



## INTERNAL MEMORANDIUM

Date: March 09, 2021  
From: Trudy Barton, Managing Director – Operations  
To: Origination Departments  
RE: Hazard Insurance / Tax Validation Updates

Effective immediately, Acra Lending ("Acra"), a DBA of Citadel Servicing Corporation ("CSC"), is making the following guideline and procedural updates:

### Non-Prime Program – Insurance Updates:

The Effective Date reflected on the Declaration Page ("Dec Page") of an applicant's insurance will be acceptable should the funding occur (i) prior to a present expiration date on said Dec Page or (ii) within 30 calendar days of its issuance. For comparison, Acra previously required the Dec Page to be within 10 days of funding.

The acceptable threshold for hazard insurance coverage may be equal to the lesser of (i) 100% of the insurable value of the improvements, as established by the property insurer using a Replacement Cost Estimator ("RCE"), or (ii) the unpaid principal balance of the mortgage, as long as it is at least equal to or greater than 80% of the insurable value of the improvement(s) on the RCE for damage or loss on a replacement cost basis. The RCE must be issued within 60 calendar days of the file's funding, but may have been created by the property insurer at an earlier date.

An alternative, consistent with existing Acra guidelines, is to utilize the "Total Estimated Cost New" reflected on the appraisal. For avoidance of doubt and reiteration, this is *not* an available option on Jumbo Prime.

### Jumbo Prime – Insurance Updates:

The acceptable threshold for hazard insurance coverage may be equal to the lesser of (i) 100% of the insurable value of the improvements, as established by the property insurer using a Replacement Cost Estimator ("RCE"), or (ii) the unpaid principal balance of the mortgage, as long as it is at least equal to or greater than 80% of the insurable value of the improvement(s) on the RCE for damage or loss on a replacement cost basis. The RCE must be issued within 60 calendar days of the file's funding, but may have been created by the property insurer at an earlier date.

### Closing Protection Letter ("CPL") / Insurance Corrections:

Corrections to spell out an applicant's full name or middle initial or the subject property's address street direction (example: "East" versus "E") are not required on the CPL, Insurance, or Wire Instructions. As a non-exhaustive list of examples on the name(s): "Ann" versus "A." (in connection to a middle name), "Dave" versus "David", or "Jr." versus "Junior". For comparison, Acra previously required these components to match exactly.

In the instance there is an acceptable – within the above-described limitation(s) – variance to the Applicant(s) name(s), the Underwriter should add a Prior-to-Fund (“PTF”) condition to specifically add the variance as an Also Known As (“AKA”) on the Signature Affidavit that is included in the Acra’s loan document closing package.

Corrections to the Acra / CSC Loss Payee Clause and Mailing Address on an evidence of insurance *must* be made to ensure delivery of insurance policy updates, requisite notifications, etcetera.

#### Wire Instructions:

Wire Instructions must have a minimum of one of these unique identifiers: (i) Title Order Number, (ii) Acra’s Loan Number, or (iii) the Subject Property Address. Acra’s Funder / Closer are required to continue to verify wire instructions with the Closing Agent prior to requesting a wire. For comparison, Acra previously required validation by two unique identifiers.

#### Tax Validation:

Acra’s Underwriter may utilize the following table for purchase transactions to calculate the associated Property Tax liability for the subject:

| <b>Description</b>                | <b>Property Value</b>                                    | <b>Multiplier</b>                                      |
|-----------------------------------|--|--|
| All States<br>(except California) | Current Assessed Value (without Exemptions or Discounts) | Millage Rate   |
| New Construction<br>All States    | Transaction’s Purchase Price                             | Millage Rate   |
| California                        | Transaction’s Purchase Price                             | 1.250% (may increase in the event of Mello-Roos Taxes) |

Acra’s Underwriter may utilize the current tax bill for refinance transactions with attention to any non-ad valorem taxes that may need to be included. Trailing this Memo will be a release updating the Taxing Nuances Guide.

#### Previously Issued – General Announcement, 02/25/2021:

##### Non-Prime:

A Deductible on an H03 Insurance Policy may be up to 2.5% of the face value of the dwelling coverage to a maximum of \$5,000. Acra will not require any deductible be less than \$1,000 based on the percentage calculation.

A Deductible on an H06 Insurance Policy may be up to 1.0% of the face value of the dwelling coverage to a maximum of \$3,000. Acra will not require any deductible be less than \$1,000 based on the percentage calculation.

The minimum dwelling coverage on an H06 Condominium Policy is 20% of appraised / reconciled value.

Jumbo Prime:

The maximum allowable deductible is 5.0% of the face amount of the policy as consistent with FNMA guidelines.