

## HAZARD INSURANCE REQUIREMENTS

An insurance policy may take several weeks to procure and, accordingly, you should not delay contacting the appropriate providers. **THE FAILURE TO PROCURE A POLICY AND PROVIDE IT TO YOUR LENDER MAY DELAY THE LOAN CLOSING.**

### PART I - HOMEOWNER/FIRE INSURANCE

Your lender and FHA/VA have basic, minimum hazard insurance requirements related to your home mortgage, which are described below:

1. Coverage must be at least fire and extended coverage with a "special form" coverage endorsement, i.e.: fire only - DP1 or DF1, homeowners policy - H01 (as opposed to "Broad" form - H02 - except in Texas). The insurance must not limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that are normally included under an extended coverage endorsement.
2. The amount of insurance coverage must at least equal the lesser of (1) 100% of the insurable value of the improvements as established by the property insurer; or (2) the unpaid balance of the mortgage, with a replacement cost endorsement to compensate for the full amount of damage or loss to improvements.
3. The insurer must be licensed to transact insurance in the jurisdiction where the dwelling is located, and must also meet at least one of the following criteria: (1) be rated "B" or better or have a minimum Financial Performance Index of "6" as reported in **Best's Insurance Reports**; (2) be rated "A" or better in Demotech, Inc.'s Hazard Insurance Financial Stability Ratings; or (3) be rated BBB or better or have a BBBq qualified solvency ratio in Standard & Poor's **Insurer Solvency Review**, or have an "Aaisi" rating as reported in Standard & Poor's **International Confidential Rating Service**. If the insurer is not admitted in the jurisdiction where the dwelling is located, it must have an A.M. Best's rating of 'An or better as reported in **Best's Insurance Reports** or a rating of "AA-" or better as reported in Standard & Poor's **Insurer Solvency Review**. Coverage underwritten by a state's FAIR Plan or through state insurance plans is acceptable if such insurance is the only insurance available to the borrower. An insurer that does not otherwise meet the requirements of this paragraph can qualify as an acceptable insurer if it is covered by reinsurance with a company that meets either of the A.M. Best's or Standard & Poor's ratings set forth in this Section 3, provided that the reinsurance agreement contains a "cut-through" endorsement that provides for the reinsurer to become immediately liable for 100% of any covered loss payable but unpaid by reason of the insolvency of the primary Insurer. Your insurance agent should be able to advise as to which insurance companies meet these requirements.
4. All policies, invoices and correspondence must refer to your mortgage loan/account number. You should provide this information to your insurance company or agent.
5. Acceptable proofs of coverage include: Evidence/Certificates of Insurance, Binders, Declaration Pages, and Policies. The term of a binder may not exceed 90 days, unless a longer period is required by state law.
6. Properties being improved or rehabilitated are subject to the same standards of coverage as noted in paragraph number two. This means that if necessary, following the completion of the repair or rehabilitation work, you may need to increase your insurance coverage.  
  
Further, for properties being improved or rehabilitated, additional premiums may be required for sub-par properties. Once you have completed the improvements or rehabilitation, you should contact your insurance agent to see if you can or should change your coverage and your premium. The coverage must also properly reflect your actual occupancy of the property.
7. Changes in federal or state laws or regulations, or other changed circumstances, may require your lender to modify its insurance requirements to include additional types or amounts of coverage. In such an event your lender will notify you prior to the effective date of any additional coverage so that you may purchase such required coverage. If you fail to purchase such required coverage, your lender may do so on your behalf and, in such event, your lender will bill you for the insurance premium for such coverage.

## PART 11 - FLOOD INSURANCE

Flood insurance must be purchased on any improved real estate that is located in an area that has been identified by FEMA (the Federal Emergency Management Agency) as a Special Flood Hazard Area. If your home is located in a Special Flood Hazard Area, you must purchase adequate flood insurance. The determination that your home is in a Special Flood Hazard Area may be made at the time of loan origination or at any time during the term of your loan.

1. You must purchase flood insurance only with respect to improvements located in Special Flood Hazard Areas designated by FEMA on its Flood Hazard Boundary Maps and Flood Insurance Rate Maps, and whose Zone designations are e.g., without limitation, A, AO, AH, AI-30, AE, A99, AR, AR/AI-30, AR/AE, AR/AO, ARAH, AR/A, VO, or V1-30, VE or V. "Improvements" means your home and other structures, such as your garage, that are given value in determining the appraised value of your property. You are not required to purchase flood insurance unless some portion of the improvements is located in a Special Flood Hazard Area. As to improvements located wholly outside of a Special Flood Hazard Area and whose Zone designations are B, C, X or D, flood insurance is not mandatory. However, Your lender may require flood insurance on properties located in zones B, C, X and D, bearing in mind that historically a significant level of all flood losses has occurred in these zones. In addition, Your lender may require flood insurance even if the home that is security for the loan is located outside of a Special Flood Hazard Area.
2. The amount of coverage must be equal to the lesser of (1) the minimum amount required, under the terms of the coverage, to compensate for any damage or loss on a replacement cost basis (or the unpaid principal balance of the loan if replacement cost coverage is not available for the type of dwelling insured); or, (2) the maximum insurance available under the appropriate NFIP.
3. Even if flood insurance is not mandatory, you may want to consider purchasing flood insurance now or at a later date.
4. Your lender can require you to purchase flood insurance at any time during the term of the loan. In addition, changes in federal or state laws or regulations, or other changed circumstances, may require Your lender to modify its insurance requirements to include additional types or amounts of coverage. For example, Your lender may require additional coverage when a community converts from FEMA's Emergency Program to the Regular Program. Your lender will notify you prior to the date that any additional coverage is required.
5. If at the time of loan origination or at any time during the term of the loan Your lender determines that the improvements are located in a Special Flood Hazard Area, and you do not have adequate flood insurance, it will notify you that you must obtain adequate flood insurance, at your expense. If you fail to purchase or maintain flood insurance within 45 days of receiving such notice, Your lender may purchase adequate flood insurance on your behalf and at your expense, and will bill you for the cost of premiums and fees it incurs in purchasing the flood insurance. Any amounts paid by Your lender will become an additional obligation secured under your loan.
6. A flood insurance policy must be issued by the NFIP or meet the following requirements: (1) the insurer must be properly licensed to do business where the property is located; (2) the policy must include an endorsement which requires the insurer to give the insured and the lender written notice of cancellation or nonrenewal at least 30 days prior to the effective date of cancellation or nonrenewal; and (3) the policy should guarantee that the flood insurance coverage is at least as broad as the coverage offered by the NFIP policies.

**PARTIII-GENERAL**

1. Unless a higher maximum amount is required by law, the maximum dwelling deductible for homeowners/fire insurance and flood insurance may not exceed the higher of \$1,000 or 1% of the face amount of the dwelling coverage. With regard to wind/hurricane coverage, the maximum deductible may not exceed the higher of \$2,000 or 2% of the face amount of the dwelling coverage.
2. Your lender will accept multi-year and/or continuous policies.
3. The loss payee clause must read: Your lender Home Loans, Inc. and/or its assigns as their interest may appear (A.T.I.M.A.). Mail to: MSN-SV22, P.O. Box 10212, Van Nuys, CA 91410-0212. If mail is being forwarded by means of overnight mail, use the following address: 400 Your lender Way-MSN-SV22, Simi Valley, CA 93065. Certificates of Insurance are accepted from Allstate, State Farm, American Family Mutual, Auto Owners, Farmers, Country Company, Liberty Mutual Insurance, Nationwide and Safeco; all other insurance companies must have original policies.
4. **Important Note: If you are purchasing a home, the seller's Insurance policy does not automatically transfer to you.** The seller's insurance policy is not and typically does not become your policy until you take certain steps and you obtain the approval of the seller's insurance company. It is your responsibility to take all necessary and appropriate steps to obtain the benefits of the existing insurance policy, or to acquire a new policy. This requirement is yours, and continues even if you are receiving an assignment of the seller's escrow funds.
5. If you fail to maintain or provide evidence of the required insurance, Your lender may purchase insurance at your expense to protect the Lender's interest in the property; such insurance may or not protect your interests. We will bill you for the insurance. Insurance obtained by Countywide may be more expensive than, and may not provide the same coverage as, insurance you could obtain on your own. Any amounts paid by Your lender will become an additional obligation secured under your loan. You may cancel insurance purchased by us, but only after providing us with evidence that you have obtained insurance coverage in the amounts and types required in our agreement.
6. **An insurance agency affiliated with the lender or servicer may receive a commission or other compensation if Insurance is obtained by the lender on a Borrower's behalf.**

THE REQUIREMENTS BELOW RELATE TO LOANS FOR WHICH THE LENDER MAINTAINS AN IMPOUND/ESCROW ACCOUNT FOR PAYMENT OF PROPERTY INSURANCE PREMIUMS.

1. You are responsible for ensuring that the Insurance company sends a bill to Your lender at least 30 days in advance of the policy renewal date. If Your lender does not receive the bill on or before the renewal date, Your lender may obtain the required insurance on your behalf and you will be charged for the insurance premium as explained above.
2. Invoices for payment must indicate the total premiums to be paid for the Insurance coverage of only the mortgaged property.
3. Your lender will escrow all premiums and fees for flood insurance If an escrow has already been established for taxes, other insurance premiums, or other fees or charges.

**BY SIGNING BELOW, I ACKNOWLEDGE THAT I HAVE READ AND UNDERSTOOD THE FOLLOWING, AND I ACKNOWLEDGE RECEIPT OF A COPY OF THIS FORM:**

**FLOOD INSURANCE CERTIFICATION**

If the property I am purchasing is not in a Special Flood Hazard Area as defined in Part 11 above, flood insurance is not mandatory. I am aware that the possibility of flood damage may still exist and in the event of damage from flood there may be no government or lender assistance. If the property is located in Zone B, I food insurance is not mandatory but is available and I may purchase flood insurance now or at a later date.

I am also aware that the purchase of flood insurance may be required by law at a later date by virtue of the community being included in a remapping by FEMA which results in the mortgaged property then being located in a Special Flood Hazard Area. I will be notified of any such remapping. If I do not obtain flood insurance, Your lender will obtain such insurance on my behalf, as explained above.

**BORROWER'S RIGHT TO CHOOSE INSURANCE COMPANY AND AGENT**

Federal and state law provides that I have the right to select the Insurance company and insurance agent of my choice to provide the required property insurance. Your lender may not require me to purchase insurance through any particular insurance company or insurance agent as a condition to obtaining a loan, provided the insurance company meets Your lender's reasonable requirements as to the financial standing of the insurance company and the adequacy of the coverage. I understand my rights to select the Insurance company and insurance agent of my choice, and I have made my selection freely and without coercion by Your lender.

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**Applicant**

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**Date**

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**Applicant**

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**Date**