

INSURANCE REQUIREMENTS

	Single Family & Individual PUD Unit	Flood Insurance	Condominium & PUD (Common Areas)
Agency References	<p>FNMA:</p> <ul style="list-style-type: none"> B7-3-01, General Property Insurance Requirements for All Property Types B7-3-02, Property Insurance Requirements for One-to-Four Unit Properties B7-3-05, Additional Insurance Requirements B7-3-07, Evidence of Property Insurance B7-3-08, Mortgagee Clause, Name Insured, and Notice of Cancellation Requirements <p>FHLMC:</p> <ul style="list-style-type: none"> 4703.1: General Property Insurance Requirements 4703.2: Minimum Property Insurance Types and Amounts 4703.7: Localized Perils Insurance 	<p>FNMA:</p> <ul style="list-style-type: none"> B7-3-06, Flood Insurance Requirements for All Property Types <p>FHLMC:</p> <ul style="list-style-type: none"> 4703.3: Flood Insurance 	<p>FNMA:</p> <ul style="list-style-type: none"> B7-3-03, Master Property Insurance Requirements for Project Developments. B7-3-04, Individual Property Insurance Requirements for a Unit in a Project Development B7-3-05, Additional Insurance Requirements B7-3-07, Evidence of Property Insurance B7-4-01, General Liability Insurance for Project Developments B7-4-02, Fidelity/Crime Insurance for Project Developments <p>FHLMC:</p> <ul style="list-style-type: none"> 4703.4: Liability Insurance for Condominium Projects 4703.5: Fidelity or Employee Dishonesty Insurance for Condominium Projects
Amount of Coverage	<p>Property insurance policies for one- to four-unit properties securing loans purchased by FNMA should be written on a "Special" coverage form or equivalent. At a minimum, the coverage must include the following perils: fire or lightning, explosion, windstorm, hail, smoke, aircraft, vehicles, riot or civil commotion. If a property insurance policy excludes or limits coverage of any of the required perils, the borrower must obtain an acceptable stand-alone policy that provides adequate coverage for the peril.</p> <p>The property insurance policy must provide for claims to be settled on a replacement cost basis. Property insurance policies that provide for claims to be settled on an actual cash value basis are not acceptable. Policies that limit, depreciate, reduce, or otherwise settle losses at anything other than a replacement cost basis are also not acceptable.</p> <p>The minimum required property insurance coverage amount for a first mortgage secured by a one- to four-unit property must be at least equal to the lesser of:</p> <ul style="list-style-type: none"> 100% of the replacement cost value of the improvements as of the current property insurance policy effective date, or the unpaid principal balance of the loan, provided it equals no less than 80% of the replacement cost value of the improvements as of the current property insurance policy effective date. <p>If the insurer will not provide the actual replacement cost estimator, then confirmation the coverage amount is greater than or equal to their replacement cost estimate must be verified via an email or Replacement Cost Affidavit by the property insurer, an independent insurance risk specialist, or other professional with appropriate resources to make such a determination.</p>	<p>Amount of Coverage</p> <p>The minimum amount of flood insurance required for first mortgages must be equal to the lesser of</p> <ul style="list-style-type: none"> 100% of the replacement cost value of the improvements, the maximum coverage amount available from NFIP, or the unpaid principal balance (UPB) of the loan (or loan amount at the time of origination). <p>Click here for the FNMA/FHLMC Flood Insurance Coverage Calculator.</p> <p>Additional flood insurance requirements for units in attached condo projects, and PUDs are detailed in the applicable product descriptions and in the agency Selling Guides.</p> <p>NFIP Lapse: The NFIP may lapse due to a shutdown of the federal government or if Congress does not renew the NFIP's authorization to issue new policies, increase coverage on existing policies, or issue renewal policies. Refer to the agency Selling guides for requirements.</p> <p>USDA: Flood insurance must cover the lesser of the outstanding balance of the loan OR the maximum amount of coverage allowed under NFIP.</p> <p>NOTE:</p> <p>If flood insurance is required, waiving of escrows for taxes and homeowner's insurance is permitted in accordance with investor guidelines; however, the flood insurance must be escrowed. Flood insurance escrow waivers are not permitted. If flood insurance is NOT required and the borrower voluntarily obtains flood insurance, then it cannot be escrowed.</p>	<p>Determine if a Master Property Insurance Policy is required. The requirements for individual property insurance policies will vary based on the homeowners' association (HOA) legal documents and the master property insurance policy.</p> <p>To the extent the master property insurance policy does not cover the interior of the unit or improvements to the unit, the borrower must maintain an individual unit owner property insurance policy (Refer to the agency Selling guides for additional requirements).</p> <p>Coverage Requirements:</p> <p>When required, a master property insurance policy must be maintained with premiums paid as a common expense by the HOA. The policy must cover all insurable property elements. Common personal property and supplies should be covered, if applicable.</p> <p>The master property insurance policy must provide for claims to be settled on a replacement cost basis. Property insurance policies that provide for claims to be settled on an actual cash value basis are not acceptable. Policies that limit, depreciate, reduce, or otherwise settle losses at anything other than a replacement cost basis are also not acceptable.</p> <p>Master property insurance coverage policies covering project developments should be written on a "Special" coverage form or equivalent. At a minimum, the coverage must include the perils covered by a commercial "Broad" coverage form. The required perils are fire, lightning, explosion, windstorm, hail, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, volcanic eruption, falling objects, weight of snow, ice or sleet, or water damage.</p>

INSURANCE REQUIREMENTS

Amount of Coverage (cont.)	<p>FNMA Selling Guide B7-3-02, Determining the Required Coverage Amount section provides a formula to calculate the amount of required property insurance coverage.</p>		<p>If a master property insurance policy excludes or limits coverage of any of the required perils, the HOA must obtain an acceptable stand-alone property insurance policy which provides adequate coverage for the limited or excluded peril (Refer to the agency Selling guides for additional information).</p>
	<p>Adequate insurance coverage for a Non-FNMA/FHLMC loan would be ONE of the following:</p> <p>(1) ≥ total loan amount OR (2) ≥ total estimate cost-new from appraisal OR (3) 100% replacement cost OR (4) ≥ cost estimator from insurance company showing maximum insurable value</p>		<p>Determining the Required Coverage Amount:</p> <p>Property insurance must be in an amount at least equal to 100% of the replacement cost value of the project improvements, including common elements and residential structures, as of the current property insurance policy effective date.</p> <p>If the insurer will not provide the actual replacement cost estimator, then confirmation the coverage amount is greater than or equal to their replacement cost estimate must be verified via an email or Replacement Cost Affidavit by the property insurer, an independent insurance risk specialist, or other professional with appropriate resources to make such a determination.</p>
			<p>Refer to the agency Selling guides for guidance on special coverage requirements for PUDs, Condo Projects, Builder/Developer property insurance policies and for policies covering multiple projects.</p> <p>HO-6 (Walls in Coverage)</p> <ul style="list-style-type: none"> · To the extent the master property insurance policy does not cover the interior or improvements of a unit in a project development, the borrower must maintain an individual property insurance policy. · The Seller must verify the coverage amount is sufficient to restore the unit to its condition prior to a loss event. · Coverage sufficiency should be based on the best information known or available, which may include information obtained from the borrower, in collaboration with the insurer, the HOA legal documents, or other professional with appropriate resources to make such a determination.

INSURANCE REQUIREMENTS

	Single Family & Individual PUD Unit	Flood Insurance	Condominium & PUD (Common Areas)																
Coverage Requirements	<p>HURRICANE, WIND, HAIL Property insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damage, or any other perils that normally are included under an extended coverage endorsement are NOT acceptable.</p> <ul style="list-style-type: none">FNMA, FHLMC, FHA, VA, and USDA: If the declaration page does not specifically exclude hurricane, wind, and hail coverage (is “silent), then no additional verification is required. If the declaration specifically excludes hurricanes, wind, and hail (in whole or in part), then the policy is NOT acceptable.																		
Maximum Deductible	<ul style="list-style-type: none">The maximum allowable deductible for all required property insurance perils for one-to four-unit properties is 5% of the property insurance coverage amount.When a property insurance policy includes multiple deductibles, such as a separate deductible that applies to windstorms, or a separate deductible that applies to a specific property element such as the roof, the total amount for such deductibles applicable to a single occurrence must be no greater than 5% of the property insurance coverage amount. <p>NOTES:</p> <ul style="list-style-type: none">Some investors require either a maximum of \$1,000 deductible OR 1% face value of the policy.	<p>The following table describes the maximum deductible allowed by Fannie Mae for an NFIP or a private flood insurance policy.</p> <table><tr><th>Property Type</th><th>Deductible Requirements</th></tr><tr><td>One -to-Four Unit Properties</td><td>The deductible must not exceed the maximum deductible amount currently offered by NFIP for one- to four-unit properties insured under an NFIP Dwelling Form.</td></tr><tr><td>Condo Projects</td><td>The deductible must not exceed the maximum deductible amount currently offered by NFIP for condo projects insured by an RCBAP. This deductible requirement applies to all condo projects, regardless of the percentage of commercial space.</td></tr><tr><td>PUDs</td><td>The deductible on individual attached or detached PUD units must not exceed the maximum deductible amount currently offered by NFIP for one- to four-unit properties insured under an NFIP Dwelling Form.</td></tr></table> <p>USDA: Unless a higher amount is allowed by state or federal law (which includes FEMA policies), the maximum deductible clause for a flood insurance policy should not exceed \$10,000.</p>	Property Type	Deductible Requirements	One -to-Four Unit Properties	The deductible must not exceed the maximum deductible amount currently offered by NFIP for one- to four-unit properties insured under an NFIP Dwelling Form.	Condo Projects	The deductible must not exceed the maximum deductible amount currently offered by NFIP for condo projects insured by an RCBAP. This deductible requirement applies to all condo projects, regardless of the percentage of commercial space.	PUDs	The deductible on individual attached or detached PUD units must not exceed the maximum deductible amount currently offered by NFIP for one- to four-unit properties insured under an NFIP Dwelling Form.	<p>Refer to the Agency Selling guide for all information. The following table describes the maximum allowable deductible for master property insurance policies covering project developments.</p> <table><tr><th>Deductible Type</th><th>Maximum Deductible</th></tr><tr><td>Per occurrence</td><td>The maximum allowable deductible for all required property insurance perils is 5% of the master property insurance coverage amount.</td></tr><tr><td>Per occurrence, multiple deductibles</td><td>When a master property insurance policy includes multiple deductibles, such as a separate deductible that applies to windstorms, or a separate deductible that applies to a specific property element such as the roof, the total amount for such deductibles applicable to a single occurrence must be no greater than 5% of the insurance coverage amount.</td></tr><tr><td>Per occurrence, per unit</td><td>Fannie Mae will allow a per unit master property insurance policy deductible when the sum of the applicable per unit deductibles is greater than 5% of the coverage amount and all of the following requirements are met. <ol style="list-style-type: none">The master property insurance policy has a per unit deductible for named perils specific to a geographic area where such coverage is common and customary; andThe borrower’s individual property insurance policy includes:<ol style="list-style-type: none">coverage for the applicable peril(s);coverage for master property insurance policy deductible assessments levied on the unit owner by the HOA for the applicable peril(s); andloss assessment coverage in an amount sufficient to cover assessments in excess of 5% of the master property insurance policy coverage amount, divided by the number of units.</td></tr></table>	Deductible Type	Maximum Deductible	Per occurrence	The maximum allowable deductible for all required property insurance perils is 5% of the master property insurance coverage amount.	Per occurrence, multiple deductibles	When a master property insurance policy includes multiple deductibles, such as a separate deductible that applies to windstorms, or a separate deductible that applies to a specific property element such as the roof, the total amount for such deductibles applicable to a single occurrence must be no greater than 5% of the insurance coverage amount.	Per occurrence, per unit	Fannie Mae will allow a per unit master property insurance policy deductible when the sum of the applicable per unit deductibles is greater than 5% of the coverage amount and all of the following requirements are met. <ol style="list-style-type: none">The master property insurance policy has a per unit deductible for named perils specific to a geographic area where such coverage is common and customary; andThe borrower’s individual property insurance policy includes:<ol style="list-style-type: none">coverage for the applicable peril(s);coverage for master property insurance policy deductible assessments levied on the unit owner by the HOA for the applicable peril(s); andloss assessment coverage in an amount sufficient to cover assessments in excess of 5% of the master property insurance policy coverage amount, divided by the number of units.
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INSURANCE REQUIREMENTS

Maximum Deductible (cont.)			NOTE: A deductible buy-back insurance policy purchased by the HOA may be used to meet FNMA’s master property insurance policy deductible requirements, provided the policy meets all other property insurance requirements in Chapter B7-3, Property and Flood Insurance, including insurer rating requirements.
Policy Period	A. Purchases – Coverage can begin no later than date of closing (Wet States) or loan disbursement date (Dry States). The coverage must be for a minimum of 12 months from the effective date of the policy. B. Refinances – Coverage should end no earlier than the date of the second mortgage payment due date.		A. Purchase & Refinance – Master Policy cannot expire earlier than 14 calendar days prior to the loan disbursement date.
Paid Receipt	A. Purchases – Policies should be paid in full prior to closing date. If the market dictates that it is common and customary for the premium to be paid at closing, this is permitted. B. Refinances – Paid receipt through the policy period as defined in the Policy Period section above is required.		A. Master Policy – Paid through policy period. B. Individual Coverage on purchase and refinance transactions (as applicable) – same as single family requirements.

INSURANCE REQUIREMENTS

	Single Family & Individual PUD Unit	Flood Insurance		Condominium & PUD (Common Areas)
Insurance Company Rating	<p>A. A.M. Best Company: “B” or better Financial Strength</p> <p>B. Demotech: “A” or better <i>Insurance Financial Stability Rating</i></p> <p>C. Kroll Bond Rating Agency: “BBB” or better Insurance Financial Strength Rating (IFSR)</p> <p>D. S&P Global: “BBB” or better Insurer Financial Strength Rating</p> <p>Refer to the agency Selling guides for exceptions to Insurer Rating Requirements.</p>	Not Applicable		<p>A. A.M. Best Company: “B” or better Financial Strength</p> <p>B. Demotech: “A” or better <i>Insurance Financial Stability Rating</i></p> <p>C. Kroll Bond Rating Agency: “BBB” or better Insurance Financial Strength Rating (IFSR)</p> <p>D. S&P Global: “BBB” or better Insurer Financial Strength Rating</p>
Private Insurer	N/A	FNMA, FHLMC, FHA, VA, and USDA	Permitted. Refer to the applicable agency guidelines.	N/A
Other Acceptable Insurance Underwriters	<p>A. Policies underwritten by a state’s Fair Access to Insurance Requirements (FAIR) plan, if it is the only coverage that can be obtained,</p> <p>B. Policies obtained through state insurance plans – such as the Hawaii Property Insurance Association (HPIA), Florida’s Citizens Property Insurance Corporation, or other state-mandated windstorm and beach erosion insurance pools – if that is the only coverage that is available; and,</p> <p>C. A separate hurricane insurance policy issued by the Hawaiian Hurricane Relief Funds (for properties located in Hawaii), as long as the companion non-catastrophic fire and extended coverage (or homeowner’s) policy is obtained from a property insurer that satisfies the Insurance Company Rating as indicated on prior page.</p> <p>NOTE: Neither FNMA nor FHLMC will accept insurance from any company that is participating in Florida’s Temporary Market Stabilization Arrangement (TMSA) program, which is a reinsurance program. This includes any new refinance transactions where an existing policy is being renewed. Reference FNMA LL 2022-08 and FHLMC Bulletin 2022-25</p>			
Insured Name & Property Address	<ul style="list-style-type: none"> All names on Title must be on policy. Refer to the agency Selling guides for all requirements. The address must match the subject property address. 			<p>A. Master Policy – Homeowners Association (Condo, PUD)</p> <p>B. Individual - All names on Title must be on policy.</p>
Mortgagee Clause	<p>The Seller must notify the borrower’s insurance carrier that as of the date of transfer the mortgagee clause must read:</p> <p>ServiceMac, LLC ISAOA, ATIMA P.O. Box 29411 Phoenix, AZ 85038-9411</p>	<p>The Seller must notify the borrower’s insurance carrier that as of the date of transfer the mortgagee clause must read:</p> <p>ServiceMac, LLC ISAOA, ATIMA P.O. Box 29411 Phoenix, AZ 85038-9411</p>		<p>If a unit owner or shareholder maintains an individual policy (as indicated by the project’s legal documents) or if an HO-6 policy is maintained for interior coverage, it must include the mortgagee clause.</p> <p>A mortgagee clause is not required for a master project property insurance policy, an NFIP Residential Condominium Building Association Policy or equivalent flood policies issued by a private insurer.</p>
Notice of Cancellation	One- to four-unit properties: The policy must provide for written notice to the named insured and mortgagee(s) before the insurer can cancel the policy. Refer to the agency Selling guides for more information.			Individual units in a project development (does not apply to master property insurance policies for project developments): The policy must provide for written notice to the named insured and mortgagee(s) before the insurer can cancel the policy.

INSURANCE REQUIREMENTS

	Single Family & Individual PUD Unit	Flood Insurance	Condominium & PUD (Common Areas)
438 BFU Endorsements	A standard 438 BFU endorsement allows the insurance policy to be assigned to another loan servicer and should be referenced on the policy.		
Coastal Barrier Resource Act (CBRA)		<p>FNMA/FHLMC:</p> <p>The lender and servicer must ensure that the subject property is adequately protected by flood insurance when required. Flood insurance coverage is required when a loan is secured by a property located in</p> <ul style="list-style-type: none">• a Special Flood Hazard Area (SFHA), or• a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA). <p>The lender and servicer must determine whether the property is in an SFHA, a CBRS, or an OPA by using the FEMA Standard Flood Hazard Determination form. All flood zones beginning with the letter "A" or "V" are considered SFHAs.</p> <p>Note: If the subject property is located within a CBRS or an OPA, flood insurance is required regardless of whether the property is in an SFHA.</p> <p>Flood insurance is not required on a principal or residential detached structure securing the loan if the lender or servicer obtains a letter from FEMA stating that its maps have been amended and the structure is no longer in an SFHA.</p> <p>FHLMC Note: A mortgage is ineligible for sale to Freddie Mac if the property is subject to coastal tideland, wetland, or setback laws and/or regulations that prevent the rebuilding or maintenance of the property improvements if they are damaged or destroyed. Refer to 5606.4: Site and Location Analysis, Property Characteristics, (i) B Eligible Zoning Compliance.</p> <p>FNMA Selling Guide: Fannie Mae Flood Insurance Requirements for All Property Types</p> <p>FHA, VA, USDA: NOT PERMITTED</p>	

INSURANCE REQUIREMENTS

Earthquake Insurance

Homebridge does not escrow for earthquake insurance. This is not a required peril by any of our investors and is considered a voluntary insurance. Borrowers who elect to take an individual earthquake insurance policy should be advised to make arrangements to pay their premiums, policy changes, etc. directly with the insurance company who issued the policy. Funds should not be collected at closing and should not be included as part of the escrows. **Note:** Earthquake coverage/insurance that is bundled/included in the homeowner's insurance policy is permitted.

Any loans originated with an individual earthquake insurance policy in error will be treated as follows by Servicing:

1. Borrower will be notified in writing regarding our policy that we do not escrow for earthquake insurance.
2. Any funds collected at closing will be refunded to the borrower or applied to principal balance.
3. Monthly payment will be adjusted to remove the monthly escrow for earthquake coverage.