

Underwriting Bulletin: MI-2021-005

Date: August 2, 2021
To: Michigan Agents of FNTI
From: FNTI Underwriting Department
RE: **Michigan New Construction Guidelines**

REQUIREMENTS FOR INSURING NEW CONSTRUCTION MORTGAGES IN MICHIGAN:

a. Please use the following standards when insuring a construction loan:

The title commitment should contain the following statement and list of requirements:

Unrecorded mechanic's lien coverage will not be furnished pursuant to this commitment unless the mortgagee, builder or owner makes satisfactory arrangements with the insurer for the following in advance of the closing:

- Record notice of commencement and post copy of same at the construction site.
- Submit construction lien indemnity agreement signed by the owner/borrower.
- Submit construction lien indemnity agreement signed by the builder/general contractor.
- Submit construction contract or budget in the form of a sworn statement.
- Submit satisfactory evidence that there will be sufficient funds to complete the project.
- Submit statutory sworn statement and waivers of lien for each draw.
- Submit evidence that the owner/borrower has authorized disbursement of each draw.
- Submit satisfactory survey of the new permanent foundation or completed structure.

Upon review, subject to such additional requirements as may be deemed necessary.

Upon satisfaction of the above, the policy to be issued will contain the ALTA 33 Disbursement Endorsement and the ALTA 32 Construction Loan Loss of Priority or 32.1 Construction Loan Loss of Priority-Direct Payment or 32.2 Construction Loan Priority-Loss of Priority-Insured's Direct Payment Endorsements. Samples of the ALTA 32 and ALTA 33 forms are attached to this commitment.

(IMPORTANT NOTE: When issuing the ALTA Loan Policy, a notation should be added Schedule B, Part I of the loan policy, which reads as follows: ALTA 32 and ALTA 33 Endorsements are attached hereto and made a part of this policy.)

b. Use the following when insuring the end loan or take out of the construction loan:

- Submit construction lien indemnity agreement signed by the owner/borrower.
- Submit construction lien indemnity agreement signed by the builder/general contractor.
- Submit the final sworn statement and full unconditional lien waivers to the insurer.
- Evidence of when the certificate of occupancy was issued.

Upon review, subject to such additional requirements as may be deemed necessary

Please contact an FNTI underwriter if you have any questions about this topic.

NOTE: This Bulletin is for the sole purpose of establishing underwriting positions and policies reflecting First National Title Insurance Company's best business judgment. The information contained in this Bulletin is intended solely for the use of employees of FNTI, its title insurance agents, and approved attorneys. Disclosure to any other person is expressly prohibited unless approved in writing by the FNTI Underwriting Department.

The Agent may be held responsible for any loss sustained as a result of the failure to follow the standards set forth above.

