



Mortgage Modifications – Ratings and Other Considerations

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Overview



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Where do we start?

- What forms do we use to insure a mortgage modification?
- What process do we undertake to rate the transaction?
- What coverage amount is appropriate?
- What about affirmative coverage?
- What about lien enforceability and priority?



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Mortgage Modifications- Types of Changes

- Typical situations when mortgages are changed
 - An existing loan between same lender and borrower change the terms of the current loan
 - An existing loan is assigned/transferred to new lender who amends and restates the terms for the same borrower or new buyer



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Mortgage Modifications- Change of Terms

- Change in interest rate: Increase or Decrease
- Add, release or change collateral/land
- Alter the duration of the loan: Extend Maturity Date
- Change or add business terms: Prepayment penalties, LTD ratios, Cross defaults
- Add or substitute parties: including Guarantors
- Amend and Restate the mortgage



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Mortgage Modifications- Change of Terms

- Future advance pursuant to FS 697.04, provided
 - Mortgage secures existing indebtedness; and
 - Mortgage contains valid future advance clause; and
 - Advances made within 20 years up to stated maximum principal amount



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Rating Regulations

- Rule 69O-186.003(1)(b) and (2) F.A.C. Original Rate and Reissue Rates
- Rule 69O.003(4) F.A.C. Substitution Loan Rate
- Rule 69O-186.005(13)F.A.C. Substitution Rate Exemption Rule



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Rule 69O-186.003(1)(b) F.A.C.

(1) Original Title Insurance Rates.

(b) For mortgage title insurance:

1.a. The premium for the original mortgage title insurance shall be:

	Per Thousand	Minimum Insurer Retention
From \$0 to \$100,000 of liability written	\$5.75	30%
From \$100,000 to \$1 million, add	\$5.00	30%
Over \$1 million and up to \$5 million, add	\$2.50	35%
Over \$5 million and up to \$10 million, add	\$2.25	40%
Over \$10 million, add	\$2.00	40%

b. The minimum premium for all conveyances except multiple conveyances shall be \$100.

c. The minimum premium for multiple conveyances on the same property shall be \$60.

2. A mortgage title insurance policy shall not be issued for an amount less than the full principal debt. A policy may, however, be issued for an amount up to 25 percent in excess of the principal debt to cover interest and foreclosure costs.



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Rule 690-186.003(2) F.A.C.

(2) Reissue Rates.

(a)1. The reissue premium charge for owner's, mortgage, and leasehold title insurance policies shall be:

	Per Thousand
Up to \$100,000 of liability written	\$3.30
Over \$100,000 and up to \$1 million, add	\$3.00
Over \$1 million and up to \$10 million, add	\$2.00
Over \$10 million, add	\$1.50

2. The minimum premium shall be \$100.00.

(b) Provided a previous owner's policy was issued insuring the seller or the mortgagor in the current transaction and that both the reissuing agent and the reissuing underwriter retain for their respective files copies of the prior owner's policy, the reissue premium rates in paragraph (a) shall apply to:

1. Policies on real property which is unimproved except for roads, bridges, drainage facilities, and utilities if the current owner's title has been insured prior to the application for a new policy;
2. Policies issued with an effective date of less than 3 years after the effective date of the policy insuring the seller or mortgagor in the current transaction; or
3. Mortgage policies issued on refinancing of property insured by an original owner's policy which insured the title of the current mortgagor.

(c) Any amount of new insurance, in the aggregate, in excess of the amount under the previous policy shall be computed at the original owner's or leasehold rates, as provided in subsection (1).



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Rule 690-186.003(4) F.A.C.

(4) Substitution Loan Rates. The following risk premium for substitution loans shall apply:

(a) When the same borrower and the same lender make a substitution loan on the same property, the title to which was insured by an insurer in connection with the original loan.

Age of Original Loan	Premium Rates
3 years or under	30% of original rates
From 3 to 4 years	40% of original rates
From 4 to 5 years	50% of original rates
From 5 to 10 years	60% of original rates
Over 10 years	100% of original rates
Minimum premium	\$100.00

(b) At the time a substitution loan is made, the unpaid principal balance of the previous loan will be considered the amount of insurance in force on which the foregoing rates shall be calculated. To these rates shall be added the regular rates in the applicable schedules for any new insurance, that is, the difference between the unpaid principal balance of the original loan and the amount of the new loan.

(c) In the case of a substitution loan of \$250,000 or more, when the same borrower and any lender make a substitution loan on the same property, the title to which was insured by an insurer in connection with the previous loan, the premium for such substitution loans shall be the rates as set forth in paragraphs (a) and (b).



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Rule 69O-186.005(13) F.A.C.

(13) The Substitution Loan Rate provided in subsection (5) of Rule 69O-186.003, F.A.C., shall apply to any endorsement which insures a modification of a mortgage which was insured by an outstanding policy where the modification agreement effects any change in the terms, conditions, priority, or security, other than:

- (a) An extension of the time for payment of the secured obligation;
- (b) Any decrease in the interest rate of the insured mortgage, provided the "cap" on a variable rate mortgage is not greater than the original "cap" and/or the "cap" is not greater than the original fixed rate;
- (c) Any increase in the interest rate of the insured mortgage, provided the endorsement contains an exception for the loss of priority occasioned by the increase;
- (d) Changes in an amortization schedule to extend the term of the insured mortgage;
- (e) A release of a portion of the secured property;
- (f) A correction to either perfect the lien of the insured mortgage or comply with the terms of the lender's original commitment;
- (g) Future advances made pursuant to Section 697.04, Florida Statutes; or
- (h) Encumbrances of additional parcels under a revolving construction loan agreement contained in the original mortgage and contemplated by subsection 69O-186.003(10), F.A.C.



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Effect of Mortgage Modifications

- A change in terms can affect the priority of the mortgage
- A change in terms can trigger a premium
- Must examine the intentions of the parties
- Did the parties intend to create a new loan- Novation?



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Novation

- Previous valid contract
- Mutual agreement to cancel the prior contract
- A new and valid contract
- Mutual intent to extinguish and replace the existing contract with the new one



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Effect of Mortgage Modification on Rating

- Increase the interest rate
- Add new collateral
- Change or add new borrowers
- Add new material business terms
- Exempt term changes-FAC 69O-186.005 (13)



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Application of Rating Rules

Review examples of rating scenarios and apply the rating regulations

Refer to the full rating worksheets in the materials for a complete view of the rating during this portion of the program



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Ex. 1 Substitution Loan- Change in Terms

- On July 15, 2026, substitution loan policy insuring a new mortgage will be issued in the amount of \$1.12 Million
- Existing loan policy has an effective date of February 1, 2023
- Outstanding balance of the loan is \$1.084 Million



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Ex. 1 Substitution Loan-Analysis

- When same borrower and lender make a substitution loan on the same property and new policy is issued a special rate is applicable
- When the loan balance is \$250,000 or more the substitution rate will apply even if the lender changes as long as the property remains the same
- Title insurer on the new policy does not have to be the same who insured the original policy



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Ex. 1 Substitution Loan- Rating

- Substitution rate applies to the current outstanding balance of \$1.084 Million
- The difference in new loan amount and unpaid amount of \$36K is rated at original rates
- The discount multiplier based on the age of the prior policy is 40%
- Total premium is \$2,204.00



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Ex. 2 Substitution Loan- Spreading Lien

- In 2024, Borrower mortgaged Blackacre to secure a \$4 Million loan and lender insured by Old Republic policy
- Parties desire to modify the mortgage to spread the lien to Whiteacre and endorse the existing policy to insure both parcels
- The lender allocated a value of \$500K to its new lien on Whiteacre
- The existing coverage included the ALTA 9-06 endorsement



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Ex. 2 Substitution Loan- Analysis-Rating

- Modifications extending the lien of the mortgage to new parcel(s) may be rated by allocating a value of the new land to the secured debt and rate the mortgage modification based on this value
- Section III of the Mortgage Modification Endorsement Worksheet allows allocation of value to the new collateral at tiered rates
- ALTA 9-06 is charged on the new parcel based on the allocated value and premium
- Premium due is \$1,375.00



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Ex. 3 Loan Modification with Future Advance/ and Lien Spread

- Developer has existing loan with current balance of \$900,000
- Effective date of existing policy is August 12, 2024
- Future advance of \$300K increasing total loan to \$1.2MM
- Mortgage modified to add a future advance clause securing debt up to \$2MM
- Addition of new lot as collateral with allocated value of \$200,000
- Existing policy date and ALTA 9-06 coverage to be advanced to June 6, 2026



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Ex. 3 Loan Modification with Future Advance/ and Lien Spread- Analysis

- The addition of a new future advance clause will trigger substitution loan rate on the unpaid balance
- New loan advance of \$300K will be rated at original rates
- Risk premium on the new collateral will be rated based on the lender's allocated value of \$200K to the total loan amount
- The extension of the ALTA 9-06 coverage to the new lot will generate a premium
- The loss of priority will require addressing the standard exceptions



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Ex. 3 Loan Modification with Future Advance and Lien Spread- Rating

- Substitution loan rate on the unpaid loan balance with a policy under 3 years old (30% discount) is \$1,372.50
- The rate on the future advance and lien spread is based on using the greater of the two- not both
- The future advance amount is rated on original tier rates at \$1,000
- The extension of the ALTA 9 coverage to the new land is \$237.25
- Total premium due is \$2,609.75



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Ex. 4 Mortgage Modification with Builder Lines of Credit- Spreader

- Builder that builds homes and sells them has a revolving line of credit in the amount of \$500,000
- Builder draws down \$400,000 to buy first 8 lots at \$50K each
- Constructs and sells the homes pays down loan to \$250K
- With second draw, lender advances \$150K to buy 3 new lots at \$50K each
- Lien of loan spread to each of the new lots
- ALTA 9-06 coverage will be advanced to cover new lots



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Ex. 4 Mortgage Modification with Builder Lines of Credit- Analysis

- Line of Credit loan maximum is \$500,000 and premium paid on this original amount of coverage
- First draw was \$400,000 and current one is \$150,000
- Total amount advanced on the line now exceeds the maximum amount of the loan by \$50,000 even though now paid down to \$250,000
- No substitution loan rate premium is due as this modification is exempt according to Rule 69O-186.0005(13)



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Ex. 4 Mortgage Modification with Builder Lines of Credit- Rating

- The premium paid for the original coverage had not been fully exhausted until this current draw
- New original rate premium is due on the portion of the advance over the initial maximum amount (\$50,000)
- Premium is due to extend the ALTA 9-06 coverage
- No substitution loan rate is due per Rule 69O-186.005(13)(h)
- Total rate due is \$275



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Ex. 5 Reissue Credit on Sale & New Loan

- Seller of unimproved land is insured with an owner's policy effective January 17, 2014, in the amount of \$500,000
- Property being sold for \$900,000 with purchasing granting a new purchase money mortgage in the amount of \$650,000
- New Loan policy will include ALTA 9-06 and ALTA 8.1 endorsements



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Ex. 5 Reissue Credit- Sale & New Loan-Analysis

- Reissue rates apply to new owner's policy in sale when prior owner's policy insured the seller and either the policy is less than 3 years old or the property is unimproved
- Simultaneous issue rate applies with new loan policy to extent equal to or less than the amount of the owner's coverage issued at the same time and covering the same property



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Ex. 5 Reissue Credit-Sale & New Loan-Rating

- Reissue rate will apply since property was unimproved up to the amount of the prior policy- \$500,000
- Original rate is charged on the difference between the amount of the prior coverage and the purchase price- \$400,000
- Simultaneous issue rate a minimum amount of \$25 since the loan amount is less than the amount of the owner's coverage
- Endorsements are rated in the normal manner
- The total premium due is \$3,935.50



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Ex. 6 Simultaneous Issue with Non-Identical Property

- Purchaser is acquiring Parcel 1 for \$2.5 Million and owns Parcel 2 worth \$1Million
- Purchaser is borrowing \$2 Million to buy Parcel 1 but lender requires both Parcel 1 and 2 serve as collateral for the loan
- Lender allocates \$1.4 Million in value to Parcel 1 and \$600K to Parcel 2 for rating purposes
- There are no prior owner's policy covering Parcel 2
- Owner's and lender's policies will be issued simultaneously



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Ex. 6 Simultaneous Issue with Non-Identical Property- Analysis

- The owner’s coverage is for \$2.5 Million and the loan policy coverage is for \$2 Million
- The land insured in each policy is not the same
- Simultaneous issue rate will apply as to the \$2 Million loan as to \$2 Million of the owner’s coverage
- The allocated value of \$600K of Parcel 2 will be rated at original issue rate as to the loan policy



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Ex. 6 Simultaneous Issue with Non-Identical Property- Rating

		Premium & Old Republic Share (total = 1)		\$	-	1	\$	-
SECTION B: (Original Rates) *If original policy, use Section B rates. If reissue, see Section A.*								
Original Rate Tiers:	Amount of Insurance	Rate per Thousand						
Up to \$100,000	\$ 100,000.00	\$	5.75	\$	575.00	30%	\$	172.50
Over \$100,000 Up To \$1 Million	\$ 900,000.00	\$	5.00	\$	4,500.00	30%	\$	1,350.00
Over \$1 Million Up To \$5 Million	\$ 1,500,000.00	\$	2.50	\$	3,750.00	35%	\$	1,312.50
Over \$5 Million Up To \$10 Million	\$ -	\$	2.25	\$	-	40%	\$	-
Over \$10 Million	\$ -	\$	2.00	\$	-	40%	\$	-
Premium & Old Republic Share (total = 2)				\$	8,825.00	2	\$	2,835.00
Total Premium (1 + 2 = 3)				\$	8,825.00	3	\$	2,835.00
SECTION C: (Simultaneous Issue) *Loan exceeds the Owner, calculate the premium for the amount of the Loan in excess of the Owner and add a minimum of \$25.00.*								
Simultaneous Policy #		Amount	\$ 2,000,000.00	\$	25.00		\$	7.50
Add'l Simultaneous Policy#		Amount	\$ -	\$	1,500.00		\$	525.00
Total Amt of Simu. Insur.		\$ 2,000,000.00	Minimum \$25.00*			4		
Amount of Simu	Rate per \$1000			Old Republic Prem				
\$ 2,000,000		\$	25.00	30%	\$ 7.50			
-	\$5.75	-	-	30%	-			
-	\$5.00	-	-	30%	-			
*** 600,000	\$2.50	1,500.00	35%	525.00				
-	\$2.25	-	-	40%	-			
-	\$2.00	-	-	40%	-			
***Additional collateral		\$ 1,525.00			\$ 532.50			
Total Policy(ies) Premium (3 + 4 = 5)				\$	10,350.00	5	\$	3,367.50
I. ENDORSEMENTS PER RULE 690-186.005(8) (a) and (b):						x 30%		



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Ex. 7 Simultaneous Issue with Refinance of Existing Property and New Property

- Developer owns Parcel A, insured for \$700K, and is purchasing Parcels B and C for \$2.1 Million
- Developer obtains a loan for \$2.1 Million to buy Parcels B and C but agrees to pledge all three parcels for the loan
- Owner requests owner's coverage on Parcels B and C in the amount of the purchase price of \$2.1 Million
- Lender requests a loan policy in the amount of \$2.1 Million insuring the lien on Parcels A, B and C along with ALTA 9-06 coverage



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Ex. 7 Refinance of Existing Property and New Property- Analysis

- New owner's policy will insure only Parcels B and C as Parcel A is already insured
- Loan policy will insure all 3 parcels and not be identical
- Simultaneous issue rate is applicable but only as to allocated value of the parcels insured in both policies in comparison to the value of the overall property
- Premium will be due on the allocated value of Parcel A but is entitled to reissue rate credit toward the current premium based on the amount of prior owner's coverage



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Ex. 7 Refinance of Existing Property and New Property- Rating

SECTION B: (Original Rates) *If original policy, use Section B rates. If reissue, see Section A.*		Premium & Old Republic Share (total = 1)	3	1	3	-
Original Rate Tiers:	Amount of Insurance					
Up to \$100,000	\$ 100,000.00	\$ 5.75	\$ 575.00	30%	\$ 172.50	
Over \$100,000 Up To \$1 Million	\$ 900,000.00	\$ 5.00	\$ 4,500.00	30%	\$ 1,350.00	
Over \$1 Million Up To \$5 Million	\$ 1,100,000.00	\$ 2.50	\$ 2,750.00	35%	\$ 962.50	
Over \$5 Million Up To \$10 Million	\$ -	\$ 2.25	\$ -	40%	\$ -	
Over \$10 Million	\$ -	\$ 2.00	\$ -	40%	\$ -	
		Premium & Old Republic Share (total = 2)	\$ 7,825.00	2	\$ 2,485.00	
		Total Premium (1 + 2 = 3)	\$ 7,825.00	3	\$ 2,485.00	
SECTION C: (Simultaneous Issue) *Loan exceeds the Owner, calculate the premium for the amount of the Loan in excess of the Owner and add a minimum of \$25.00. *						
Simultaneous Policy #	Amount	\$ 2,100,000.00	\$ 25.00		\$ 7.50	
Add'l Simultaneous Policy#	Amount	\$ -	\$ 1,400.00		\$ 490.00	
Total Amt of Simu. Insur.	\$ 1,400,000.00	Minimum \$25.00*		4		
Amount of Simu.	Rate per \$1000					
\$ 1,400,000	\$ 5.75	\$ 25.00	30%	\$ 7.50		
-	-	-	30%	-		
-	\$5.00	-	30%	-		
*** 700,000	\$2.00	1,400.00	35%	490.00		
-	\$2.25	-	40%	-		
-	\$2.00	-	40%	-		
***Additional collateral at reissue rate of \$2.00/thousand		\$ 1,425.00		\$ 497.50		
		Total Policy(ies) Premium (3 + 4 = 5)	\$ 9,250.00	5	\$ 2,982.50	
I. ENDORSEMENTS PER RULE 690-186.005(8) (a) and (b):						
	9.1-06 (OF6 or O21) Unimproved Land	\$ -		6	\$ -	
	9.2-06 (OF6 or O21) Improved Land	\$ -		7	\$ -	
X	9-06 (MF6 or M21) Florida Endorsement	\$ 925.00		8	\$ 277.50	
	9-06 (MF6 or M21) Florida Endorsement (Additional Simultaneous Policy)	\$ -		9	\$ -	
	9.3-06 (MF6 or M21) Florida Endorsement	\$ -		10	\$ -	
	9.3-06 (MF6 or M21) Florida Endorsement (Additional Simultaneous Policy)	\$ -		11	\$ -	
	Navigational Servitude Endorsement (NSE) (on Owners Policy)	\$ -		12	\$ -	
	Navigational Servitude Endorsement (NSE)	\$ -		13	\$ -	
	Navigational Servitude Endorsement (NSE) (Additional Simultaneous Policy)	\$ -		14	\$ -	
II. ENDORSEMENTS PER RULE 690-186.005(8) (c) thru (l):						



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Conclusion

- Rating of the title premium with a mortgage modification is done on a case-by-case basis.
- Need to carefully collect the needed information/details of the loan modification to reach the correct rating
- Try to secure any prior policies when ordering title products
- Reach out to the underwriting department if you need assistance with rating your transactions



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