

Overview

Hazard insurance is required on every mortgage loan to protect against damage or loss. This policy outlines insurance requirements including general hazard insurance, flood insurance, and applicable USDA/RD guidelines.

1.0 General Requirements

I. Borrowers Listed as Insured

- All individuals on the NOTE must be listed as insured on H03, H06, and Flood policies.
- Name variations (e.g., missing initials or middle names) are acceptable with documentation (e.g., name affidavit with AKAs).
- If vested in a trust, individuals on the NOTE must be listed as the *proposed insured*.

II. Insured Property Address

- Must match across: USPS format, 1003, Preliminary Report (PR), Appraisal, and Flood Certificate.
- For primary residences, the insured property address should also be the mailing address unless a P.O. Box is used.

III. Master/Blanket HOA Policies

- HOA name on the policy must match the Title Report and association documentation.
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2.0 Documentation Requirements

Acceptable insurance documents must include the following:

I. Certificate of Insurance

- Borrower name(s), including all individuals on title
- Property address to match USPS
- Policy number
- Effective & expiration dates
- Coverage and premium amounts, including the proper peril coverage
- Deductible Amount-not to exceed 5%

II. Insurance Binder

- Borrower name(s), including all individuals on title
- Property address
- Coverage amount
- Agent’s signature
- Underwriter’s company name
- Premium amount and evidence of payment

III. Fair Plan/Century Plan

- Must include:
 - “All perils” coverage (or provide additional DIC policy)
 - Paid-in-full evidence for purchase transactions
 - Minimum 60 days remaining coverage from closing date for refinances

IV. Special Coverage Form or Equivalent

- Must include:
 - Fire or Lightning - Windstorm (including named storms designated by the US National Weather Service or the National Oceanic and Atmospheric Administration by a name or number.
 - Hail
 - Smoke
 - Civil commotion (including riots)
 - Aircraft, vehicle, or explosion damage

Policies excluding or limiting coverage for windstorm, hurricane, hail, or any other extended perils mentioned above are not acceptable unless:

- An acceptable separate policy or endorsement is obtained from a commercial insurer providing adequate coverage.

3.0 Policy Expiration Requirements**A. Purchase Transactions**

- Effective date must be on or before funding date

- Proof of paid-in-full (receipt) or invoice due at closing must be provided; premium must appear on the Closing Disclosure (CD)

B. Refinance Transactions

- Policy must have a 12-month term
 - Minimum 60 days of remaining coverage from funding date
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4.0 Coverage Requirements

Hazard insurance coverage must meet **one** of the following requirements:

I. Coverage Amounts

- **Guaranteed Replacement Cost**, *or*
- **100% (or greater) Replacement Cost coverage** *or*
- Unpaid principal balance (UPB), provided the coverage amount is **at least 80% of the RCV**

When the Declaration Page clearly states **Guaranteed Replacement Cost** or **100% (or greater) Replacement Cost coverage**, no additional Replacement Cost Estimate (RCE/RCV) documentation is required.

If coverage is **less than** Guaranteed Replacement Cost or 100%+ Replacement Cost, an RCE must be obtained through the insurance provider or CoreLogic

II. Guaranteed Replacement Cost Coverage

- The insurer agrees to pay **whatever amount is necessary to rebuild the home**, regardless of stated limits.
- These policies typically carry a higher premium and are acceptable **as-is** when clearly stated on the Declaration Page.

III. Percentage-Based Replacement Cost Coverage

(e.g., 100%, 125%, 150%)

- Policies reflecting **100% or greater Replacement Cost coverage** are acceptable when clearly indicated on the Declaration Page.

IV. Replacement Cost Basis Reminder

- All hazard insurance policies must be written on a **Replacement Cost basis**.
- Policies that settle claims on an **Actual Cash Value (ACV)** basis are **not acceptable**.

V. Exception Handling

If:

- If the loan is in a state where only the borrower may request RCE information (e.g., Florida),

Then:

- **FCM must obtain the RCE through CoreLogic** to determine the actual dollar amount represented by the stated replacement cost percentage.

VI. Deductibles

- **Maximum allowable deductible:** 5% of the coverage amount
 - Applies to total of all applicable perils and individual event-based deductibles (e.g., *windstorm, roof, named storm*)
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5.0 Mortgagee Clause

First Colony Mortgage Corporation

Its Successors and/or Assigns ATIMA

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Pleasant Grove, UT 84062

6.0 Escrow Requirements

I. Mandatory Flood Insurance Escrow:

- Required for properties in Special Flood Hazard Areas (SFHA)
- **Exception:** If HOA maintains flood insurance, escrow is not required

II. Escrow Requirements for HPML Loans

- Escrow is required

III. Escrow Waiver Eligibility (Non-Flood Items Only)

- Conventional loans only
 - LTV must be $\leq 80\%$ ($\leq 89.99\%$ for California)
 - Lock must reflect waived escrows
 - Borrowers must sign an Escrow Waiver Agreement at closing
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7.0 USDA/RD-Specific Requirements

A. Hazard Insurance

- Coverage: Equal to RCV or unpaid principal balance (whichever is higher)
- Deductible: Maximum of \$1,000 or 1% of coverage amount (whichever is greater)

B. Flood Insurance

- Coverage: Lesser of unpaid principal balance or FEMA NFIP max
 - Deductible: Maximum of \$1,000 or 1% of face value unless state/federal law mandates higher
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8.0 Flood Insurance Requirements

I. Minimum Coverage Amount

- Must meet 100% of RCV or unpaid principal balance—whichever is higher, based on the greater value from hazard or flood insurance provider

II. Maximum Deductibles

- Master blanket policy: \$25,000
- Must align with NFIP rules unless overridden by state law

III. Private Flood Insurance (Effective July 1, 2019)

- Must include this exact statement:

“This policy meets the definition of private flood insurance coverage contained in 42 U.S.C. 4012a(b)(7) and the corresponding regulation.”

9.0 Insurer Ratings (Currently Under Review)

Insurance providers must meet one of the following rating requirements:

Rating Agency	Minimum Rating
A.M. Best	B+/III (U.S.), A/VIII (Non-U.S.)
Demotech	A
Standard & Poor’s	BBB



First Colony

Hazard and Flood Insurance Policy Requirements – Non-Condo/PUD Properties

Note: This section is under internal review and subject to change.