

INSURANCE QUICK REFERENCE GUIDE

Transactions with an Application Dated On or After June 1, 2024

COVERAGE REQUIREMENTS		
SFR	PUD PROJECTS	CONDO PROJECTS
<p>Standard Coverage Requirements</p> <p><u>FNMA/FHMLC/Jumbo Gold/Jumbo Elite</u> Coverage equal to the lesser of the following is required:</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>NOTE: The Cost New from the appraisal IS NOT an acceptable source</p> <p>If the insurer will not provide the replacement cost estimator then the coverage amount must be verified by the property insurer. A written statement (e.g. email, Word doc, affidavit) from the property insurer is acceptable stating the policy dwelling coverage is greater than or equal to their determined replacement cost estimate.</p> <p>NOTE: Policies that provide for claims to be settled on an actual cash value (ACV) basis and policies that limit, depreciate, reduce or otherwise settle losses at anything other than on a replacement cost basis are NOT acceptable</p> <p><u>Access/Elite Access</u> Coverage must, at minimum, be equal to:</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 <p>NOTE: The Cost New from the appraisal IS NOT an acceptable source</p> <p>If the insurer will not provide the replacement cost estimator then the coverage amount must be verified by the property insurer. A written statement (e.g. email, Word doc, affidavit) from the property insurer is acceptable stating the policy dwelling coverage is greater than or equal to their determined replacement cost estimate.</p> <p>NOTE: Policies that provide for claims to be settled on an actual cash value (ACV) basis and policies that limit, depreciate, reduce or otherwise settle losses at anything other than on a replacement cost basis are NOT acceptable</p> <p><u>Renovation Loans (203k / HomeStyle)</u></p> <ul style="list-style-type: none"> ✓ Standard insurance coverage requirements apply based on product type; HomeStyle follow FNMA, 203k loans follow FHA ✓ Refinance transactions require documentation the insurance company is aware of the renovation work being completed 	<p><u>FNMA/FHMLC/Jumbo Gold/Jumbo Elite/ Access/ Elite Access</u> Requirements vary based on program and property type as detailed below.</p> <ul style="list-style-type: none"> • Property Coverage: Attached/Semi-Attached Units: <ul style="list-style-type: none"> ✓ Blanket Master with 100% Replacement Cost for units and common areas <li style="text-align: center;">OR ✓ Individual policy covering the unit (follow SFR requirements for individual property coverage when unit is not included in the Master Policy), <li style="text-align: center;">AND ✓ The HOA master policy is required to document common area buildings are covered. If no common buildings Master Policy not required. The HOA or appraiser must address and this must be noted in the loan file • Property Coverage: Detached SFR <ul style="list-style-type: none"> ✓ Individual policy covering the SFR (follow SFR requirements for individual property coverage) ✓ Validation of HOA Master Policy not required <p><u>FHA/VA/USDA</u></p> <ul style="list-style-type: none"> ✓ Individual policy covering the unit required (follow SFR requirements for individual property coverage) ✓ Validation of HOA Master Policy not required <p><u>All Programs</u></p> <ul style="list-style-type: none"> • Project Liability Coverage: <ul style="list-style-type: none"> ✓ Not required for PUD projects <p><u>Tips</u></p> <ul style="list-style-type: none"> • Property coverage must be on the appropriate form (i.e. property coverage on a property policy) • Master policies – 100% replacement coverage is assumed, unless otherwise indicated 	<p><u>All Programs (subject to individual notes below)</u></p> <p><u>Property Coverage</u> Coverage 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. The following are acceptable for the Master Policy:</p> <ul style="list-style-type: none"> ✓ Replacement Cost, OR ✓ Guaranteed Replacement Endorsement, OR ✓ Extended Replacement Cost <p>If the insurer will not provide the replacement cost estimator then the coverage amount must be verified by the property insurer. A written statement (e.g. email, Word doc, affidavit) from the property insurer is acceptable stating the policy dwelling coverage is greater than or equal to their determined replacement cost estimate.</p> <p>NOTE: Policies that provide for claims to be settled on an actual cash value (ACV) basis and policies that limit, depreciate, reduce or otherwise settle losses at anything other than on a replacement cost basis are NOT acceptable</p> <p><u>Project Liability Coverage</u></p> <ul style="list-style-type: none"> ✓ Fannie Mae/Freddie Mac Full Review/FHA/VA/USDA: \$1M liability required <ul style="list-style-type: none"> ❖ Exception to the above \$1M requirement: <ul style="list-style-type: none"> ➢ 2-4 unit projects that do not maintain commercial general liability insurance and meet all of the following will not require \$1M liability: <ul style="list-style-type: none"> • The project is horizontal (no vertical/stacked units), and • Evidence the project does not contain any common elements that would require liability insurance (no pool, spa, gym, etc.), and • The HOA’s legal documents do not require general liability policy in the name of the HOA ❖ Fannie Mae/Freddie Mac Limited/Streamlined Review: Verification of \$1M coverage not required <p><u>HO-6 Coverage (not required on FHA Streamlines)</u> Required unless project’s master policy includes “walls in” coverage</p> <ul style="list-style-type: none"> ✓ The coverage amount must be sufficient to repair the condo to its condition prior to the loss claim event (not an option for USDA loans) Coverage sufficiency should be based on the best information available from the insurer ✓ USDA loans ONLY: 20% of the appraised value is required <p>NOTE: Policy must clearly indicate it is an HO-6 policy and/or include “Walls In” coverage and can’t exclude improvements or betterment coverage</p>

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	SFR	CONDO PROJECTS
<p>Standard Coverage Requirements (cont.)</p>	<p><u>All Other Products (FHA/VA/USDA)</u> Adequate insurance coverage for all other products would be the lesser of the following:</p> <ul style="list-style-type: none"> ✓ Total loan amount, OR ✓ Total estimate cost-new from appraisal, OR ✓ 100% replacement cost, OR ✓ Cost estimator from insurance company showing maximum insurable value <p><u>Additional Coverage Requirements: (All Programs)</u> Property insurance policies for 1-4 unit properties must cover, at minimum, the following perils:</p> <ul style="list-style-type: none"> • Fire or lightning • Explosion • Windstorm (including storms designated by the U.S. weather Service or NOAA by a name or number (e.g. hurricanes)) • Hail • Smoke • Aircraft • Vehicles • Riot or civil commotion <p>If the policy excludes/limits coverage of any of the required perils, a stand-alone policy that provides adequate coverage for the peril is required</p>	<p><u>Fidelity Insurance (applies to projects with 21 or more units)</u></p> <ul style="list-style-type: none"> ✓ FNMA/FHLMC/VA/USDA: 3 months HOA dues for all units (monthly dues x 3 x number of units) <ul style="list-style-type: none"> ➢ FNMA/FHLMC Limited/Streamlined Review: Verification not required ✓ FHA Fidelity Insurance: If the project utilizes a management company, the fidelity insurance must meet the requirement for both the condo assn. and the management company <ul style="list-style-type: none"> ➢ Case Numbers Assigned Prior To August 19, 2024: Insurance coverage must be the greater of: <ul style="list-style-type: none"> ❖ 3 months of aggregate (12 month) assessments on all units plus reserve funds (up to max. permitted by state law) OR the minimum amount required by state law ➢ Case Numbers Assigned On or After August 19, 2024: For existing policies, an uninsured amount within 3% of the above calculation OR \$10,000 whichever is less is acceptable <p><u>Coverage Requirements</u> Property insurance policies for project developments must cover, at minimum, the following perils:</p> <ul style="list-style-type: none"> • Fire or lightning • Explosion • Windstorm (including storms designated by the U.S. weather Service or NOAA by a name or number (e.g. hurricanes)) • Hail • Smoke • Aircraft • Vehicles • Riot or civil commotion <p>If the policy excludes/limits coverage of any of the required perils, a stand-alone policy that provides adequate coverage for the peril is required</p>
<p>Maximum Deductible</p>	<p>Property insurance deductibles are subject to:</p> <ul style="list-style-type: none"> ✓ 5% of the face value of the policy, including any separate or endorsement policy 	

COVERAGE REQUIREMENTS

SFR/PUD PROJECTS/CONDO PROJECTS

Flood Insurance Requirements

Reminder:
Loans with flood insurance **require** an escrow/impound account – **no exceptions**

Flood insurance requirements apply to **all** Homebridge programs: FNMA/FHLMC/government/Jumbo Gold/Jumbo Elite/Access/Elite Access (see exception for maximum allowable deductible noted for USDA)

An application is acceptable for a new policy provided the policy is paid in full or premium collected at close

The amount of coverage must equal the **lesser of**:

Property Coverage: All programs excluding USDA

- ✓ 100% of the replacement cost value of the improvements, **OR**
- ✓ The maximum coverage amount available from NFIP (\$250,000), **OR**
- ✓ Loan amount i.e. the unpaid principal balance or loan amount at time of origination: **SFR only**

Property Coverage: USDA Only

Coverage must be the **lesser of** the following:

- ✓ The loan amount, **OR**
- ✓ Maximum Amount of coverage allowed under NFIP (\$250,000)

Private Flood Insurance

Private flood insurance is eligible on all programs. Private flood must meet the applicable Agency requirements for private policies:

- ❖ Jumbo Elite, Jumbo Gold, Elite Access, and Access must meet FNMA private flood insurance requirements
- ❖ FHA must meet [HUD Mortgagee Letter 2022-18](#) private flood requirements and **for Case Numbers Assigned On or After August 19, 2024** the following also applies:
 - The private flood insurance policy must include the Private Flood Insurance (PFI) Compliance Aid statement: "This policy meets the definition of private flood insurance contained in 24 CFR 203.16a(e) for FHA insured mortgages" **OR**
 - In the absence of the PFI Compliance Aid statement within the policy, the Homebridge may review the policy to determine if it meets FHA requirements or request the insurance agent/carrier to separately provide the PFI Compliance Aid language

Lapse in National Flood Insurance Program:

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. In the event of a lapse the following applies:

- ✓ A completed application for NFIP flood insurance and proof of the premium payment or the final settlement statement reflecting payment of the initial premium, or
- ✓ The assignment of an existing NFIP flood insurance policy from the property seller to the purchaser

Homebridge must continue to:

- ✓ Make flood determinations, provide timely, complete and accurate notices to borrowers in accordance with applicable laws and comply with all other flood insurance requirements,
- ✓ Take all steps needed to facilitate the issuance of coverage once the lapse has ended,
- ✓ Retain documentation to support acceptable evidence of flood insurance

Specific requirements apply to Refinance Transactions:

If a refinance loan...	Then Homebridge:
Has acceptable flood insurance coverage in place at closing, that does not expire prior to the sale to the investor	Must be accurately reflected as the mortgagee named on the policy
Has a flood insurance policy that expires during the lapse and before the sale	Must follow all flood insurance requirements adapted appropriately to a renewal
Requires more coverage as a result of the refinance	Must provide acceptable evidence of an endorsement request by the borrower and proof of additional premium payment

(cont. on next page)

Maximum Deductible

- ✓ 1-4 Units - \$10,000
- ✓ Condo - \$25,000

Flood Insurance Premium Used for Qualifying: Freddie Mac Transactions ONLY:

- ✓ **Freddie Mac transactions with a Note dated on or after September 5, 2024:** When a flood policy reflects **both** a full risk premium **and** a discounted premium, **the full risk premium plus any fees and surcharges must be used for qualifying in all instances**

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	SFR/PUD PROJECTS	CONDO PROJECTS
Flood Insurance Requirements (cont.)	<p>Properties Located in a Special Flood Hazard Area (SFHA): All Programs:</p> <ul style="list-style-type: none"> ✓ Flood insurance that meets the requirements detailed on page 3 required. Policy may be from the National Flood Insurance Program (NFIP) or from a private insurance carrier. ✓ FHA/USDA Condo Projects ONLY: The project must be in a community that participates in NFIP; however the flood insurance may be NFIP or private. Coverage must be equal to the replacement cost of the covered improvements OR the NFIP maximum per condo unit multiplied by the number of condo units, whichever is less. <p>Properties in Coastal Barrier Resource Systems (CBRS): Fannie Mae/Freddie Mac only (ineligible on FHA, VA, USDA, and Jumbo transactions): Property located in a Coastal Barrier Resource System or Otherwise Protected Area (OPA) require the following:</p> <ul style="list-style-type: none"> ✓ Flood insurance that meets FNMA/FHLMC is required. The policy may be from the National Flood Insurance Program (NFIP) or from a private insurance carrier. ✓ If the property is in a non-participating CBRS or OPA it cannot be in a Special Flood Hazard Area (SFHA) <p>Freddie Mac specific: If the loan is secured by a property that is subject to coastal tideland, wetland, or setback laws/regulations that prevent the rebuilding or maintenance of the property if they are damaged or destroyed, the loan is ineligible.</p>	
Policy Period	<ul style="list-style-type: none"> ✓ Annual policy required ✓ Purchase – Requires a minimum of 10 months remaining at time of funding ✓ Refinance – Requires a minimum of 60 days remaining at time of funding <p>Master Policy (Condo/attached PUDs) – Requires a minimum of 14 days remaining at time of funding</p>	
Paid Receipt	<ul style="list-style-type: none"> ✓ All policies must be paid in full or paid at close (current policy and renewal policy, when required) ✓ Fannie Mae/Freddie Mac Refinance transactions (insurance not escrowed): <ul style="list-style-type: none"> ❖ Policies where the premium is paid monthly or on a payment plan must be current at closing. The policy is not required to be paid in full or paid at close <p>To ensure the policy is current at closing: If the policy reflects a payment is due confirmation the payment has been made is required or if the policy is unclear if a balance due, the insurer must provide written or verbal confirmation that the policy is current</p>	
Insured Name & Property Address	<ul style="list-style-type: none"> ✓ Insurance policy requirements: <ul style="list-style-type: none"> ❖ All title holders are required to be on the policy ❖ Only borrower's first and last name required; middle initials/name not required but ok if reflected. Vesting not required ✓ Legal address must match appraisal and title (if a/k/a is used due to mailing address, zip code must match) <p>NOTE: In lieu of matching the mailing address with the subject property address on an owner-occupied purchase transaction, the following is acceptable:</p> <ul style="list-style-type: none"> ❖ A letter from the insurance agent stating: <ul style="list-style-type: none"> ▪ Insurance company policy does not allow the subject property address to be used prior to the effective date of the policy, AND <p>That the mailing address will automatically change to the subject property on, or shortly after, the effective date of the policy</p>	<ul style="list-style-type: none"> ✓ Individual Policy: All title holders are required to be on the policy ✓ Master Policy - Homeowners Association

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COVERAGE REQUIREMENTS	
SFR/PUD PROJECTS/CONDOS PROJECTS	
Cancellation Clause	<ul style="list-style-type: none"> ✓ The policy must include a cancellation clause that states the minimum number of days in which the lender/servicer will be notified, in writing, prior to the termination of a policy. The notification period may be no less than 10 days and no more than 60 days from the cancellation date. ✓ Liability and fidelity/crime insurance policies must include a provision that calls for at least ten (10) days written notice to the HOA or insurance trustee before the policy can be cancelled or substantially modified
438 BFU Endorsement	<ul style="list-style-type: none"> ✓ A standard 438 BFU endorsement (aka Loss Payable Endorsement) allows the insurance policy to be assigned to another loan servicer. The endorsement must be referenced on the policy
Insurance Company Rating	<ul style="list-style-type: none"> ✓ A.M. Best & Company: "B" rating or better ✓ Demotech: "A" or better rating ✓ Kroll Bond Rating Agency: "BBB" or better ✓ Refer to Policy and Procedure 18-01 for steps on obtaining and documenting the rating
Other Acceptable Insurance Underwriters	<ul style="list-style-type: none"> ✓ Policies underwritten by a state's Fair Access to Insurance Requirements (FAIR) plan: Acceptable if it is the only coverage that can be obtained and the policy can be validated as being issued through the FAIR plan were the property is located. FAIR plans do not have a rating. ✓ Policies obtained through state insurance plans (e.g. Hawaii Property Insurance Association (HPIA), Florida's Citizens Property Insurance Corporation, or other state-mandated windstorm and beach erosion insurance pools) are acceptable if it is the only insurance available ✓ A separate hurricane insurance policy issued by the Hawaiian Hurricane Relief Fund (properties located in Hawaii) as long as the companion non-catastrophic fire and extended coverage/homeowner's policy is obtained from a property that satisfies the rating criteria under Insurance Company Rating topic above. <p>NOTE: FNMA/FHLMC will not accept insurance from any company participating in Florida's Temporary Market Stabilization Arrangement program (it is a re-insurance program) including refinance transactions where an existing policy is being renewed</p>
Mortgagee Clause	<p>ServiceMac, LLC ISAOA ATIMA P.O. Box 29411 Phoenix, AZ 85038-9411</p> <p>NOTE: The above mortgagee clause does not apply to the HOA master policy covering a condominium project. (Fannie Mae transactions only)</p>