

# The Travelers

## HOME EQUITY PROTECTOR

The Travelers Home Equity Protector protects your home equity and second mortgage position for collateralized property thereby eliminating the need to conduct a loan search.

---

### THE OLD WAY

For home equity or second mortgage loans, most financial institutions conduct either a "Short Search" or a costly "Full Search" which takes days or even weeks. Neither search guarantees your second mortgage position.

### THE NEW WAY

With The Travelers Home Equity Protector, you simply list the accounts on your monthly report and you are **INSURED** for your second position for the duration of the loan exposure. Properties can be covered for 5 years, 10 years or 15 years.

### THE COST

Premium is based upon the maximum coverage required with separate premiums for covered periods of 5 years, 10 years or 15 years respectively. The normal premium is considerably less than the long search and usually comparable to the short search charges you are experiencing

### THE DIFFERENCE

Under The Travelers Home Equity Protector Program, **ALL LOANS** - short search or long search - are covered for the amount of your loss less the recoverable value should the borrower default. \* (\*See Policy for full details)

---

### SAVINGS

- **Time** - You save on time - no delay due to a search. You can close on loans the day of the application if you choose.
  - **Money** - You save on cost - charge is minimal and is many dollars less than a title search.
  - **Claims** - You will no longer have any unknown claims exposure for your collateralized home equity and second mortgage loans.
  - **Free Software** - You save on document cost - each location will be provided software that enables them to print an insurance certificate for the loan.
- 

### HOW DO I RECEIVE INFORMATION?

Your insurance representative should contact Richardson & Associates at 1-800-833-3509 for complete details.

### RICHARDSON & ASSOCIATES, INC.

131 McDonald Court • Myrtle Beach, South Carolina 29577-6134

843-293-3777 • 800-833-3509 • FAX 843-293-3778

SECTION I - HOME EQUITY PROTECTOR (CONT'D)

amounts, any amounts due to any bankruptcy or similar legal proceeding, expenses incurred in determination of validity or superiority of titles, and foreclosure expenses including payment of judgements or easements in order to take possession of the covered property.

**WORDING AMENDMENTS:**

1) **GENERAL DEFINITIONS** shall include the following:

**COVERAGE PERIOD** as used in this Section shall mean a maximum of 180 months from the date of origination of each Second Position Mortgage.

**DATE OF LOSS** as used in this Section means that date the Assured foreclosed on the mortgaged property. If the Assured is unable to foreclose upon the mortgaged property, the Date of Loss is the date when the Assured becomes aware that their mortgage interest may be impaired.

**SECOND POSITION MORTGAGE INTEREST** as used in this Section shall mean equity line of credit loans and closed end consumer loans collateralized by owner occupied one to four family residential properties.

**PREMIUM PER LOAN** as used in this Section shall mean a one time charge for a Second Position Mortgage originated and reported within the Coverage Period.

**Reports and Computed Premium:**

**Reports:**

The Assured must file with The Travelers a report within 15 days after the end of each month and the policy's expiration or termination date. Each report must show your Mortgage Interest on all Second Position Mortgages originated during the reporting period, including the name, property address, account number, period of coverage, and amount of each equity line of credit loan and closed end consumer loan. Monthly reporting forms to be provided by The Travelers. If at the time of the loss the Assured has failed to submit the required reports, The Travelers will only pay for loss on Second Position Mortgages reported prior to the loss. The Assured may not correct inaccurate reports after a loss.

**Computed Premium:**

The premium shown as a Deposit Premium will be applied to the earned premium. Earned Premium will be determined at each month or at policy termination using the applicable rates on reported values. When the earned premium exceeds the Deposit Premium, The Travelers will charge the additional amount or if less than the Deposit Premium, will return the excess Deposit to the Assured.

**SECTION I - HOME EQUITY PROTECTOR**

Limit of Liability	\$	Per Mortgage
Deductible	\$	Per Mortgage
Deposit Premium	\$	Annually
Premium Per Loan	\$	05 year loan
	\$	10 year loan
	\$	15 year loan

Coverage is extended under this policy to loss incurred by the Assured during the Coverage Period due to impairment to the Assureds Second Position Mortgage Interest due to the default of the borrower wherein the foreclosure and sale where permitted by Law, does not provide an amount sufficient to satisfy the Assured's Second Position Mortgage Interest. The Mortgage Interest must have been impaired due to a previously unknown Mortgage Interest or lien held by one who is not liable on the Assured's Second Position Mortgage.

Loss hereunder shall not exceed the lesser of (a) limit of liability shown or (b) the amount of the Assured's outstanding second position mortgage balance subsequent to foreclosure and sale.

It is warranted that, as conditions precedent to any claim under this Section, the Assured shall have required all customary procedures at or prior to loan origination including:

1. Obtain property tax bill which indicates the names of vested owners, property street address, legal description and tax key number.
2. Obtain and review credit bureau report within 60 days of loan origination including outstanding mortgages, judgments, liens and property address.
3. Owners affidavit of good title.
4. The Assured agrees to keep accurate records of the Second Position Mortgages originated during the Coverage Period.

It is hereby understood and agreed that this policy does not insure against loss caused directly or indirectly resulting from: any property interest or holders of equity interest which arose after the origination of the Assureds second position mortgage, collection expenses or penalty charges assessed under any financing contract, accounting or billing errors or omissions, interest that accrued after the date of the loss, late fees or past due

# RICHARDSON & ASSOCIATES, INC.

## THE TRAVELERS HOME EQUITY PROTECTOR PROGRAM

### ADMINISTRATIVE EXPENSE SAVINGS

Here is one way to determine the dollar benefit to the bank. Determine the number of loans originated by the bank annually along with the average cost that they currently pay for each search.

Assuming that the average term is 10 years, the average cost for each loan under this program is \$35. The direct savings can be found in this table:

#### NUMBER OF LOAN ORIGINATIONS ANNUALLY

C		100	250	500	1,000	2,000	3,000	4,000	5,000
O	\$ 40	500	1,250	2,500	5,000	10,000	15,000	20,000	25,000
S	\$ 45	1,000	2,500	5,000	10,000	20,000	30,000	40,000	50,000
T	\$ 50	1,500	3,750	7,500	15,000	30,000	45,000	60,000	75,000
	\$ 55	2,000	5,000	10,000	20,000	40,000	60,000	80,000	100,000
O	\$ 60	2,500	6,250	12,500	25,000	50,000	75,000	100,000	125,000
F	\$ 65	3,000	7,500	15,000	30,000	60,000	90,000	120,000	150,000
	\$ 70	3,500	8,750	17,500	35,000	70,000	105,000	140,000	175,000
S	\$ 75	4,000	10,000	20,000	40,000	80,000	120,000	160,000	200,000
E	\$ 80	4,500	11,250	22,500	45,000	90,000	135,000	180,000	225,000
A	\$ 85	5,000	12,500	25,000	50,000	100,000	150,000	200,000	250,000
R	\$ 90	5,500	13,750	27,500	55,000	110,000	165,000	220,000	275,000
C	\$ 95	6,000	15,000	30,000	60,000	120,000	180,000	240,000	300,000
H	\$ 100	6,500	16,250	32,500	65,000	130,000	195,000	260,000	325,000

There are also indirect savings. By eliminating the title search step, the bank will save administrative time and be able to respond quicker to their customers' needs.

But the real value to the bank may be the marketing advantage they gain by being able to reach an underwriting decision quickly.

181 McDonald Court • Myrtle Beach, South Carolina 29577  
803-293-3777 • 800-833-3509 • FAX 803-293-3778

  
**The TRAVELERS**  
**HOME EQUITY PROTECTOR**

**RICHARDSON & ASSOCIATES, INC.**  
**131 McDONALD COURT**  
**MYRTLE BEACH, SC 29577-6134**

**(843)293-3777**

**(800)833-3509**

**FAX(843)293-3778**

**Product:** HOME EQUITY PROTECTOR  
**Product Purpose:** To eliminate the need for lenders to order time consuming courthouse record searches

**THE PROBLEM**

For home equity and second mortgage loans, most lenders conduct short or long term search to verify that the property is clear of a current second loan position.

**THE SOLUTION**

The Travelers Home Equity Protector eliminates the need for a search and **GUARANTEES** the lender's second mortgage position. The policy protects the lender during the entire period of the loan if it is found that they are not in a second loan position and the loan defaults.

**THE BENEFIT**

Eliminates search - policy protects lender's second mortgage position for **ALL** home equity and fixed second mortgages at a savings of both cost and time.

**SEARCH:**

- Costs the lender money
- Takes time
- Does NOT guarantee second loan position

Premium is comparable to short term search costs.

- Immediate protection means faster closing date
- Guarantees all loans for life of loan

Full protection for all loans for a Loan period of 5, 10 or 15 years. Lender saves thousands in processing expenses by eliminating all long searches.

No delay - lender can close ahead of competition

Full protection to lender for the loan duration of 5, 10 or 15 years.

**THE PROBLEM****THE SOLUTION****THE BENEFIT****PROTECTION PERIOD**

None

Coverage for 5, 10 or 15 years.

Lender determines maximum coverage needed for loans. Coverage is for full loan for a period of 5, 10 or 15 years.

Lender retains option to search "special exceptions" or loans in excess of maximum protection amount.

Fits lender's insurance needs - lender need not change current mortgage impairment carrier. Coverage offered on a "stand alone" basis or as a rider to The Travelers Mortgage Impairment policy "as desired".

**EXPOSURE**

Unknown

No aggregate limit

FULL coverage to maximum amount for each insured loan.

**FORECLOSURES**

No protection

Claims covered on an "occurrence basis".

Coverage for life of loan.

# TRAVELERS PROPERTY CASUALTY HOME EQUITY PROTECTOR APPLICATION



Name of Applicant: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Type of Institution: \_\_\_\_\_ Year Established \_\_\_\_\_

Maximum Home Equity Loan \$ \_\_\_\_\_  
 Maximum Closed End Second Mortgage \$ \_\_\_\_\_  
 Maximum Loan to Value Percentage \_\_\_\_\_ %

Loan Information:	<u>Prev. 12 mo.</u>	<u>Next 12 mo.</u>
Expected Number of Home Equity Line of Credit Loans to be originated within the next 12 months	_____	_____
Average Outstanding Balance	\$ _____	
Expected Number of Closed End Consumer Loans to be originated within the next 12 months	_____	_____
Average Outstanding Balance	\$ _____	
Percentage of Loans	5 years _____	10 years _____ 15 years _____

**Breakdown of Home Equity Lines of Credit Loans and Closed End Consumer Loans:**

	<u>Home Equity</u>	<u>Closed End</u>
Total Number of Loans	_____	_____
Total Number Under \$50,000:	_____	_____
Total Number Over \$50,000:	_____	_____
Indicate % of Loans Non-Current	_____	_____
Indicate Foreclosure %	_____	_____

To originate second position mortgages, do you perform the following?

Obtain property tax bill on secured property	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Secure credit bureau report	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Require owners affidavit	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Perform appraisal of secured property	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Please attach a copy of your second position mortgage underwriting guidelines.

Has the applicant suffered any losses during the past 5 years that would have been covered by this insurance?  Yes  No If yes, give details \_\_\_\_\_

I/We hereby declare that the above statements and particulars are true, that I/we have not suppressed or misstated any material facts and I/we agree that this Proposal Form shall be the basis of the Contract with The Travelers.