UHM Insurance Requirements (Hazard, Condominium, H0-6 and Flood)

This Insurance Guide is provided by Union Home Mortgage Corp. (“UHM”), having its principal place of business at 8241 Dow Circle West, Strongsville, OH 44136. UHM publishes this via its secured website to inform Employees, Correspondent Lending Partners and Wholesale Lending Partners of its policies procedures, guidelines, announcements and other communications, and may be amended from time to time.

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100.1 General Requirements

The requirement for hazard insurance is the same for all loan programs. At a minimum, the mortgaged premises must be protected against loss or damage from fire and other dangers within the scope of standard extended coverage. The coverage should provide for claims to be settled on a replacement cost basis.

The policy must contain the standard clause that provides the insurer will notify the named mortgagee (UHM, investor or servicer) at least 10 days before any reduction in coverage or cancellation of the policy. Standard extended coverage must include at a minimum, windstorm, hurricane, hail damage, or any other perils such as vandalism, malicious mischief that are normally included under an extended coverage endorsement.

100.3 Rent Loss Insurance

Rent loss insurance covers rental losses that are incurred during the period that a property is being rehabilitated following a casualty or during a "loss of rent" period.

Fannie Mae requires coverage equal to a minimum of six months of the gross monthly rent for the property that secures the mortgage. This requirement may be waived if the borrower qualifies for the mortgage based on the full payment—principal, interest, taxes, and insurance—for the subject property, without having to rely on the rental income.

100.5 Rating Requirements for Hazard Insurance Carriers

The hazard insurance policy for a property securing any first mortgage including blanket policies for condos, co-ops, and PUDs must be written by a carrier that meets the following rating requirements. The carrier only needs to meet only one of the following rating categories, even if it is rated by more than one agency.

- Carriers rated by the A.M. Best Company, Inc. must have a "B" or better Financial Strength Rating in Best's Insurance Reports or
- An "A" or better rating under Demotech, Inc.'s Hazard Insurance financial Stability Ratings.
- Policies underwritten by a state's Fair Access to Insurance Requirements (FAIR) plan, if it is the only coverage that can be obtained.

100.7 Payment of Hazard Insurance

Acceptable evidence of payment of hazard insurance may be one of the following:

- Payment amount is deducted on the HUD-1
- Policy or binder stating the premium amount has been paid in full
- Paid receipt from the insurance agent or insurance company
- Canceled check, copy of front and back

100.9 Purchase Transactions

- Borrowers are required to provide a receipt for payment of one full year of hazard insurance at or before closing.
- Provide a copy of the homeowner's insurance policy or Declarations Page of the policy.
- Union Home Mortgage Corp is to be named as loss payee.

101.1 Refinance Transactions

- Provide a copy of the current homeowner's insurance policy.
- Union Home Mortgage Corp is to be named as loss payee.
- Collect sufficient amount of months to cover premium from date of closing to policy renewal date. If the policy renewal date is due before or within 2 weeks of the first payment date of the new mortgage, the total amount of the annual premium must be collected at closing.

- If the borrower does not escrow their homeowner's insurance and pays their premium on a monthly basis then verify that the premium has been paid up to the first payment date of the new mortgage.

101.3 Insurance Binders

UHM accepts an insurance binder at loan closing, provided the binder is:

- Issued by a licensed local recording agent
- Accompanied by a paid receipt
- Replaced by an original insurance policy within 30 days

All acceptable documents must be issued by the insurance company, not the broker/customer. Paid binders are acceptable in all states (*see exception below). In addition, the binder date cannot exceed 90 days.

*Exception: Michigan HFA, all loans originated in the state of California do not accept binders, a declaration page is required.

101.5 Minimum Coverage Requirements

Insurable value is defined as the value determined by the insurance carrier not the appraised value found on the Uniform Residential Appraisal Report. Insurable value is defined as the value of the property improvements (the home and other structures permanently affixed to the land) as determined by insurance carrier. Insurable value is less than the appraised value because the value of the land and other features such as in ground swimming pool, retaining walls, landscaping, etc. are not included.

Replacement cost is the amount needed to replace or fully repair the insurable improvements in the event of loss. Insurable improvements are named in the policy, generally the home and any significant outbuildings such as a detached garage.

The amount of the policy coverage must be either

1. 100% guaranteed replacement cost ***or***;

is equal to the lesser of the following:

2. 100% of the insurable value of the property improvements unless otherwise restricted by state law ***or***;

3. the loan amount (unpaid principal balance), as long as it equals 80% the insurable value of the improvements

The following table describes how to calculate the amount of hazard insurance required:

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 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

101.7 Deductible Amount (All Loan Types)

The maximum allowable deductible for insurance covering a property securing a first mortgage loan must be no greater than 5% of the dwelling coverage unless a higher maximum is required by state law. This includes common elements in a PUD or condo project.

When a policy provides for a separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the dwelling coverage of the policy.

101.9 Condominium and PUD Requirements

Acceptable policies must provide coverage for either an individual project or multiple affiliated projects. The insurance 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, including those covered by the standard “all risk” endorsement.

Regarding Association master policies, the following list provides the applicable requirements:

“Single Entity”: The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the homeowners’ association. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. The amount of coverage must be sufficient to restore the condo unit to its condition prior to a loss claim event. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event.

“All-In”: (sometimes known as an “all-inclusive”) policy. The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the homeowners’ association. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. Typically this type of policy does include HO-6 or “Walls-In" coverage however if the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event.

“Bare Walls”: This policy typically provides no coverage for the unit interior, which includes fixtures, equipment, and replacement of interior improvements and betterments. As a result, the borrower must obtain an individual HO-6 policy that provides coverage sufficient to repair the condo unit to its condition prior to a loss claim event, as determined by the insurer.

Association Master Policy Minimum Coverage Requirements

Insurance must cover 100% of the insurable replacement cost of the project improvements, including the individual units in a co-op or condo project. An insurance policy that includes either of the following endorsements ensures full insurable value replacement cost coverage:

- a Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance); or
- a Replacement Cost Endorsement (under which the insurer agrees to pay up to 100% of the property’s insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).

Master or Blanket Insurance for Unaffiliated Condo Association Projects

UHM Insurance Requirements (Hazard, Condominium, H0-6 and Flood)

If a condo project is covered by a master or blanket insurance policy that combines insurance coverage for multiple condo projects or other residential or substantially residential projects that are unaffiliated with one another, the lender must ensure the policy meets all of the following requirements:

- The insurance policy coverage limits must meet the higher of: greater than or equal to 50% of the total insurable replacement value for all condo projects and other residential or substantially residential projects insured under the policy; or

- greater than or equal to 150% of the total insurable replacement value for the single largest condo project or other residential or substantially residential project insured under the policy, but not more than 100% of the total insurable replacement value for all condo projects and other residential or substantially residential projects insured under the policy.

HO-6 Coverage

When the HOA Master/Blanket policy does not provide coverage for the interior or “Walls In” policy for the individual unit then the borrower is responsible for obtaining a walls-in policy for the individual unit. The walls- in policy must be sufficient to repair the interior of the unit to its original condition in the event of a loss (including any additions, improvements and betterments (such as kitchen cabinets, lighting, flooring, and plumbing, fixtures such as toilets or tubs).

Between the project’s Master or Blanket policy and the walls-in policy, the insurance must cover 100% of the insurable replacement cost of the unit’s exterior and interior improvements and betterments whether originally installed or subsequently upgraded.

Liability Insurance

- UHM must verify liability insurance coverage as part of its review of a project. (It is not required to verify liability insurance coverage for Fannie Mae Type E PUD projects or PUD and condo projects processed under the Fannie Mae Limited Project Review procedures).

- The homeowners’ association (or co-op corporation) 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. The insurance must also cover commercial spaces that are owned by the homeowners’ association (or co-op corporation), even if they are leased to others. The commercial general liability insurance policy must provide coverage for bodily injury and property damage that result from the operation, maintenance, or use of the project’s common areas and elements.

- The amount of coverage must be at least $1 million for bodily injury and property damage for any single occurrence. For co-op projects that consist of elevator buildings, the minimum coverage is $3 million. Higher amounts of coverage may be required if similar amounts are usually required by mortgage investors in other projects in the area.

UHM Insurance Requirements (Hazard, Condominium, H0-6 and Flood)

- If the policy does not include "severability of interest" in its terms, a specific endorsement to preclude the insurer's denial of a unit owner's claim because of negligent acts of the homeowners' association (or co-op corporation) or of other unit owners.

- The policy should provide for at least ten days' written notice to the homeowners' association (or co-op corporation) before the insurer can cancel or substantially modify it. For condo and co-op projects, similar notice also must be given to each holder of a first mortgage or share loan on an individual unit in the project.

Fidelity Bond Insurance

Fidelity insurance is required for condo or co-op projects consisting of more than 20 units. This requirement applies to all condo and co-op review processes.

Who Should Be Covered

The homeowners' association (or co-op corporation) must have blanket fidelity insurance coverage for anyone who either handles or is responsible for funds that it holds or administers (such as officers, employees and agents), whether or not that individual receives compensation for services. The insurance policy should name the homeowners' association (or co-op corporation) as the insured and the premiums should be paid as a common expense by the association (or corporation).

A management agent that handles funds for the homeowners' association (or co-op corporation) should be covered by its own fidelity insurance policy, which must provide the same coverage required of the homeowners' association (or co-op corporation).

Amount of Coverage

The fidelity insurance coverage must cover the maximum funds that are in custody of the homeowner's association or its management agent at any time while the policy is in force.

A lesser amount of coverage is acceptable (must equal at least the sum of three months of assessments for all units in the project) if the project's legal documents require the homeowners' association (or co-op corporation) and any management company to adhere to one or more of the following financial 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 (or co-op corporation).
- The management company maintains separate records and bank accounts for each homeowners' association (or co-op corporation) 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 (or co-op corporation's) reserve account.

- Two members of the Board of Directors must sign any checks written on the reserve account.

Master Policy, Named Insured

The table below provides the requirements regarding the name of the insured entity.
Condo Projects: The policy must show the homeowners' association as the named insured. The "loss payable" clause should show the homeowners' association or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage loan.

PUD Common Areas: The policy must show the homeowners' association as the named insured.

Co-op Project Common Areas: The policy must show the co-op corporation as the named insured.

The insurance policy also must include the standard mortgagee clause and must name as mortgagee either the regulatory agency or the servicers for the mortgage loans. When a servicer is named as the mortgagee, its name must be followed by the phrase "its successors and assigns."

102.1 Mortgagee Clause

UHM's mortgage clause is:

Union Home Mortgage Corp.
ISAOA/ATIMA
8241 Dow Circle W.
Strongsville, OH 44136

102.3 Policy Information Requirements

The hazard insurance policy must include the following information:

- Borrower(s) name(s)
- Property address
- Policy number
- Effective date
- Deductible
- Mortgagee Clause
- Premium
- Dwelling coverage
- Endorsements (i.e. rent loss, HO-6, fidelity bond, liability)

102.5 State Specific Requirements

California – Required coverage cannot exceed the replacement value of the improvements on the property per California state law.

Colorado – Colorado statutes require prior to issuing a homeowner's insurance policy, the insurer must offer replacement cost coverage and law and ordinance coverage.
All homeowner's insurance replacement cost policies for a dwelling must include additional living expense (ALE) coverage. This coverage must be available for a period of at least twelve months and is subject to other policy provisions. Insurers shall offer policyholders the opportunity to purchase a total of twenty-four months of ALE coverage and give an applicant an explanation of the purpose, terms, and cost of this coverage.

"Extended replacement cost coverage" pays a designated amount above the policy limit to replace a damaged structure if necessary under current building conditions.

"Law and ordinance coverage" means coverage for increased costs of demolition, construction, renovation, or repair associated with the enforcement of building ordinances and laws.

"Additional living expense coverage" or "ALE" covers increased living expenses during the time required to repair or replace damage to the policyholder's dwelling unit following an insured loss or, if the policyholder permanently relocates, the time required to move the policyholder's household to a new location.

Florida - Prior to issuing a homeowner's insurance policy, the insurer must offer replacement cost coverage and law and ordinance coverage per Florida statutes.

Texas - UHM cannot require a borrower to purchase insurance on their property in an amount that exceeds the replacement cost of the dwelling and its contents as a condition of financing a residential mortgage or providing other financing arrangements for the property, regardless of the amount of the mortgage or other financing arrangements. In determining the replacement cost of the dwelling, UHM cannot include the fair market value of the land on which a dwelling is located per Texas state law.

Maryland – the homeowner's insurance may not require a deductible that exceeds 5% of the "Coverage A – Dwelling Limit" of the policy in the case of a hurricane or other storm.
UHM may not require a borrower to insure any real property in an amount exceeding the replacement cost of the dwelling. UHM cannot require a borrower to obtain insurance in the amount of the loan if the loan amount exceeds the replacement cost of the home.

102.7 Hazard Insurance Guide for 1-4 Family Dwellings

TABLE	DESCRIPTION FOR EACH SECTION OF THE SAMPLE INSURANCE POLICY. FOLLOW THE TABLE FOR EACH NUMBERED ITEM LISTED ON THE POLICY.

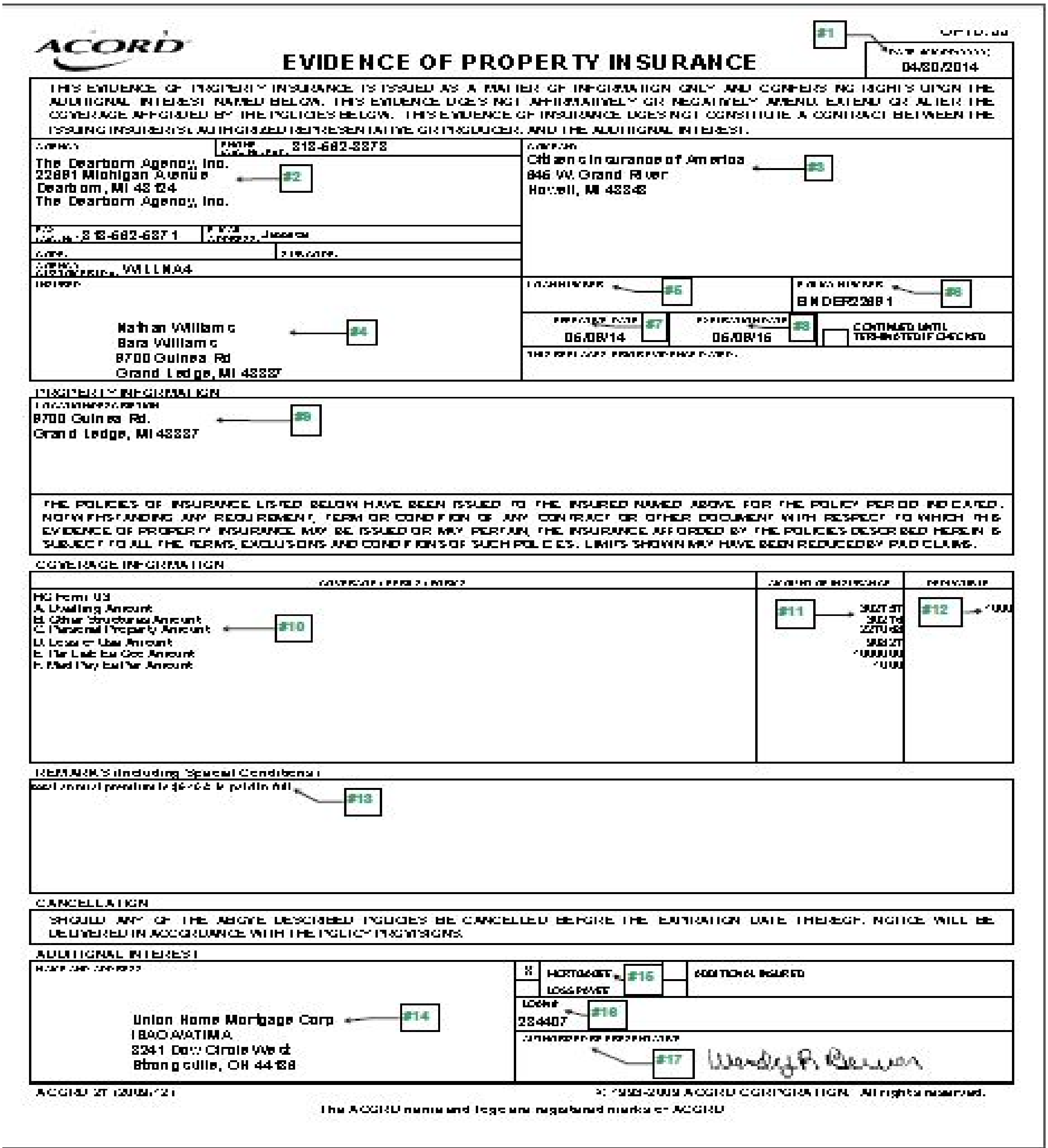
UHM Insurance Requirements (Hazard, Condominium, H0-6 and Flood)

#1	Date policy was written
#2	Insurance Agency information (name, address, agent, contact information)
#3	Insurance Carrier (master insurance company). It can be one and the same company.
#4	Insured Name (Borrower’s names and current mailing address). All borrowers must be listed as insured on the policy.
#5	UHM Loan Number may be listed in this section or in section #16.
#6	Insurance Policy Number
#7	Effective Date of policy (start date of insurance coverage)
#8	Expiration Date (when the policy term ends). Must be for a period of one year.
#9	Complete address of subject property. If 2-4 family unit address must reflect all units for the dwelling.
#10	This section is about the Coverage information. Provides the breakdown of what is actually covered on the policy. It should list the dwelling (subject home), other structures (detached garage or outbuildings like shed, barn, etc.). Include other structures when calculating total insurable value. This section will also list any additional types of coverage such as: Personal Property, Liability, Replacement Cost , Rent Loss, etc.
#11	This section provides the breakdown for the amount of coverage for dwelling, other structures and any additional types of insurance coverage. Refer to this section to determine total dwelling coverage for the subject property. Calculation: Dwelling + other Structures = Insurable Value of policy. If the policy reflects 100% guaranteed replacement cost no further calculations are required.
#12	(All Loan Types) The Deductible for the insurance policy. To determine if the deductible meets UHM guidelines: Dwelling Coverage 333,033 X 5% = 15,137.00 (Maximum deductible allowed).
#13	Remarks Section will reflect total amount of premium, any special conditions added to the policy: (i.e. sometimes this is where Replacement Cost is reflected, or swimming pool not included in coverage). Every policy is different and may reflect the additional coverage in this section of the policy.
#14	UHM Mortgagee Clause information.
#15	UHM is always listed as the Mortgagee
#16	UHM Loan Number must be listed in this section.
#17	Signature the Agent authorized to sign on behalf of the Insurance Company.
#18	Invoice for the insurance premium. Check to make sure whether the policy was paid by the borrower(s) prior to closing. If not collect the total premium amount at closing.

SAMPLE HAZARD INSURANCE POLICY

UNIONHOME MORTGAGE

UHM Insurance Requirements (Hazard, Condominium, H0-6 and Flood)



ACORD

EVIDENCE OF PROPERTY INSURANCE

#1 DATE (MM/DD/YYYY) 04/30/2014

THIS EVIDENCE OF PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

AGENCY: The Dearborn Agency, Inc. 22881 Michigan Avenue Dearborn, MI 48124 The Dearborn Agency, Inc. #2 — PHONE: 313-562-3373

COMPANY: Citizens Insurance of America 646 W. Grand River Howell, MI 48843 #3

FAX: 313-562-6271

CODE: / SUB CODE:

AGENCY CUSTOMER ID: WILLNA4

INSURED: Nathan Williams, Sara Williams, 9700 Guinea Rd, Grand Ledge, MI 48837 #4

LOAN NUMBER #5

POLICY NUMBER: BINDER22881 #6

EFFECTIVE DATE: 06/08/14 #7

EXPIRATION DATE: 06/08/15 #8

CONTINUED UNTIL TERMINATED IF CHECKED

THIS REPLACES PRIOR EVIDENCE DATED:

PROPERTY INFORMATION

LOCATION/DESCRIPTION: 9700 Guinea Rd. Grand Ledge, MI 48837 #9

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION

COVERAGE / PERILS / FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
HO Form 03 A. Dwelling Amount B. Other Structures Amount C. Personal Property Amount D. Loss of Use Amount E. Per Liability Occ Amount F. Med Pay Each Per Amount #10	#11	#12

REMARKS (Including Special Conditions)

Total annual premium is paid in full #13

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

NAME AND ADDRESS: Union Home Mortgage Corp ISAOA/ATIMA 8241 Dow Circle West Strongsville, OH 44136 #14

X MORTGAGEE #15 ADDITIONAL INSURED

LOSS PAYEE

LOAN #: 234407 #16

AUTHORIZED REPRESENTATIVE #17

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UHM Insurance Requirements (Hazard, Condominium, H0-6 and Flood)

The Dearborn Agency, Inc.
22881 Michigan Avenue
Dearborn, MI 48124
Phone: 313-682-3373 Fax: 313-682-6371

INVOICE#	29283	Page 1
WILLNA4	JJ	04/30/14

Nathan Williams
Sara Williams
12337 Crescent Cir
Grand Ledge, MI 48837

#18

Itm #	Eff Date	Type	Description		Amount
432343	05/09/14	HOME	New homeowners policy	$	940.00
			Invoice Balance:	$	940.00

Pol pd in full, zero balance

CL BEFORG 020186 77

UNIONHOME MORTGAGE

UHM Insurance Requirements (Hazard, Condominium, H0-6 and Flood)

102.8 Hazard Insurance Fact Sheet

Policy Information	All insurance policies are to include the following information: • Borrowers name (all borrowers on the loan must be listed on Dec page) • Property address (complete subject property address) • Policy number (the policy number must be included on all Dec pages. TBD is not acceptable) • Effective dates • Deductible • Mortgagee Clause • Premium • Dwelling Coverage • Endorsements (i.e. rent loss, HO-6, fidelity bond, liability coverage)
Insurable Value	Insurable value is defined as the value of the property improvements (the home and other significant structures permanently affixed to the land such as a detached garage) as determined by the insurance carrier.
Replacement Cost	Replacement cost is the amount needed to replace or fully repair the insurable improvements in the event of loss. Insurable improvements are named in the policy, generally the home and any significant outbuildings such as a detached garage.
Deductible All Loan Types	Up to 5% of the dwelling coverage (not insurable value) as shown on the Dec page. This includes the total of the dwelling Example: 100,000.00 (dwelling coverage value) X 5% = $5000.00. The maximum deductible cannot exceed $5000.00 in this example.
Premium	This is the amount the policy will cost the borrower. It must be listed on the Dec page.
Dwelling Coverage 1-4 Family	The amount of the policy coverage is equal to: 1. 100% guaranteed replacement cost ***or***; The lesser of the following: 2. 100% of the insurable value of the property improvements unless otherwise restricted by state law ***or***; 3. the loan amount (unpaid principal balance), as long as it equals 80% the insurable value of the improvements (Refer to Hazard Insurance Policy for further details).
Dwelling Coverage Condo/Attached PUD	100% replacement cost of the project improvements. Must have a guaranteed or replacement cost endorsement to the master policy.
HO-6 Walls In Coverage	100% replacement cost. Check the master/blanket policy – if it does not include walls in coverage, borrower must obtain a separate policy for HO-6 coverage. You must collect HO-6 coverage if UHM is setting-up an escrow account for hazard insurance. Note: There is no calculation to follow for walls-in coverage. You just have to make sure the policy reflects replacement cost.
Condo Liability Insurance	At least $1 million for bodily injury and property damage for single occurrence.

Condo Fidelity Bond	Required for condo projects with more than 20 units. Must cover anyone who handles or is responsible for HOA funds (i.e. officer, employee or HOA's agent). Minimum coverage must equal at least 3 months of HOA dues multiplied by all units.
Mortgagee Clause	**Union Home Mortgage Corp** **ISAOA/ATIMA** **8241 Dow Circle W** **Strongsville, OH 44136**
Escrow Set-Up	Purchase: Collect one full year. Payment may be collected at or before closing. Refinance: Collect sufficient amount of months to cover premium from date of closing to policy renewal date. If the policy renewal date is due before or within 2 weeks (before and after) of the first payment date, the total amount of the annual premium must be collected at closing.
Escrow Waiver	If borrower does not escrow homeowner's insurance and pays their premium monthly, the premium must be paid up to the first payment date of new mortgage.

Section 200 Flood Insurance Requirements

200.1 Description

The National Flood Insurance Program (NFIP) is administered under two statutes: the National Flood Insurance Act of 1968 (1968 Act) and the Flood Disaster Protection Act of 1973 (FDPA). The FDPA requires federal financial regulatory agencies to adopt regulations prohibiting their regulated lending institutions from making, increasing, extending or renewing a loan secured by improved real estate or a mobile home located or to be located in a standard flood hazard area (SFHA) in a community participating in the NFIP unless property securing the loan is covered by flood insurance.

200.3 General Requirements

The National Flood Insurance Program (NFIP) covers improved real property or mobile homes located or to be located (new construction) in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards. Covered properties generally include:

- Residential, industrial, commercial and agricultural buildings that are walled and roofed structures which are principally above ground.
- Buildings under construction where a development loan is made to construct insurable improvements on the land. Insurance can be purchased to keep pace with the new construction.

- Mobiles homes that are affixed to a permanent site, including mobile homes that are part of a dealer's inventory and affixed to permanent foundations.

- Condominiums and co-operative buildings.

Flood insurance is required for the term of the loan on such properties when all three of the following factors are present:

- The institution originates, increases, extends or renews any loan(s) (commercial or consumer), secured by improved real estate or a manufactured (or mobile) home that is affixed to a permanent foundation (security property).

- The property securing the loan is located or will be located in an SFHA as identified by FEMA and;

- The community participates in the NFIP.

200.5 Flood Zone Determination

FEMA conducts surveys and analyzes terrain features and other considerations to determine an area's flooding probability. Detailed maps of the entire US are produced and flood zone status assigned and designated by a combination of letters and number. ***Any flood zone beginning with the letter "A" (Special Flood Zone Area or a "V" (Coastal Barrier Area) is a Special Flood Hazard Area.*** All properties with a "federally related" mortgage are required to have flood insurance if located in a Special Flood Hazard Area.

200.7 Flood Certification

UHM must determine whether or not each security structure on the security property is located in an SFHA by using the Standard Flood Hazard Determination (SFHD) form endorsed by FEMA. SFHAs are shaded on a Flood Hazard Boundary Map and designated on a Flood Insurance Rate Map (FIRM). (For the purposes of these requirements, the term "security structure" is any structure that is securing the subject mortgage not just the subject dwelling).

The Flood Certification must be no more than 120 days old at closing. In addition to the certification, the vendor also provides life of loan reporting, and will notify UHM or a subsequent servicer if there is a change in a property's flood zone determination. The Flood Certification is evidence of the individual property's current flood zone determination and UHM's compliance with federal law. The contract with the third party flood cert provider enables our compliance with the requirement of keeping current information on a mortgaged property's flood zone status. A Flood Certification is required on every transaction.

200.9 Flood Insurance Disclosure

A Notice of Special Flood Hazards (NSFH) must be provided to the borrower within a reasonable time prior to the closing if the property is located in a SFHA. The purpose of the NSFH is to advise the borrower about federal flood insurance coverage requirements and whether federal disaster relief assistance is available in that location.

The notice must be provided to at least one borrower if there are multiple borrowers. At a minimum the notice must be provided 5 days prior to closing to ensure borrowers are made aware of the flood insurance requirements and to allow borrowers sufficient time to obtain flood insurance.

201.1 Disputing a Flood Zone Determination

If a property owner believes that their property has been incorrectly mapped, they may submit a request directly to FEMA for a Letter of Map Change (LOMC, aka LOMA, LODR, and LOMR). Complete instructions and an on-line portal for submitting the request are available through FEMA's website, http://www.fema.gov. If the property owner is successful in obtaining a map change or amendment changing the flood zone from "A" or "V" to something else, the LOMC can be forwarded to the flood certification provider, which will produce a "clear" flood certification.

201.3 Non-Participating Communities

Community participation in the NFIP is based on a voluntary agreement between the local community and the federal government. If a community will adopt and enforce a floodplain management ordinance to reduce future flood risks in Special Flood Hazard Areas, the federal government will make flood insurance available. If a community has chosen not to participate, flood insurance is not available within that community jurisdiction. Information regarding community non-participation will be on the flood certification.
Properties located in special flood hazard area or Coastal Barrier area and in communities that do not participate in the NFIP, are not eligible for any financing program offered by UHM.

201.5 Location of Property or Separate Structure within a SHFA Coastal Barrier

Fannie Mae - If the principal structure (subject dwelling) on a property is not located within an SFHA, flood insurance is not required on the principal structure (subject dwelling) even if another detached structure on the property is located within the SFHA. However, if the detached structure is attached to the land and serves as part of the security for the mortgage, flood insurance is required for the detached structure.

FHA – Flood insurance is required for properties where any portion of the dwelling and related structures and equipment are located in a SFHA. When a flood zone determines that a property is located within the Coastal Barrier zone (zone V) or within otherwise Protected Areas as defined by the Coastal Barrier Resources Act then the property is not eligible for a FHA loan.

Proposed or new construction - If any portion of the property improvements (the dwelling and related structures/equipment essential to the value of the property and subject to flood damage) is located within a SFHA, the property is not eligible for FHA mortgage insurance unless:

- a final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) that removes the property from the SFHA is obtained from FEMA, or
- The lender obtains a FEMA National Flood Insurance Program Elevation Certificate (FEMA form 81-31), if the property is not removed from the SFHA by a LOMA or LOMR. , The flood elevation certificate must prepared by a licensed engineer or surveyor documenting that the lowest floor (including the basement) of the residential building, and all related improvements/equipment essential to the value of the property, are built at or above the 100-year flood elevation incompliance with the NFIP criteria.

If a LOMA or LOMR is obtained that removes the property from the SFHA, neither flood insurance nor a flood elevation certificate is required.

Note: Insurance under the NFIP is required when a flood elevation certificate documents that the property remains located within a SFHA.

VA – Flood insurance is required on any building or personal property that secures a VA loan if the property is located in a SFHA. The following property types are ineligible for a VA loan:

- A property located within the Coastal Barrier zone or within otherwise Protected Areas as defined by the Coastal Barrier Resources Act
- Proposed/under/new construction with elevation of the lowest floor below the 100 year flood level and the property is located in a SHFA
- Any property located in a SHFA community that does not participate in the NFIP.

RHS –The following necessary documentation is required for the approval or funding of an existing dwelling located in a SFHA. If any of the documentation or information cannot be obtained the loan is not eligible for purchase by RHS.

1. The community of the dwelling's location must be participating in the NFIP for the loan to be eligible for purchase by RHS.
2. The property is not located in a Coastal Barrier Resource Area (CBRS).
3. Environmental Review – an environmental review is required to satisfy RHS requirements.

The following documentation must be included in the file outlined in RD Instructions 1940-G and 426.2:

a) A Modified Class 1 Environmental Assessment must be prepared using the 1940-21 Form with a determination that the transaction will have no significant effect on the quality of the human environment.
b) A completed Flood Cert (SFHD) indicating the property is located in a participating NFIP community.
c) Elevation Certificate – an elevation certificate or an equivalent document indicating the first flood elevation of habitable space is at or above the 100 year flood plain. (This can be obtained by any one of the following department's within the municipality in which the subject is located: county housing/building or engineer's department. If there is none on record with county then a qualified land surveyor, architect or engineer who by law can certify elevation information must be obtained.

First floor habitable space is defined as the first floor which is "finished" or has the reasonable potential to be "finished". Therefore the basement may be below the 100 year flood level if it has not been converted to habitable space. Proof of "habitable" space can be obtained from the appraisal report or property home inspection report.

d) Evidence that the property is either served by public utilities and facilities which are located and constructed to minimize or eliminate flood damage. If the property is served by a well or sewage treatment system evidence that they have been located to avoid impairment of such systems and contamination from the sewage treatment system during flooding. (This can be verified through one of the county municipalities listed in 2c above).

e) A copy of Form RD 3550-6 "Notice of Special Flood Hazards, Flood Insurance Requirements and Availability of Federal Disaster Relief Assistance" or the Special Flood Hazard Disclosure notifying the borrower of risks to property and persons living in a flood prone area.

Flood Insurance - Flood insurance is required for any dwelling and building improvement that is located in special flood (or mudslide) hazard areas. Building means any walled and roofed structure, other than a gas or liquid tank that is principally above ground and affixed to a permanent site. Residential and most types of industrial, commercial, and agricultural buildings, such as detached garages, storage and lumber sheds, machinery storage sheds, are included in this definition)

201.7 Payment of Flood Insurance

Acceptable Flood insurance evidence of payment of flood insurance may be one of the following:

- Copy of the Flood Insurance Application with evidence the premium amount has been paid in full
- Paid receipt from the insurance agent or insurance company
- Canceled check, copy of front and back

201.9 Binders (Flood Insurance)

UHM will not accept either a Certificate of Flood Insurance or Binder as acceptable proof of coverage. Certificates of Flood Insurance and Binders do not meet NFIP or FEMA requirements. UHM will only accept a copy of a Flood Insurance Application provided by the insurance carrier.

202.1 Purchase Transactions

- Borrowers are required to provide a receipt for payment of one full year of flood insurance at or before closing.
- Provide a copy of the Flood Insurance Application for the policy.
- Union Home Mortgage Corp is to be named as loss payee.

202.3 Refinance Transactions

- Provide a copy of the current "in-force" Declarations page of the flood insurance policy.
- Union Home Mortgage Corp is to be named as loss payee.
- Collect sufficient amount of months to cover premium from date of closing to policy renewal date. If the policy renewal date is due before or within 2 weeks of the first payment date of the new mortgage, the total amount of the annual premium must be collected at closing.
- If the borrower does not escrow their flood insurance and pays their premium on a monthly basis then verify that the premium has been paid up to the first payment date of the new mortgage.

202.5 Minimum Coverage Requirements

Fannie Mae – the minimum amount of coverage for 1-4 unit properties and, detached PUD's is:

Lowest of the three options below:

- 100% Replacement Cost;
- The maximum insurance available from the NFIP which is currently $250,000 per dwelling; or
- The unpaid principal balance of the mortgage. However if the loan amount is the lowest option, the loan amount must be at least 80% of the replacement cost of the insurable value of the improvements. The insurable value is shown on the insurance policy.

FHA – The minimum amount of coverage for 1-4 unit properties, detached PUD's and Manufactured Homes is:

Lowest of the three options below:

- 100% Replacement Cost

- The maximum insurance available from the NFIP which is currently $250,000
- The outstanding principal balance of the loan

VA – The minimum amount of coverage for 1-4 unit properties, detached PUD's, condo's, townhouses or row houses is the lesser of:

- The outstanding principal balance of the loan; or
- The maximum limit of coverage available for the particular type of property under the National Flood Insurance Act which is currently $250,000 or
- 100% Replacement Cost

RHS – The minimum amount of coverage for 1-4 unit properties and detached PUD's is:

Lowest of the two options:

- The maximum insurance available from the NFIP which is currently $250,000 per dwelling; or
- The unpaid principal balance of the mortgage. However if the loan amount is the lowest option, the loan amount must be at least 80% of the replacement cost of the insurable value of the improvements. The insurable value is shown on the insurance policy.

Note, US Bank Serviced Housing Finance Agency Loans: US Bank requires the flood insurance covers the amount of the promissory note to include the amount of the first mortgage and an HFA DPA if applicable. This requirement supersedes UHM requirements when financing an HFA loan serviced by US Bank.

202.7 Calculating Minimum Coverage

Example #1: If replacement cost is $200,000 and the loan amount is $120,000, the minimum amount of flood insurance coverage required is $160,000. The calculation is as follows: 200,000 x 80% = 160,000.

Example #2: If replacement cost is $200,000 and the loan amount is $170,000, the minimum amount of flood insurance coverage is $170,000 as the loan amount exceeds 80% of the replacement cost value. The calculation is as follows: 200,000 x 80% = 160,000.

202.9 Deductible Amount

Fannie Mae - The maximum allowable deductible for a flood insurance policy for a first mortgage is the maximum deductible available from the NFIP (currently $10,000).

FHA – FHA now follows guidance regarding deductibles as required by the Biggert-Waters Flood Insurance Reform Act. The Homeowner Flood Insurance Affordability Act and the National Flood

Insurance Program (NFIP). The Homeowner Flood Insurance Affordability Act has repealed and modified certain provisions of the Biggert-Waters Flood Insurance Reform Act which was enacted in 2012. In addition to several other changes, the law states that for residential properties, flood insurance coverage that provides for loss-deductible damage to the covered property shall be made available in various amounts, up to and including $10,000. This amount is higher than FHA policy allowed as reflected in Section IX of Mortgagee Letter (ML) 94-7. The maximum deductible under ML 94-7 is no longer in effect, Federal Law supersedes the prior FHA policy in this case.

VA & RD - Unless a higher maximum amount is required by state law, the maximum deductible clause for a flood insurance policy must not exceed the greater of $1,000 or 1 percent of the face amount of the policy.

203.1 Condominium and PUD General Requirements

The homeowners' association must obtain a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for each building that is located in an SFHA. The policy must cover all of the common elements and property (including machinery and equipment that are part of the building), as well as each of the individual units in the building.

For individual condo units, stand-alone flood insurance dwelling policies for an attached individual condo unit are not acceptable. A master condo flood insurance policy must be maintained by the homeowners' association, subject to the coverage requirements below. (For detached units, refer to the requirements described in Coverage Requirements for 1-4 family unit properties shown above).

Association Master Policy Minimum Coverage Requirements

Fannie Mae - The homeowners' association must obtain a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for each building that is located in an SFHA. The policy must cover all of the common elements and property (including machinery and equipment that are part of the building), as well as each of the individual units in the building.

The master flood insurance policy must be at least the lower of
- 80% of the replacement cost, or
- The maximum insurance available from NFIP per unit (which is currently $250,000).

FHA - The homeowners' association is required to obtain and maintain coverage equal to the replacement cost of the project less land costs or up to the National Flood Insurance Program (NFIP) standard of $250,000 per unit, whichever is less.

- The maximum limit of building insurance coverage of a residential condominium building in a regular program community is $250,000 times the number of units in the building (not to exceed the building's replacement cost);

- The homeowners association, not the borrower or the individual unit owner, is responsible for obtaining and maintaining adequate flood insurance under the NFIP on buildings located in a Special Flood Hazard Area (SFHA); and
- The flood insurance coverage must protect the interest of borrowers who hold title to an individual unit as well as the common areas of the condominium project

VA - The amount of flood insurance must be equal to the lesser of:

- The outstanding principal balance of the loan; or

- The maximum limit of coverage available for the particular type(s) of property under the National Flood Insurance Act which is currently $250,000 or

- 100% Replacement Cost

- The maximum limit of building insurance coverage of a residential condominium building in a regular program community is $250,000 times the number of units in the building (not to exceed the building's replacement cost);
- The homeowners association, not the borrower or the individual unit owner, is responsible for obtaining and maintaining adequate flood insurance under the NFIP on buildings located in a Special Flood Hazard Area (SFHA); and
- The flood insurance coverage must protect the interest of borrowers who hold title to an individual unit as well as the common areas of the condominium project
- The condominium must be located within an approved VA project.

RHS – Condominiums located in a SHFA are not eligible for a RHS loan.

Deductible Amount

Fannie Mae – The maximum deductible for a master project cannot exceed $25,000.00.

FHA - The maximum deductible for a master project cannot exceed $25,000.00.

VA - The maximum deductible for a master project cannot exceed $25,000.00.

RHS – Condominiums located in a SHFA are not eligible for a RHS loan.

Master Policy, Named Insured

The table below provides the requirements regarding the name of the insured entity.

Condo Projects: The policy must show the homeowners' association as the named insured. The "loss payable" clause should show the homeowners' association or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage loan.

PUD Common Areas: The policy must show the homeowners' association as the named insured.

Co-op Project Common Areas: The policy must show the co-op corporation as the named insured.

The insurance policy also must include the standard mortgagee clause and must name as mortgagee either the regulatory agency or the servicers for the mortgage loans. When a servicer is named as the mortgagee, its name must be followed by the phrase "its successors and assigns."

203.3 Mortgagee Clause

UHM's mortgage clause is:

Union Home Mortgage Corp.
ISAOA/ATIMA
8241 Dow Circle W.
Strongsville, OH 44136

203.5 Policy Information Requirements

The Flood Insurance Application or flood insurance policy must include the following information:
- Borrower(s) name(s)
- Property address
- Policy number (purchase transactions may only have an application number)
- Effective date
- Deductible
- Mortgagee Clause
- Premium
- Dwelling coverage

203.7 Standard Flood Determination Form

SECTION I	LOAN INFORMATION
#1	UHM's complete name and address, company name, branch office, and requestor name.
#2	Subject property complete address, Borrower name
#3	UHM's seller/servicer number if loan is being sold to Fannie or Ginnie Mae. The field should be left blank if loan is not being sold to Fannie or Ginnie Mae.
#4	UHM loan number
#5	This is an optional field. For UHM purposes this is a blank field.
SECTION II, A	**NFIP COMMUNITY JURISDICTION**
#1	NFIP Community Name – this is the city or municipality as indicated on the NFIP map in which the subject property is located
#2	County in which the subject property is located.

UHM Insurance Requirements (Hazard, Condominium, H0-6 and Flood)

#3	State in which the subject property is located
#4	The NFIP community number. If the city or municipality does not participate in the NFIP this field will be blank.
SECTION II, B	**NFIP DATA AFFECTING BUILDING**
#1	NFIP Community Map Number – this determines the location of the community in which the subject is located on the NFIP map.
#2	The Map effective date or the map revised date shown on the NFIP map.
#3	LOMA/LOMAR Number – If a Letter of Map Amendment (LOMA) or a Letter of Map Revision (LOMAR) has been issued by FEMA since the current Map's effective date the revised Map number and date of the revision will appear in this field.
#4	The flood zone determination. Anything starting with an "A" means the subject property (or a portion of the property) is located in a flood zone. Anything starting with a "V" means the subject property is located in a Coastal Barrier or Protected Lands zone.
#5	This is the NFIP Map number for the flood or Coastal Barrier zone. The field will be blank if the subject is not in a flood or Coastal Barrier zone.
SECTION II, C	**FEDERAL FLOOD INSURANCE AVAILABILITY**
#1	If this box is checked the community participates in the NFIP
#2	If this box is checked the community does not participate in the NFIP. Note: If this box is checked the loan is not eligible for financing with UHM.
#3	If this box is checked the subject is located in a Coastal Barrier or federally Protected Area. Note: If this box is checked the loan is not eligible for financing with UHM.
SECTION II, D	**FLOOD ZONE DETERMINATION**
	Verifies if subject is in flood zone A or V.
SECTION II, E	**COMMENTS**
	Comments section will provide information such as if only a portion of the subject is in a flood zone, census tract data, etc.
SECTION II, F	Name, address of flood cert provider
	Date flood cert was issued, cert number and life of loan coverage.