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**PURPOSE**

The purpose of this document is to address the requirements for Home Owners Insurance and Flood Insurance. ***Examples available on page 2.***

**GENERAL INFORMATION**

**Homeowners Insurance:**

* 100% of the insurable value of the improvements, as established by the property insurer; **or**
* The unpaid principal balance of the mortgage, as long as it at least equals the minimum amount – 80% of the insurable value of the improvements – required to compensate for damage or loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.
* The premium amount must be referenced (reflect balance due or paid) **IF paid, a receipt needs to be provided. For a refinance where the borrower is not escrowing, either a paid receipt for the total premium is required thru the term of the policy or if a balance is due an invoice showing that the premiums are current as of the closing date is required.**
* The policy should be in effect for a one-year period from closing, on a purchase. This must be reflected on the policy. *(Policy can be dated up to 15 days prior to the date of closing)*
* In the event of a refinance, the coverage must be in effect for a period greater than 60 days from closing. **IF** the current HOI policy is **NOT** greater than 60 days from closing a binder for the renewal will be required and the premium will need to be collected at closing.
* The deductible amount should be listed on the policy. The maximum amount on housing products, and USDA should be no more than a $1,000 **Except** CHFA which allows up to a $1500 deductible. The maximum deductible for all other programs is 5% of the dwelling coverage amount. *(The deductible is also required on a Condo master policy)*
* All information within the policy should be reviewed for accuracy, included but not limited to:
* Name(s) of borrower(s)
* Property address
* Mortgagee clause

**Master Condo Policy:**

* The Master Condo Policy must reference our borrower(s) and the unit/property information
* If the Master Policy does not include walls in **or** all in, a H06 is required
* If the Master Policy includes “walls in” **or** “all in,” but does not include “betterments and improvements” an H06 is required
* The minimum dwelling coverage required on an H06 is determined by the insurer. *There is no longer a 20% of appraised value minimum dwelling coverage requirement*

**Flood Insurance:**

* Flood coverage needs to be the amount of loan **or** $250,000 **whichever is less**
* The max deductible cannot exceed $10,000 for individual policies; unless state or federal law requires a higher amount, the greater of $1,000 or 1% of the face amount of the policy if USDA
* $25,000 master policy on condos
* All information on the flood certificate and binder should be reviewed for accuracy, including but not limited to:
* Flood Zone (which should match flood cert)
* Monthly premium amounts
* Mortgagee clause
* Flood policies may be transferred from current owner to borrower(s)
* Flood Insurance must be escrowed

**Determination:**

This contains information on determining the amount of required property insurance coverage for a property in which an individually held insurance policy is maintained.

Determining the Amount of Required Property Insurance – The following table describes how to calculate the amount of required property insurance coverage:

|  |  |
| --- | --- |
| **Step** | **Description** |
| **1** | Compare the insurable value of the improvements as established by the property insurer to the unpaid principal balance of the mortgage loan |
| **1A** | If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required |
| **1B** | If the unpaid principal balance of the mortgage loan is less than the insurable value of the improvements, go to Step 2 |
| **2** | Calculate 80% of the insurable value of the improvements |
| **2A** | If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required |
| **2B** | If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure is the amount of coverage required |

**Examples:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Category** | **Property A** | **Property B** | **Property C** |
| **Insurable Value** | $90,000 | $100,000 | $100,000 |
| **Unpaid Principal Balance** | $95,000 | $90,000 | $75,000 |
| **80% Insurable Value** |  | $80,000 | %80,000 |
| **Required Coverage** | $90,000 | $90,000 | $80,000 |
| **Calculation Method** | Step 1A | Step 2A | Step 2B |