

Basic Manual Update Series

Countdown to November 1

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INSTALLMENT 9

“T” FORM TWEAKS: T-1R, T-16, T-35, T-42, T-50

As you know, T-forms are the insuring forms promulgated by the Texas Department of Insurance. Excluding new forms for energy facilities and severable improvements, there are 12 changes to the T-forms, effective November 1. These updates are clarifications or changes made to align with the national market. We’ve already covered changes to the T-1, T-2, and T-47 ([Installment #6](#)), as well as the T-19 series ([Installment #7](#)). **This installment focuses on the T-1R, T-16, T-35, T-42, and T-50.** Since the changes to T-1R, T-35, and T-42 are mostly clean-up, we’ll address them first.

T-1R: RESIDENTIAL OWNER’S POLICY

The T-1R, Residential Owner’s Policy, includes in Schedule B, paragraph 3, the phrase: *“Applies to the Owner’s Policy only.”* This phrase is unnecessary and has been deleted.

[View the revised Form T-1R »](#)

T-35: REVOLVING CREDIT ENDORSEMENT

The T-35 is a revolving credit endorsement. It excludes future advances, except for those connected to an established line of credit, also known as a revolver. Any advance of additional principal under a note requires a new loan policy per *P-9.b.(3)*. To avoid confusion, all references to future advances have been removed from the T-35. *P-9.b.(8)* and *R-11.f* are similarly corrected. Additionally, a new paragraph c clarifies that this endorsement is not for construction lending and applies to advancements pursuant to *P-8*.

[View the revised Form T-35 »](#)

T-42: EQUITY LOAN MORTGAGE ENDORSEMENT

The T-42 is the Equity Loan Mortgage endorsement. The original Texas Constitutional prohibitions included land on the ad valorem tax roll with an ag valuation. A subsequent constitutional amendment removed this restriction, so the insuring provision in *T-42 paragraph 2.b* is now struck through, reflecting current practice. The following language is added: *“[This language is intentionally deleted because of an Amendment to the Texas Constitution.]”*

[View the revised Form T-42 »](#)

T-16: LOAN POLICY AGGREGATION ENDORSEMENT

The T-16, Loan Policy Aggregation Endorsement, has been substantially rewritten to align with the comparable ALTA endorsement. Issued under *P-9.b.(13)* and *R-11.j*, this endorsement aggregates coverage provided by multiple policies covering separate mortgages that secure the same debt. This is often used in portfolio acquisitions involving multiple states. The T-16 allows for the listing and aggregation of policies, with calculated amounts grouped and limited by state when more than one state is involved.

[View the revised Form T-16 »](#)

T-50: INSURED CLOSING SERVICE LETTER

The T-50, Insured Closing Service Letter, is an important accommodation by an underwriter to a lender to assure appropriate usage of settlement funds held in escrow by an agent. Historically, the Insured Closing Letter, also known as a Closing Protection Letter (CPL), was adopted to give lenders confidence when utilizing the escrow and settlement services of unfamiliar agents working for the underwriter. ICLs or CPLs have been crucial in the evolution and structure of the title insurance industry as we know it today.

While the Texas T-50 form is similar to the more widely-used ALTA form, it retains some lender-friendly provisions unique to Texas. Specifically, the T-50 offers protection to the lender if the agent:

- Fails to follow the closing instructions
- Commits fraudulent or dishonest acts
- Misappropriates or mishandles funds or documents.

The loss is determined by the adverse effect upon the validity, priority, or enforceability of the lien of the insured mortgage. However, the T-50 is not intended to expand title insurance coverage. It does not cover acts by third parties, nor does it protect the lender from its own conduct.

A new, specific exception has been added to the T-50, excluding coverage for:

Wire fraud, mail fraud, telephone fraud, facsimile fraud, unauthorized access to a computer network, email, or document production system, business email compromise, identity theft, or diversion of Funds to a person or account not entitled to receive the Funds perpetrated by anyone other than the Company or Issuing Agent.

In addition to the expanded exception, the T-50 includes strict timing requirements:

- The T-50 is not effective if the Real Estate Transaction does not close within one year of the date of the letter.
- Written notice of a claim must be received by the underwriter within two years from the date of the transmittal of Funds. This is an absolute deadline, regardless of the lack of prejudice.

Finally, it's worth noting that the underwriter may terminate the T-50 protection at any time before the transaction closes. A notable distinction between the Texas T-50 form and the ALTA form is that the Texas form does not place a cap on the amount of funds covered, whereas the ALTA form does impose a limit.

[View the revised Form T-50 »](#)

Each of the forms discussed above can be accessed by following the links provided in each section. These changes clarify or modernize the forms for consumers and align many aspects with what lenders commonly see in national practice.