

Hazard Insurance Review


Requirements & Documentation

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Document Type

- Evidence of Insurance or Declaration Page is required.
- Binders are acceptable on Purchase transactions with proof of paid receipt (must be paid in full 12 months)
- NOTE: Regardless of type of policy a Policy Number is required. In addition estimates or quotes are not acceptable.

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EVIDENCE OF PROPERTY INSURANCE			
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 Weichert Insurance Agency 225 Littleton Rd Morris Plains, NJ 07950		PHONE (A/C, No, Ext): (973) 605-1555	
FAX (A/C, No): (973) 540-9181		E-MAIL ADDRESS: WeichertinsuranceAgency@weichertinsurance.com	
CODE: 2902020		SUB CODE:	
AGENCY CUSTOMER ID #: TIMMESBR01		COMPANY New Jersey Skylands Insurance Association PO Box 94566 Cleveland, OH 44101-4566	
INSURED Brian Timmes 1503 Wyckoff Rd Wall Township, NJ 07727		LOAN NUMBER 7013888	POLICY NUMBER B-9307577
EFFECTIVE DATE 7/12/2018		EXPIRATION DATE 7/12/2019	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED

Name of Insured

- Borrower and if applicable Co-Borrower must be reflected
- Title only borrowers are allowed to be an insured but not required
- Entity/Trust loans, the entity name must be listed (primary or additional ok). The guarantor(s) may be an additional insured.

Property Address/Insured Location

- The Subject Property Address must be on the policy and must match the legal address, tax cert, USPS
- Variations Acceptable
 - Street type or directional indicators can be abbreviated i.e. Ave., Blvd., NW or SE etc.
 - Exceptions for Areas, such as Area of Glendale, City of Los Angeles. Either Glendale or Los Angeles are acceptable as the Subject Property's city.

Effective Dates

- Purchase
 - Policy must be effective for 12 months with a start date no more than 30 days prior to the date of Funding.
- Refinance
 - Policy must be an annual policy and cannot expire less than one month from the date of Funding.
 - If expiring, a copy of the renewal policy is required in addition to the current policy. The new policy must be a 12 month policy and must be paid through closing.
 - Policy start date to be no more than 30 days prior to the date of funding if new policy.
 - If the Term of the Loan is 18 months or less and no impounds are required then we can accept a 6 month policy that cannot expire less than one month from the date of Funding (Specific to Fix and Flip/Bridge/Rehab).

Amount of Coverage

- Single Family Residents and Detached Condos/Townhomes
 - HO3 Dwelling Coverage policy is required. Coverage must be at least the lesser of the Loan Amount, Total Estimated Cost of New from the Appraisal or the Replacement Cost Estimator (documentation required from the Insurance Agent).
 - NOTE: If the policy includes Extended or Guarantee Replacement, the insurance agent must confirm the total coverage amount or policy must indicate 100% Guaranteed Replacement cost.
 - NOTE: A manufactured home policy is ok HOWEVER a mobile home policy is not acceptable for SFR.
- Condos
 - HO6 Dwelling Coverage policy is required. HO6 hazard insurance policy (“walls in coverage”) that provides coverage sufficient to repair the condo unit to its condition prior to a loss claim event, as determined by the insurer.
 - If the Master Insurance Policy includes Walls in (with Improvements and Betterments) a separate HO6 policy is not required. However an endorsement to the Master Insurance Policy is required and is reviewed for the same requirements of an HO6 policy.
- Rent Loss Coverage
 - Amount must be six times the Subject Property’s rental income. At minimum, Rent loss coverage should be to the lesser of (a) PITIA or (b) rent received/scheduled.
 - NOTE: Rent Loss is labeled differently sometimes. Example: Fair Rental Market Value is one in the same as Rent Loss/Loss of Use. Any other name variation must be verified by the insurance agent that it is the same as Rent Loss/Loss of Use.

Amount of Coverage Continued



- Replacement Cost Estimator
 - Is acceptable as a supplement to support the Amount of Coverage on the Hazard Insurance Policy
 - Provided by the Insurance Company
 - NOTE: Replacement Cost Estimator is not allowed in **Florida**. As an alternative, Acra can accept a Processors Cert (if the conversation was over the phone with the Insurance Agent confirmed that the amount of coverage is up to the insurance company's replacement cost), OR a PDF email where the insurance agent confirmed the same. Policy may also show Replacement Cost verbiage.
 - Items to review on the Replacement Cost Estimator
 - Issue Date – Must be within 60 days of Funding
 - Subject Property Square footage – Must be equal to or within 3% of the subject property's square footage that shows on the appraisal. (Example: Subject Property is 1000 square feet on the appraisal we can accept a Replacement Cost Estimator with square footage as low as 970.

Type of Coverage

- Acra requires Special Form coverage on all policies
- If the policy is a Builders Risk, we can accept Basic Form Coverage (Specific to Fix and Flip/Bridge/Rehab)

Deductible

- HO3 Policy & Flood Insurance Policy
 - Maximum deductible allowed is the lesser of 2.5% of the dwelling coverage amount or \$5,000.
- HO6 Policy
 - Maximum deductible allowed is the lesser of 1% of the dwelling coverage amount or \$3,000
 - Deductible may be up to \$1,000 regardless of dwelling coverage

Premiums

- The Insurance Policy must reflect the total annual premium or invoice must be provided.
- Refinances – Insurance policy must show paid in full or proof of \$0 invoice required. If there are any outstanding premiums it must be paid through Closing.
- Purchases – Insurance policy must be paid in full or paid through Closing.

NOTE:

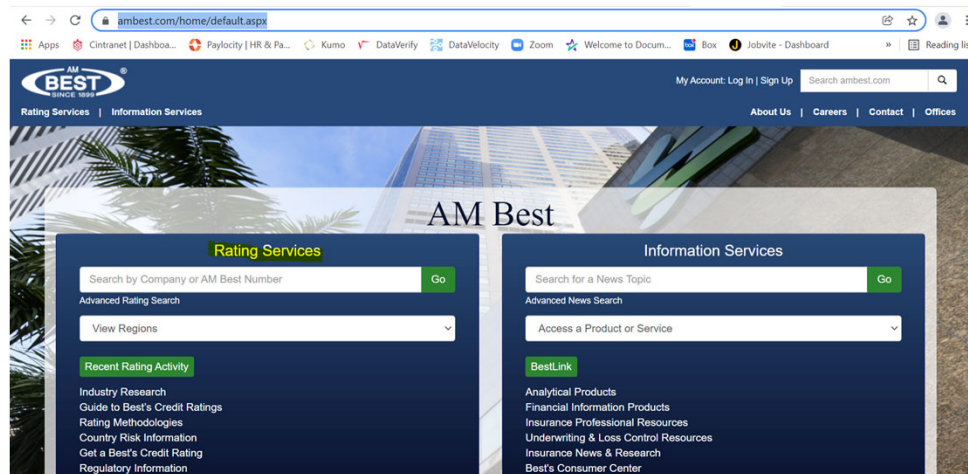
- Binders - on Purchase transactions must be paid in full in advance of Closing/Funding.
- Flood Insurance – Must be paid in full prior to closing/funding unless it is an existing policy that has already been paid.

Mortgagee Clause and Loan Number

- The Insurance Policy must reflect the following Mortgagee Clause along with Acra's Loan Number. No other party can be included.
- Mortgagee Clause
Citadel Servicing Corporation, ISAOA
25531 Commercentre Drive, Suite 160
Lake Forest, CA 92630
- Common errors in Mortgage Clause
 - Commerce Centre vs. Commercentre
 - Commercenter vs. Commercentre
 - 25331 vs 25531
 - Incorrect or missing suite number

Reviewing Insurance Company – This process to be used at the discretion of Sr. Management

- The Insurance Company must be licensed to do business in the state in which the mortgage property is located. In addition they must be rated B+/- IV in Best's Insurance Reports (or Lloyd's of London).
- Website: <https://www.ambest.com/home/default.aspx>
- NOTE: the Borrower/Guarantor (if applicable) cannot be associated with the Insurance Company



Flood Insurance

- A Flood Certificate is pulled on every loan. If a property is in a flood zone, Flood Insurance is required.
- Flood Insurance is reviewed for all of the following pieces of information (Just like Hazard Insurance)
 - Name of Insured
 - Property Address/Insured Location
 - Effective Date
 - Deductible
 - Premium – Must be paid in full prior to closing/funding unless it is an existing policy that has already been paid.
 - Mortgagee Clause
 - Review of Insurance Company
- The one item that is reviewed differently is the Amount of Coverage.
 - The amount of coverage should cover the loan amount up to a max \$250k. If loan amount exceeds \$250k generally they will not increase the coverage past this amount. HOWEVER if they do have coverage more than \$250k it is acceptable.

Condo Master Insurance Policy

- Walls Out – If the Condo Master Insurance policy is Walls out only, Acra reviews for the following:
 - 1. Correct HOA name as the Insured Party
 - 2. Building Subject Property is located in is listed on the policy
- Walls In – If the Condo Master Insurance policy also contains walls in coverage, Acra will require the following:
 - Same requirement as HO3 Policy on an endorsement to the Condo Master Insurance Policy