where the term Property in the Master Policy refers to "Security" include those in Sections 1.3, 1.5, 1.9, 1.27, 1.30, 6.8, 8.1(a), 8.1(c), 8.1(d), 8.2(d)(ii), 9.8(a), 9.8(b).



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5. Section 1.77 (Residential) is deleted in its entirety and replaced with the following:

1.77 "Residential" means a Property that is owned by a cooperative housing corporation and (i) is used primarily for residential purposes, or (ii) is a mixed-use building, provided that (A) the mixed-use represents a legal, permissible use of the Property under local zoning requirements and (B) the unit in the Property leased by the Borrower is a one-family dwelling that the Borrower occupies as a principal residence.

All capitalized terms used in this endorsement shall have the meanings set forth in the Master Policy, except as otherwise defined herein. Nothing in this endorsement varies, alters, waives, or extends any of the terms and conditions of the Master Policy, or any amendments or endorsements thereto, except as expressly set forth herein.