§ 6501. Definitions. In this article:

(a) "Mortgage guaranty insurance" means insurance against financial loss by reason of nonpayment of any sum required to be paid under the terms of any instrument of indebtedness secured by a lien on real estate.

(b) "Mortgage insurer" means a person licensed to transact the business of mortgage guaranty insurance in this state.

(c) "Authorized real estate security" means:

(1) an amortized instrument of indebtedness evidencing a loan secured by a first lien on real estate which at the time the loan is made is not less than eighty percent but not more than one hundred three percent of the fair market value of the real estate with any percentage in excess of one hundred percent being used to finance the fees and closing costs on such indebtedness, except, however, for reverse mortgage loans made pursuant to sections two hundred eighty and two hundred eighty-a of the real property law; provided that:

(A) the loan is one which a regulated mortgage investor is authorized to make;

(B) the improvement is a residential building or buildings designed for occupancy by not more than four families or is a condominium unit;

(C) the lien may be subordinate to:

(i) the lien of any public bond, assessment, or tax, when no installment, call or payment of or under such bond, assessment or tax is delinquent; and

(ii) outstanding mineral, oil or timber rights, easements or other restrictions on use, or leases under which rents or profits are reserved;

(2) an amortized instrument of indebtedness evidencing a loan secured by a junior lien on real estate which, when combined with all existing mortgage loan amounts at the time the loan is made, is not more than one hundred percent of the fair market value of the real estate; provided that:

(A) in determining the foregoing one hundred percent limitation, if the loan securing the junior lien is an equity line of credit loan, the full amount of the line of credit to be secured by the junior lien shall be considered the amount of the loan;

(B) the loan is one which a regulated mortgage investor is authorized

to make;

(C) the improvement is a residential building or buildings designed for occupancy by not more than four families or is a condominium unit;

(D) in addition to any senior liens securing any amortized instruments of indebtedness on real estate, qualifying under paragraph one of this subsection, the junior lien may be subordinate to:

(i) the lien of any public bond, assessment, or tax, when no installment, call or payment of or under such bond, assessment or tax is delinquent; and

(ii) outstanding mineral, oil or timber rights, easements or other restrictions on use, or leases under which rents or profits are reserved;

(3) an amortized instrument of indebtedness evidencing a loan secured by an ownership interest in, and a proprietary lease from, a corporation or partnership formed for the purpose of the cooperative ownership of real estate in this state and which at the time the loan is made is not less than eighty percent nor more than one hundred percent of the purchase price of the ownership interest and the proprietary lease, if the loan is one which a regulated mortgage investor is authorized to make. In this article unless the context clearly requires otherwise, any reference to a mortgagor shall include an owner of such an ownership interest as described in this paragraph and any reference to a lien or mortgage shall include the security interest held by a lender in such an ownership interest;

(4) an amortized instrument of indebtedness, evidencing a loan which otherwise conforms to the requirements of paragraph one or three of this subsection, and which has been amortized to less than eighty percent of the fair market value of the real estate at the time said loan was made; provided the borrower is not obligated directly or indirectly to pay any premium for mortgage guaranty insurance authorized under this article, and the instrument would be ineligible for sale to the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation or any other secondary mortgage market instrumentality or facility as the superintendent of financial services determines, without such mortgage guaranty insurance; or

(5) where a loan is being made as part of the state of New York mortgage agency's forward commitment program as defined in title

seventeen of article eight of the public authorities law, the lesser percentage set forth in paragraphs one and three of this subsection shall be sixty percent and the range of such percentages shall apply to the fair market value at the time the loan was made of the real estate or the ownership interest in a corporation or partnership formed for the purpose of cooperative ownership of real estate, as the case may be.

(d) "Contingency reserve" means an additional premium reserve established to protect policyholders against the effect of adverse economic cycles.

(e) "Policyholders surplus" means the aggregate of capital, surplus and contingency reserve if a stock insurance company or, if a mutual insurance company, the aggregate of surplus and contingency reserve.

(f) "Regulated mortgage investor" means a bank, trust company, savings bank, savings and loan association or insurance company, which is supervised by a department of this state or an agency of the federal government and which invests in authorized real estate securities.

(g) "Segregated trust" is a trust which:

(1) is established by a reinsurer for the benefit of a mortgage insurer;

(2) has a trustee domiciled in the mortgage insurer's state of domicile, domiciled in New York or approved by the superintendent;

(3) is funded by assets permitted by article fourteen of this chapter for the loss reserve required by paragraph three of subsection (a) of section six thousand five hundred two of this article and for the unearned premium reserve required by section one thousand three hundred five of this chapter;

(4) is funded by either cash, the types of reserve investments specified in paragraphs one and two of subsection (a) of section one thousand four hundred four of this chapter or by tax and loss bonds purchased pursuant to § 832(e) of the Internal Revenue Code, for the greater of the amount of the contingency reserve required by paragraph two of subsection (a) of section six thousand five hundred two of this article or paragraph one of subsection (b) of section six thousand five hundred two of this article;

(5) makes quarterly and annual reports to the superintendent;

(6) is subject to withdrawals only by, and under the control of, the ceding mortgage insurer;

(7) permits examination by the superintendent;

(8) designates the superintendent for service of process;

(9) is governed by an agreement which, together with all amendments, shall be approved by the commissioner or superintendent of insurance of the mortgage insurer's domicile, and shall be provided to the superintendent, who shall have the right to disapprove of the agreement. Such agreement shall be deemed approved by the superintendent unless disapproved within thirty days from the date provided to the superintendent; and

(10) is in compliance with any other regulations or requirements of the superintendent relating to trust agreements.