



INSURANCE REQUIREMENTS: HAZARD & MISC COVERAGE

Please utilize the information below when reviewing the insurance policy to ensure it meets the minimum requirements for hazard and miscellaneous coverage.

BORROWER INFORMATION

- **All borrowers' names match final 1003 (Legal first/last)**
 - Middle initial / name or suffix is optional
- **Name Examples:**
 - 1003 shows Michael Smith, Insurance shows Mike Smith. We need insurance updated to show Michael.
 - 1003 shows Michael D. Smith or Michael Devon Smith, Insurance shows Michael Smith. We don't need correction.
- **All borrowers must appear on the policy.**
 - Can have additional insured names, if applicable (e.g., non-borrowing spouse or persons).
 - The name of the insured can be listed in any order - must include at least our borrower(s) name.
 - Co-signer names are not required to be listed on the insurance policy (They are on the loan only, not holding title)

POLICY INFORMATION

- **Policy Number:** Required, no quotes allowed.
- **Effective dates, Purchases** must be on or before the funding date of the same month.
 - Policy period must extend at least 12 months from date of closing.
- **Effective dates, Refinances:** Need at least 60 days remaining after the note (signing) date.
 - Less than 60 days: Request renewal policy before Final UW Review, If renewal is not available at these times, current premium is collected at closing
 - 30 days or less: Agent must provide renewal policy (no exceptions); update monthly payment and new premium is collected at closing
- **Premium payment:** We cannot assume the premium is paid in full. We need one of the following:
 - Evidence paid in full.
 - Unpaid invoice or amount to collect at closing.
- **Escrows Waived:** Even if waiving escrows, need written validation that policy is paid current, with no late payments
 - If renewal is due within 60 days, insurance premium must be paid at closing (with invoice for current/renewal policy); exception to collect at least 2 months if waiving escrows.
- **Subject Property Address** must match the 1003 and USPS or supporting documentation on preferred method.
- **Primary Refinance Address:** Mailing and subject addresses must match.

MORTGAGEE CLAUSE

- **Correspondent:**
 - Lender's name as reflected on the note/security instrument Its Successor and/or assigns, lender's address
 - OR VIP Mortgage, Inc as seen below
- **Brokers:**
 - VIP Mortgage, Inc., ISAOA
9221 E Via de Ventura, Scottsdale, AZ 85258
 - **Arkansas, California, Louisiana, New Jersey, Oklahoma and Texas** must use **V.I.P. Independent Mortgage, Inc., ISAOA** (Texas – including ISAOA is optional)
 - **Ohio** must use **V.I.P. Independent Mortgage, Inc. (V.I.P. Mortgage, Inc.), ISAOA**
 - Note: must include V.I.P. name in parenthesis exactly as shown above
- **Loan Number** must be listed on evidence of insurance
- **2nd Lien Mortgagee Clause (Subordination or new 2nd):** Must be reflected on policy if applicable

COVERAGE INFORMATION

- Must indicate it's for dwelling, building or property
 - Personal property cannot be included in dwelling coverage amount
 - "Other Structures" can be included in the total dwelling coverage amount
- Must have **sufficient coverage** that meets one of the following:
 - Loan amount
 - Agent provides (RCE) replacement cost estimator. Dwelling coverage amount should be equal to or exceed the RCE amount.
 - Dwelling coverage **plus** % extended replacement costs equal to or exceed the loan amount or RCE amount.
 - Policy may indicate "Guaranteed Replacement Cost"
 - Cost to build new (see appraisal page 3) "Total Estimate of Cost-New"
 - No appraisal loans - Use current home value and subtract the assessed land value from tax cert
- **Occupancy Type:**
 - **Investment homes** – Include rent loss coverage, or rental / landlord verbiage; ONLY needed if rental income is used to qualify ** UW to condition if applicable and may need correction requested to confirm premium and payment.
 - **2nd homes** – May include rental / landlord verbiage if the client elected to have the additional endorsement if they plan on having the property rented out to an individual or as a vacation rental for part of the year.

DEDUCTIBLE INFORMATION

- All loans (except USDA) – Max deductible is 5% of dwelling coverage
- USDA Max Deductible-1% or \$1,000 deductible, please provide program guidelines to verify appropriate deductible

MISCELLANEOUS COVERAGE – HURRICANE / WINDSTORM / LAVA

In most states, standard homeowners policies cover damage caused by wind, including **hurricanes**. If it's a high- risk coastal state, the borrower might need to buy separate hurricane/windstorm insurance.

Coverage/Deductible – Same requirements as hazard insurance.

- Some hazard dwelling insurance companies will also include hurricane insurance in their total coverage, or most insurance companies will get a second policy for hurricane/windstorm through Zephyr, ICAT or other.
- Condos – Hurricane/Windstorm is typically covered under the Master HOA Policy, so borrowers do not usually purchase additional hurricane insurance. If they do, its inexpensive and considered elective insurance.
- Hurricane insurance is required for all properties in Hawaii

Lava Zone Clarification

- Zone 1 – ineligible for all programs
- Zone 2 – acceptable for conventional loan with Freddie Mac (LP) and VA with lava coverage. Ineligible for FHA and USDA
- Zone 3 thru 8 – acceptable for all programs

On the insurance binder, we may see this called lava zone coverage and fire coverage; the binder just needs to confirm that the home is covered for the loan amount if destroyed by lava flow.