



Insurance Requirements for Portfolio Loans

Revised 1/1/2012

- I. The correspondent shall review all evidence of insurance to ensure compliance with Lender's requirements prior to submitting to Lender for approval.
- II. The following items need to be listed on the property and liability certificates:
 - A. Insurance carrier rated A- VIII or better from A.M. Best and licensed to transact business in the state where property is located.
 - B. Policy effective date and policy expiration date – term of the policy should be for a 12 month period, with a minimum of 30 days remaining at closing, unless it is a blanket policy.
 - C. Policy number
 - D. Named insured is the borrower. If the tenant provides insurance then the borrower needs to be listed as an additional insured.
 - E. Complete Property address listed.
 - F. Lender's loan number on each certificate.
- III. Property Insurance Certificate
 - A. Current Acord Form for evidence of property insurance or commercial property insurance signed by authorized representative.
 - B. Special Form/All Risk coverage is required and any exclusion should be listed.
 - C. Building/Property Insurance Amount – The coverage amount should equal or exceed the replacement cost of the property based upon the Cost Approach in the appraisal or based upon the insurable value if provided. Blanket Policy is acceptable as long as coverage amounts are specific to our property is stated. A schedule of values should be provided with the certificate. A Replacement Cost Endorsement is required.
 - D. Co-Insurance is never acceptable. If the policy contains Co-insurance an Agreed Amount Endorsement is required. The non existence of Co-Insurance must be clearly stated on all policies without exception. 100% co-Insurance is not the same as No co-Insurance; in this situation an Agreed Amount Endorsement is required.
 - E. Loss of rents coverage amount is based on actual annual income and in an amount sufficient to cover any period of time during which tenants may be entitled to abatement of rent but for no less than twelve months of actual loss sustained (ALS). If no tenant lease, Business Interruption coverage is in an amount adequate to cover monthly loan payments, taxes, insurance, utilities, & all operating costs for not less than 12 months.
 - F. Maximum deductible amount is not to exceed \$10,000.

G. Law & ordinance coverage is required in amounts acceptable to Lender, if the property is legal, non-conforming use according to the zoning letter; and/or based upon the age and condition of the improvements to be determined by Lender.

H. Windstorm/Hail – If the All Risk/Special Form policy excludes windstorm or hail for all properties within 25 miles of the coast in Florida, Texas, Louisiana, Mississippi, Alabama, Georgia, North Carolina, South Carolina, or Virginia windstorm and hail coverage shall be required.

I. Flood insurance is required if the property is located in the following zones: V, VE, V1-V30, A, AE, A1-A30, AH, AO, & A99 at a coverage rate of \$500,000 per structure.

J. An earthquake insurance endorsement is required if the property is located in earthquake zones 3 or 4 that have PML's/SUL's greater than 20%.

K. Boiler & Machinery or Equipment Breakdown coverage, if applicable.

L. Terrorism coverage, if applicable.

M. Lender shall be named as Mortgagee and Loss Payee

IV. Liability Insurance Certificate

A. Current Acord Form for liability insurance and signed by the authorized representative.

B. Minimum of \$2,000,000 per general aggregate is required.

C. Minimum of \$1,000,000 per occurrence is required.

D. Lender shall be named as an Additional Insured.

E. When the loan amount is in excess of \$5,000,000 then excess liability coverage shall be required at a rate of our standard requirement of \$1M coverage/\$2M aggregate plus an additional \$5M excess/umbrella in coverage.

Disclaimer:

Lender reserves the right to exercise all rights and remedies under the various loan documents.