Insurance Requirements

Hazard Insurance 1-4 Unit Properties

To ensure VanDyk Mortgage's interest in a property is sufficiently protected, hazard insurance is required for all loans closed. The borrower may select the hazard insurance provider of their choice, provided the insurance carrier meets the requirements outlined in the Acceptable Insurance Carriers section.

Hazard insurance for 1-4 family properties and PUDs must provide coverage for loss or damage from fire and other hazards covered by standard Hazard Insurance Policies. If any perils (ex windstorm) are excluded from the primary insurance policy, coverage of the excluded peril must be obtained through a secondary policy. The separate policy is escrowed in addition to the Hazard Insurance Policy.

Areas that are subject to localized hazards, such as flood, sinkhole, mine subsidence, volcanic eruption, hurricane, and high winds that are not covered by hazard property insurance will require special coverage.

BOND PROGRAMS MAY HAVE DIFFERENT REQUIREMENTS. REFER TO BOND PROGRAM WEBSITE.

Required Coverage Amounts

If the amount of coverage does not meet the minimum requirement, additional coverage must be obtained.
The minimum coverage amount is equal to the lesser of the following:

- 100% of the insurable value* of the improvements as established by the property insurer unless otherwise restricted by state law ***OR***
- Replacement Cost Coverage. (Generally accepted terminology for insurable replacement cost is Guaranteed replacement cost,100% replacement cost, extended replacement cost, replacement cost or RC) ***OR***
- The combined unpaid principal balance of the mortgage (loan amount), as long as it equals 80% of the insurable value* of the improvements

**(Estimated Cost New on the appraisal or a letter from the insurer may be used for insurable value if insurable value is not indicated on the policy)*

Examples: 1) Compare the insurable value of the improvements to the unpaid principle balance of the mortgage.
   a. If the insurable value of the improvements is less than the unpaid principle balance the in surable value will be the amount of coverage required.
   b. If the unpaid principal balance of the mortgage is less than the insurable value of improve ments go to Step 2

2) Calculate 80 percent of the insurable value of the improvements.
   a. If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance will be the amount of coverage required.

Category	*Property A*	*Property B*	*Property C*
Insurable Value	$90,000	$100,000	$100,000
Unpaid Balance	$95,000	$ 90,000	$ 75,000
80% Insurable Value	-	$ 80,000	$ 80,000
Required Coverage	$90,000	$ 90,000	$ 80,000

Deductible

The hazard insurance deductible may not exceed 5% of the dwelling coverage unless a higher maximum is required by state law except BOND and USDA loans are per below.

BOND Loans serviced by US Bank (FHA andVA) the hazard has a maximum deductible of the greater of 2.5% of face amount of policy or $2,500. USDA deductible cannot exceed the greater of 1% of the face amount of the policy or $1,000, with exception when deductible not offered by carrier (typically wind/hail). Evidence from the insurer required.

Policy Expiration Date Requirements

Purchase Transactions
For purchase transactions, the closing file must contain a copy of the insurance policy (binder) along with a paid receipt for one year. Evidence of payment may include:

- Paid receipt from the insurance agent
- Itemized as paid on the HUD-1
- Zero Balance on the declarations page

Purchase Transactions with Assumption of Seller's Flood
Follow guidance for Refinance Transactions below.

Refinance Transactions
If the policy expires less than 60 days from the closing date renewal must be requested from the insurance agent. If renewal is not available the UW must email Secondary and Servicemyloan@vandykmortgage.com. If the policy expires in less than 30 days the policy must be renewed for a minimum of 12 months. The following documentation is required:

- Declarations page for the renewal policy evidencing the acceptable effective dates of coverage.
- Evidence the renewal premium has been paid (or will be paid on the CD at close).
- Sufficient Impounds must be collected to renew coverage at the due date.

General Requirements

At least one of the borrowers must be listed as the insured and match the note. Name can vary slightly. (ie: missing middle initial, jr) The property address must match the appraisal, note, and security instrument.

Acceptable evidence of insurance includes:

- Declarations page
- Certificate of insurance
- Insurance binder
- FAIR plan application

Detached Condos and PUDs

If the property is a DETACHED condo or PUD and the unit consists of the entire structure as well as the site and air space, the borrower must carry appropriate hazard and flood insurance required for a single family residence. Flood insurance requirements are also the same as for other one to four family properties. See guidance under Flood Insurance.

Attached PUDs

Fannie no longer requires evidence of liability coverage for Attached PUDs; either new construction or existing. PUDs that the master policy provides coverage for the units is acceptable. If the master policy is not Walls In including improvements and betterments then an H-06 policy is required.

Condos

The Master Condo insurance hazard policy must at least protect against fire and all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily covered for similar types of projects and cover fixtures and building service equipment. Maximum deductible is 5%.

HO-6 (Walls-in)

Borrowers must obtain a "walls-in" coverage policy (commonly known as an HO-6 policy) on Conventional, Non-conforming Jumbo, FHA, VA and USDA loans **unless** the master policy provides the same interior unit coverage. (The master policy is then known as an "All-in" or "all-inclusive" and must cover the interior of the units including betterments). The declaration page of the H-06 policy does not need to state "Replacement Cost" or "100% coverage". The amount of coverage, as determined by the insurer, must be sufficient to repair the interior of the unit, including any additions, improvements and betterments to its condition prior to the loss claim event. Maximum 5% deductible applies.

Condo Fidelity/Crime

On Conventional, FHA, VA and USDA loans, fidelity/crime insurance is required for condo projects that consist of 20 or more units. The fidelity/crime insurance must name the homeowners association as the insured and the premiums must be paid as a common expense by the HOA. Coverage must cover the maximum funds that are in the custody of the homeowners association or its management agent at any time while the policy is in force. Evidence of fidelity/crime is NOT required for Condominiums approved under FNMA Limited Review.

A lesser amount of coverage is acceptable if the project's legal documents require the homeowners association and any management company to adhere to one more of the following controls:

- Separate bank accounts are maintained for the working account and the reserve account, each with appropriate access controls, and the bank in which funds are deposited sends copies of the monthly bank statements directly to the homeowners association.
- The management company maintains separate records and bank accounts for each homeowners association that uses its services, and the management company does not have the authority to draw checks on, or transfer funds from the homeowners association's reserve account.
- Two members of the Board of Directors must sign any checks written on the reserve account.

Even then, when using the lesser amount of coverage, the fidelity insurance coverage must equal at least the sum of three months of assessments on all units in the project.

Note: Employee Dishonesty Insurance is acceptable in place of Fidelity /Crime Insurance as long as there is coverage for non-employees as well. If project has a management company the HOA policy must also cover them, or we must have evidence the management company carries their own Fidelity/Crime coverage. Directors and Officers (D&O) Insurance provides financial protection for the directors and officers of the company in the event they are sued. D&O Insurance is not required and cannot be used in place of Fidelity/Crime Insurance.

Condo Hazard Amount of coverage

Insurance should cover 100% of the insurable replacement cost of the project improvements, including the individual units in a condominium project. Coverage does not need to include land, foundations, excavations, or other items that are usually excluded from insurance coverage. If the HOA does not maintain 100% coverage the unit owner may not obtain "gap" coverage to meet this requirement.

An insurance policy that includes either of the following endorsements will ensure full insurable replacement cost coverage:

- A Guaranteed Replacement Cost Endorsement ***OR***
- Extended Replacement Cost ***OR***
- Replacement Cost

Condo Liability Coverage (Attached PUDs and Limited Review Condos are exempt)	Liability: The homeowners' association must maintain a commercial general liability insurance policy for the entire project, including all common areas and elements, public ways, and any other areas that are under its supervision. Liability insurance protects the legal entity, the Association, which was created when the Declaration/Master deed was recorded.
Additional Endorsements Condos	A minimum of $1 million liability policy for bodily injury and property damage for any single occurrence. **Endorsements:** All policies must include the following endorsements, as applicable: • An Inflation Guard endorsement, when it can be obtained • A Building Ordinance or Law endorsement is required on every condominium project regardless of age. • Steam Boiler and Machinery Coverage endorsement, if the project has central heating or air conditioning. The required coverage amount is $2,000,000 or for the replacement value of the building that houses the equipment. A stand-along policy for this coverage is acceptable. • If the policy contains a coinsurance clause, an Agreed Amount endorsement is required negating the coinsurance provision. Conventional: If the coinsurance provision is not waived, evidence must be obtained verifying the coverage is at least equal to 100% of the insurable replacement cost of the improvements. An insurance appraisal that is dated in the last 3 years is acceptable.
Flood Insurance	Flood insurance is required if all or part of the property improvements are located in a Special Flood Hazard Area (SFHA). If the land is in the flood hazard area but the improvements are not, this will be indicated on the flood certificate and flood insurance is not required. Flood insurance is required on properties located within the following SFHA zones: A, AO, AH, A1-A30, AE, A99, AR/A, AR/AE, AR/A1-30, AR/AH, AR/AO, V, V1-V30, VE. BOND PROGRAMS MAY HAVE DIFFERENT GUIDELINES. REFER TO YOUR BOND WEBSITE. Properties mapped in a flood zone, but located in a NFIP Non-Participating community are ineligible. Properties located in a community that do not have FEMA flood maps are not federally mandated to require flood insurance, therefore, evidence of flood insurance is not required. Properties located within a designated Coastal Barrier Resource System (CBRS) are not eligible for FHA or VA loans.
Contesting Flood Insurance	**Contesting Flood Cert:** Flood Certificate Determinations may be contested on a case-by-case basis. A final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) may be required in these cases to re-issue a clear flood certificate. If a clear flood certificate is not re-issued, the loan must close with flood insurance.
Documentation	**Documentation: If coverage is thru NFIP:** Obtain either: 1) fully executed application for flood insurance signed and dated by the insurance agent OR 2) Certificate of Flood or Flood Declaration Certificate. Accord is not acceptable. **Private Flood:** Acceptable for conventional loans only. ***Obtain copy of complete policy. Flood dec pg is insufficient.*** Additionally, to meet investor requirements: • Documentation to show that **one** of the following has been met and validates compliance with Office of the Comptroller of the Currency (OCC) 12 Code of Federal Regulations (CFR) 22.3: • The private flood insurance policy contains this statement "This policy meets the definition of private flood insurance contained in 42 U.S.C. 4012a(b)(7) and the corresponding regulation." • The private flood insurance policy meet the definition of private flood insurance as outlined in OCC 12 CFR 22.2. • The rationale for discretionary acceptance provides sufficient protection of the designated Loan, consistent with general safety and soundness principles, and the supervised institution documents its conclusion regarding sufficiency of the protection of the Loan in writing.
Required Coverage	**Amount of coverage:** The minimum amount of flood insurance required for most first mortgages secured by one to four family properties, individual PUD units, and certain condominium units (such as those in detached condominiums, townhouses, or row houses) is the lower of: • 100% of the replacement cost of the dwelling based on the insurer, but no less than the amount of the hazard (Dwelling Coverage A);***OR*** • The maximum insurance available from the National Flood Insurance Program (NFIP) • The unpaid principal balance of the mortgage **(NOTE: FHA Only - allows UPB less cost of land)** The maximum deductible for Conventional, FHA,VA and USDA is the maximum allowed by FEMA which is currently $10,000 for detached dwellings or $25000 for attached condos and PUD's. Manufactured homes in SFHAs for FHA only: The finished grade must be at or above the 100-year return frequency flood elevation. If any portion of the dwelling, related Structures or equipment essential to the Property Value, and subject to flood damage for both new and existing homes are located in an SFHA a NFIP Elevation Certificate (FEMA Form 81-31) by licensed engineer or surveyor must indicate the finished grade beneath the home is at or above the 100-year return frequency flood elevation, and insurance under the NFIP must be obtained. Coverage is the lesser of the outstanding balance of the mortgage, less estimated land costs; or the maximum amount of the NFIP insurance available with respect to the property improvements.
Flood—Outbuildings	**Single family residences** in a Special Flood Hazard Area that have additional buildings that are non-residential do not require flood insurance for Conventional or USDA loans. FHA requires flood insurance on outbuildings that have a value greater than $10,000. At the Veteran's request, non-residential improvements such as detached garage may be excluded from the flood policy if they are also excluded from the appraised value.
Flood Transfers	**Transfer of Seller's policy to our Borrower is acceptable with evidence the premium is paid in full and notification to closer to prorate it for correct renewal.**

Condominiums

Required coverage flood -Conventional

The HOA must maintain coverage at least equal to the lessor of 80 percent of the insurable value (replacement cost) or the maximum coverage available under the applicable National Flood Insurance Program. EXCEPTION: Detached condos, condo townhouses or condo rowhouses require 100% replacement. The borrower may purchase a supplemental policy to bring it up to 100% provided the HOA policy is at least 80%. Evidence of flood coverage for our subject's building is required including all common elements that are part of the subject's building. Actual certificate is required. Verification on an ACORD is not acceptable.

Required coverage flood - FHA/VA

The Condominium's Homeowners Association, not the borrower/unit owner is responsible for obtaining and maintaining flood insurance under the NFIP on all buildings located in an SFHAin an amount equal to 100% of the current replacement cost of the condominium exclusive of land, foundation, excavation and other items normally excluded from coverage. ML 2009-37 and ML 2009-46B. If the HOA does not have coverage or the coverage is insufficient the borrower **cannot** purchase their own policy nor can they purchase supplemental insurance.

PUDs

Flood- All loans

Flood insurance requirements for attached and detached PUD units are the same for other one to four family detached dwellings

Deductible

The maximum allowable deductible for a flood insurance policy for a first mortgage is the maximum deductible available from the NFIB (currently $10,000). For Attached Condominiums and PUD covered under a master policy, the maximum deductible is $25,000.

Rent Loss Insurance

Vandyk requires that the borrower obtain rent loss insurance for **conventional** loans if the rental income is used to qualify the borrower.

Rent Loss Insurance is required on 1-4 unit investment properties and 2-4 unit owner occupied properties. This insurance covers the borrower for rental income losses when the property is rendered un-rentable due to a direct physical loss, such as a fire. Coverage must be equal to a minimum of six months of gross monthly rent, and must be maintained as long as the mortgage is outstanding. Rent loss insurance may be designated in policies as "fair rental value, or "fair rental income" under the general heading of "loss of use" or "loss of rents".

Mortgagee Clause

VANDYK MORTGAGE CORPORATION
ITS SUCCESSORS AND/OR ASSIGNS (or) ISAOA As Their Interest May Appear (or) ATIMA
2141 W. Bristol Rd
Flint, MI 48507

Bond loans being serviced by US Bank; the 2nd mortgage must show the mortgagee clause below and include the loan number for the Bond Registration. Florida Housing is the exception to this rule and they require they show for the second mortgage.

U.S. Bank National Association
Its successors and or assigns as their interest may appear
C/O U.S. Bank Home Mortgage
P.O. Box 7298
Springfield, OH 45501-7298

FLORIDA HOUSING FINANCE CORPORATION ISAOA/ATIMA
227 N. Bronough St., Suite 5000
Tallahassee, FL 32301

Acceptable Insurance Carriers

Each hazard insurance policy must be written by an insurance carrier that has an acceptable rating as defined below:

Rating Agency	Rating
AM BEST	A "B" or better general policyholder's rating or a "6" or better financial performance index Rating in Best's Insurance Reports,
OR	An "A" or better general policyholder's rating and a financial size category of "VIII" or better in Best's Insurance Reports - International Edition
Demotech, Inc	An "A" or better rating in Demotech's Hazard Insurance Financial Stability Ratings.
Kroll Bond Rating	"BBB" or better rating in Kroll Bond Rating Agency's Insurance Financial Strength Rating.
Standard and Poor's	A "BBBq" qualified solvency ratio or a "BBB" or better claims-paying ability rating in Standard and Poor's Insurer Solvency Review
OR	A "BBB" or better claims paying-ability rating in Standard and Poor's International Confi dence Rating Service

State by State Insurance Requirements

Alabama	A lender may not require a borrower to obtain any insurance other than insurance covering the lender's lien on the property that is collateral for the transaction.
Arkansas	A lender may not require a borrower purchase insurance in an amount in excess of the fair market value of the property's buildings or appurtenances. This restriction does not limit the right of the borrower to purchase replacement cost coverage.
California	All lenders must accept written binders as proof of insurance.
Louisiana	The lender may require that the amount of insurance be at least in an amount to protect the amount of the loan on a type of policy furnishing reasonable protection to the lender in a form selected by the borrower which ma include additional coverage not insuring to the benefit of the lender and reasonably associated or connected with the property which is the subject of the loan or mortgage.
Nevada	A binder which is issued in accordance with Nevada's insurance laws is deemed a policy for the purpose of proving that a person has insurance coverage.
New Jersey	A lender may require a borrower insure the property against damage due to fire and other perils in an amount that does not exceed the amount of the loan, including amounts needed to satisfy all prior liens on that property.
Washington	Lenders are prohibited from requiring hazard insurance in an amount that exceeds the value of the improvements.
West Virginia	A lender may not require hazard insurance in an amount that exceeds the value of the insured property (i.e. value of the improvements)