



Carrington

mortgage services, llc

Hazard Insurance Policy

Hazard Insurance Policy

Mortgage Lending Division

Version 5.1 – 06/28/22



DOCUMENT OVERVIEW

Purpose This document provides the Hazard Insurance requirements for the Mortgage Lending Division of Carrington Mortgage Services, LLC (CMS).

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Related Documents None

Revision Summary

Date	Version	Description of Change
06/28/22 (11/16/22)	5.1	<ul style="list-style-type: none"> Revised Condominium and PUD Project Insurance Requirements. Added Second Lien Minimum Policy/Binder Requirements. Rebranded document with new logo (11/16/22).
04/13/22	5.0	Revised Flood Insurance to add Private flood insurance is not acceptable for FHA and USDA loans.
02/22/22	4.9	<ul style="list-style-type: none"> Revised Minimum Policy/Binder Requirements Added H06 Condo Insurance note.

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Document Overview (continued)

Revision Summary (continued)

Date	Version	Description of Change
01/04/22	4.8	Revised Minimum Policy/Binder Requirements to clarify Florida replacement cost requirements.
12/03/21	4.7	<ul style="list-style-type: none"> Revised Inadequate Condo Project Flood Insurance requirements for multi-level condo buildings. Revised Minimum Policy/Binder Requirements to add requirements for use of a COC in lieu of an RCE.
10/06/21	4.6	<ul style="list-style-type: none"> Revised Hazard Insurance requirements. Revised Minimum Policy/Binder Requirements.
06/08/21	4.5	<ul style="list-style-type: none"> Added FHA Loans flood insurance requirements. Updated Condominium and PUD Project Insurance Requirements. Added Force Placed Coverage (Restriction) requirements.
12/17/20	4.4	Revised Minimum Policy/Binder Requirements for Condominium properties to add "The Master Policy must also contain Fidelity Bond or Directors and Officers Liability coverage where required in the underwriting guidelines."
07/14/20	4.3	Revised Flood Insurance to update list of Special Flood Hazard Area Zones and add "Properties located in the Coastal Barrier Resources System (CBRS) are not acceptable for FHA, VA, and USDA financing."
04/15/20	4.2	Revised Minimum Policy/Binder Requirements to update item #9 Mortgagee Clause to add Correspondent requirement for the Mortgagee Loss Payee Clause to include ISAOA.
04/06/20	4.1	Revised Minimum Policy/Binder Requirements to remove requirement to obtain a Cost Estimator from the insurance agent.
09/03/19	4.0	Revised Minimum Policy/Binder Requirements to update the coverage requirements for CMS Portfolio Manufactured Homes.
08/15/19	3.9	Revised Hazard Insurance to add Electronic Data Information (EDI) requirements for CMS Portfolio loans.
06/28/19	3.8	Revised Minimum Policy/Binder Requirements to add Electronic Data Information (EDI) is permitted for CMS Portfolio Refinance transactions in lieu of the Hazard Insurance Policy.
03/29/19	3.7	Revised Flood Insurance to clarify insurance may be purchased through NFIP or private insurance company. Added Private Flood Insurance section with definition and requirements. Revised Minimum Policy Requirements to clarify the monthly premium is acceptable for loans that do not require impounds.
03/07/19	3.6	Revised Minimum Policy/Binder Requirements to update item #9 Mortgagee Clause to add Correspondent requirement for the Mortgagee Loss Payee Clause to be completed with the name and address of the originating lender. Also updated Mortgagee Clause to reflect ISAOA/ATIMA.
02/20/19	3.5	Revised Rating Requirements (Conventional Loans) to add Kroll Bond Rating Agency. Revised Minimum Policy/Binder Requirements to add a Cost Estimator from the insurance agent may be used when the appraiser notes their Cost Estimator may not be used for insurance purposes.
11/21/18	3.4	The CMS Credit Committee approved policy to apply existing CMS Hazard Insurance requirements to Carrington Flexible Advantage Programs. Therefore, the revised Minimum Policy/Binder Requirements for determining the amount of coverage for the Carrington Flexible Advantage Programs have been removed.

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Document Overview (continued)

Revision Summary (continued)

Date	Version	Description of Change
11/08/18	3.3	Revised Minimum Policy/Binder Requirements #1 to add requirements for determining the amount of coverage for the Carrington Flexible Advantage Programs. Revised Minimum Policy/Binder Requirements #4 frequency of installment from annual to monthly basis.
03/23/18	3.2	Revised Minimum Policy/Binder Requirements Insurer rating requirements. Added new Rating Requirements (Conventional Loans) section and moved requirements for conventional loans.
12/20/17	3.1	Revised Minimum Policy/Binder Requirements section to clarify use of the Cost Estimator from the insurance agent.
12/04/17	3.0	Revised Minimum Policy/Binder Requirements section to permit name variations on the policy.
10/10/17	2.9	Revised Hazard Insurance to include EDI requirements. Revised Flood Insurance to add properties that are not zoned do not require flood insurance. Revised Minimum Policy/Binder Requirements section to add insurance binder seasoning requirements. Revised Minimum Policy/Binder Requirements section to update the CMS Portfolio Manufactured Homes requirements.
05/23/17	2.8	Revised Minimum Policy/Binder Requirements section to remove requirements for the loan number to appear on the policy.
04/17/17	2.7	Updated Minimum Policy/Binder Requirements section to add USDA maximum deductible requirements and update Loss Payee requirements.
03/02/17	2.6	Updated Windstorm/Hurricane Insurance section to add Hawaii.
02/02/17	2.5	Updated Minimum Policy/Binder Requirements section to clarify that there must be proof the premium is paid in full or through the closing.
09/07/16	2.4	Revised to clarify “evidence” of insurance is required. Added HO8 Hazard Insurance requirements for Portfolio Loans
06/07/16	2.2	Revised Minimum Policy/Binder Requirements section to clarify that “Only a non-borrowing spouse or domestic partner of the borrower may also be on the insurance policy. No other non-borrower entity may be named as an insured party.”
05/02/16	2.1	Revised Minimum Policy/Binder Requirements section to add calculation for determining Total Dwelling Coverage and clarified rating requirement for refinancing a CMS Portfolio loan.
02/16/16	2.0	Revised Minimum Policy/Binder Requirements section to clarify CMS permits a non-borrowing spouse to remain on the insurance policy for refi transactions currently serviced by CMS.
12/30/15	1.9	<ul style="list-style-type: none"> Revised the Impound Requirements section to state the life of loan escrow is required for Flood Insurance. Revised the Waiver Eligibility section
09/09/15	1.8	Revised the Flood Insurance section to add requirement that Flood Insurance must be in “effect” at the time of closing.
06/26/15	1.7	In the Requirements section, modified the following: <ul style="list-style-type: none"> Updated the Minimum Policy/Binder Requirements sub-section. Added the following sub-sections: <ul style="list-style-type: none"> Impound Requirements Waiver Eligibility
03/09/15	1.6	Updated the insurance coverage amounts and added CMS Portfolio Manufactured Homes requirements to the Minimum Policy/Binder Requirements section.

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Document Overview (continued)

Revision Summary (continued)

Date	Version	Description of Change
07/28/14	1.5	<ul style="list-style-type: none">Added Florida Insurance Requirements to the Minimum Policy/Binder Requirements section.Updated the Hazard Insurance section.
01/14/14	1.4	<ul style="list-style-type: none">Updated Flood Insurance section including NFIP Maximum table.Added Inadequate Condo Project Flood Insurance section.Changed "policy" to "binder" throughout.Updated verbiage in items 12, 13 (deleted), 14 (now, items 13), and 20 (now, item 19) of the Minimum Requirements section.
09/30/13	1.3	<ul style="list-style-type: none">Added items #13 and #14 to Minimum Requirements section.
08/12/13	1.2	<ul style="list-style-type: none">Added items #3 and #4 to Minimum Requirements section.Changed title page and logos to reflect new logo/company colors.
03/22/13	1.1	<ul style="list-style-type: none">Updated item 2 under Minimum Requirements section.Added Confirm Minimum Requirements section.
11/02/10	1.0	New document

INSURANCE

Hazard Insurance

CMS requires evidence of a 12-month HO3 Hazard Insurance policy on all loans.

Evidence of a 12-month HO8 Hazard Insurance policy is acceptable with existing coverage limit for loans currently serviced by CMS. All efforts to meet the coverage limits per the CMS Hazard Insurance Policy should be made; however, having an older home may preclude obtaining a replacement policy and the existing coverage limit may be accepted for CMS Portfolio loans only.

EDI or “Electronic Data Information” is not acceptable evidence of insurance (see exception below for CMS Portfolio Loans).

CMS Portfolio Loans (EDI Exception)

CMS will permit an EDI in lieu of a Hazard Insurance Policy for CMS Portfolio Loan refinance transactions provided the EDI meets all minimum coverage requirements outlined in this policy.

EDI Cancel Date: If the Cancel Date is completed, the EDI is unacceptable. This is an indicator that the existing policy is being cancelled. A copy of the insurance policy must be obtained. In instances where the EDI is missing both borrowers’ names or replacement cost coverage, business to business (B2B) information may be obtained to support the EDI making the combination of EDI and B2B an acceptable form of proof of coverage.

Note: Mortgagee Loss Payee Clause may exclude the ISAOA/ATIMA verbiage on an EDI.

An EDI is not permitted for Flood Insurance coverage.

Flood Insurance

CMS requires evidence of Flood Insurance if the subject property dwelling and improvements are located in a Special Flood Hazard Area (SFHA), zones A, A1-30, AE, AH, AO, AR, AR/AE, AR/AO, AR/A1-A30, AR/A, A99, V, V1-30, and VE. The National Flood Insurance Program (NFIP) is the main provider of primary flood insurance coverage for residential properties in the United States. CMS will accept flood insurance policies issued through the NFIP, or through a private company, so long as the private flood insurance coverage is at least as broad as the coverage of the NFIP. Private flood insurance is not acceptable for FHA and USDA loans. Please refer to Private Flood Insurance for additional information.

Properties that are not zoned do not require flood insurance. Properties located in the Coastal Barrier Resources System (CBRS) are not acceptable for FHA, VA, and USDA financing.

The Flood Insurance must be in “effect” at the time of closing. If the policy is new, the premium must be paid-in-full on a purchase or refinance transaction and must be paid prior to closing the loan transaction. Exceptions to pay the premium through the closing are permitted on a new policy for “Binder” or a policy with current effective dates that bind the insurer. CMS will make an exception to this when there is a Flood Insurance policy currently in “effect” pending payment of the premium. Handwritten receipts from the flood provider are not acceptable as evidence of payment.

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Insurance (continued)

Flood Insurance (continued)

Flood Insurance Coverage: The minimum amount of Flood Insurance coverage for individual insurance must be at least equal to the lesser of:

1. 100% of the insurable value of the improvements (with losses to be paid on a replacement cost basis) as determined by the amount of insurance listed on the hazard policy, **OR**
2. The National Flood Insurance Program (NFIP) maximum for the particular type of building.

Flood Insurance - FHA Loans

For FHA Loans, properties located within an SFHA, Flood Insurance must be maintained for the life of the Mortgage in an amount at least equal to the lesser of:

- The outstanding balance of the new Mortgage (Note Loan Amount), less estimated land costs (Site Value); or
- The maximum amount of the NFIP insurance available with respect to the property improvements; or
- “Guaranteed Replacement Cost”

Building Type	NFIP Maximum
Single Family Dwelling (1-4 units)	\$250,000
Attached Condominiums & PUDs (covered by a blanket master insurance policy)	\$250,000 multiplied by the number of units in the building
Co-ops	\$250,000 for each cooperative (co-op) building
Non-residential (pool houses, sheds, barns, etc.)	\$500,000

Private Flood Insurance

Private flood insurance is defined as an insurance policy issued by an insurance company that is licensed, admitted or otherwise approved to engage in the insurance business in the State or jurisdiction in which the subject property to be insured is located. The policy issued by the private insurer must provide flood insurance coverage which is at least as broad as the coverage provided under a standard flood insurance policy under the NFIP for the same type of property.

CMS may accept certain flood insurance policies issued by private insurers even if the policies do not meet the statutory or regulatory definition of “private flood insurance” provided the policy provides sufficient protection of the loan, consistent with general safety and soundness principles.

Private flood insurance is acceptable for Fannie Mae, Freddie Mac, VA and Carrington Advantage program loans. Private flood insurance is not acceptable for FHA and USDA loans.

Insurance (continued)

Inadequate Condo Project Flood Insurance

When the Condominium Association flood insurance coverage amount is insufficient (when it is less than 100% of the building's Replacement Cost Value or is not in the amount equal to \$250,000 times the number of units in the building, or if the Condominium Association does not provide any flood insurance coverage at all for the condo building), the borrower must secure an individual flood insurance Dwelling Policy for the condo unit in order to close the loan. The coverage required for the individual unit should be based on the lesser of 100% of the insurable value (replacement cost for entire project divided by the number of units in the project) as determined by the hazard insurance provider or \$250,000.

Examples: The following table shows just a few examples of potential required flood coverage, based on the requirement that flood insurance be the lesser of the amount of hazard dwelling coverage or the maximum available under the NFIP.

Note: In circumstances where a master policy for a multi-level condo building contains flood insurance, but does not have walls in, units above the ground floor do not need a separate flood policy.

SFD	Dwelling Coverage at Full Insurable Value (as listed on Hazard policy)	Required Flood Coverage
Example 1	\$115,000 (Dwelling coverage)	\$115,000
Example 2	\$667,000 (Dwelling coverage)	\$250,000
Example 3	\$200,000 (Dwelling coverage) \$50,000 (Extended replacement cost)	Note: any amount of Extended Replacement Cost Coverage listed (in this case \$50,000) is not considered when calculating the required flood coverage.

REQUIREMENTS

Requirements based on Transaction Type

Refinances

CMS requires evidence of a valid policy for Refinance transactions.

Purchases

Purchase transactions require evidence of a policy with a policy number and an effective date being the date of the loan closing. For Purchases, the policy may be paid through closing.

Requirements (continued)

Minimum Policy/Binder Requirements

The minimum requirements for the Hazard Insurance is outlined in the CMS Insurance Binder/Policy, which must be provided covering the subject property to include the following:

1. Coverage must be equal to the **lessor** of the ***Replacement Cost from the Property Appraisal** or the **Base Loan Amount** or the policy must include "Guaranteed Replacement Cost".

If the policy includes "Extended Replacement Cost" the additional amount may be applied towards the dwelling amount.

***Replacement Cost Determination**

A Replacement Cost Estimator (RCE) from the insurance agent may only be used to determine the ***replacement cost** of the subject property in the following two examples.

- 1) In the absence of an appraisal with a completed replacement cost or,
- 2) When the appraiser makes note their Cost Estimator is not to be used to determine the replacement cost for insurance purposes.

Appraisal Dwelling Coverage for Manufactured Homes

determined by totaling the following from the Cost Approach section of the appraisal:

Sections One through Four +
Delivery, Installation, and Setup +
Other Structures (attached structures i.e., covered patios,
deck, detached structures i.e., detached garage/carport) +
Clean up/Removal of debris

Example: \$97,200 (Section One) + \$97,200 (Section Two) = \$194,400
+ \$10,000 (Delivery Installation and setup) = \$204,400
(Total Value)

Note: Depreciation may not be factored in to determining the replacement cost. Do not use this section if directed by appraisal.

In Florida where state law prohibits an RCE to be requested or provided, a Checklist of Coverage (COC) may be requested and provided to determine ***Replacement Cost**. The "Loss Settlement Basis" on the COC form must state "Replacement Cost". No other loss settlement basis may be used.

Note: If a Checklist of Coverage (COC) is not able to be provided and an appraisal is not available to determine the amount of **replacement cost coverage**, the Binder/Policy must state "Guaranteed Replacement Cost" to ensure the policy has adequate coverage.

Requirements (continued)

Minimum Policy/Binder Requirements (continued)

Dwelling Coverage determined by totaling the following:

Dwelling Amount +
Dwelling Amount (other structures)*
Extended Replacement Cost %

Example: \$100,000 (Dwelling) + \$10,000 (Other Structures) = \$110,000
50% (Extended Replacement Cost) = \$165,000 (Total Dwelling Coverage)

Dwelling Coverage in the amount of 80% of the new CMS Loan Amount in absence of a Cost Estimator is permitted for CMS Portfolio Streamline Refinance ONLY.

CMS Portfolio Manufactured Homes

Existing coverage limits may be acceptable for loans currently serviced by CMS. All efforts to meet the coverage limits should be made; however, due to historical depreciation existing coverage limit may be accepted for CMS Portfolio Manufactured Homes ONLY. Any Loan Amount increases greater than 10% above the original CMS Loan Amount being refinanced will require an increase in Dwelling Coverage to cover the difference.

2. Policy shall provide at least "Broad Form" coverage on properties of one to four units, with no deviation. Homeowner's policies must provide coverage equal to "H02" form.
3. The maximum allowable deductible for all policy types must not exceed the greater of \$5,000.00 or 5% of the coverage amount.

Exception: The maximum allowable deductible for policy types for USDA transactions must not exceed the greater of \$1,000.00 or 1% of the coverage amount

4. Policy must provide coverage for a term of at least one year with proof premium is paid in full or pay through the closing. Proof of the insurance premium payment by CMS Servicing is acceptable if refinancing a CMS Portfolio loan.

Policy premium may be paid on a monthly installment basis for loans that meet the Escrow Impound Waiver Eligibility so long as the policy provides that the Lender will be notified in writing of cancellation 30 days prior to expiration of coverage, for any cause.

5. If any existing policy is provided which will expire within 30 days from the funding of the loan, said policy must be renewed for the required term as noted in #4 above.
6. All forms and endorsements pertaining to CMS' hazard insurance requirements must appear on the "Declaration Page" of binder/policy.
7. New policies must be accompanied by a signed "Broker of Record Authorization" if borrower(s) have changed Insurance Agents.

Requirements (continued)

Minimum Policy/Binder Requirements (continued)

8. Verification of renewal of insurance policies must be on file at least thirty days prior to the expiration date of the existing binder/policy. If this requirement is not met, CMS OR ITS SUCCESSORS OR ASSIGNS MAY AT ITS OPTION, BUT WITHOUT THE OBLIGATION TO DO SO, PROVIDE COVERAGE TO REPLACE ANY EXPIRING BINDERS/POLICIES WHICH HAVE NOT BEEN PROPERLY RENEWED. The premium for such coverage will be remitted promptly by the borrower, or borrower's account may be charged for the cost thereof.

Correspondent Loan Transactions

Mortgagee Loss Payee Clause to be completed with the name and address of the originating lender and include Its Successors and/or Assigns (ISAOA).

Correspondent Lender Licensed Name
Its Successors and/or Assigns (ISAOA)
Correspondent Lender Loss Payee Address

Retail/Wholesale Loan Transactions

Mortgagee Loss Payee Clause to be completed with the CMS standard loss payee for all states, including Texas, unless the Texas Specific Loss Payee is requested. Standard Loss Payee: Loss Payable Endorsement 438 BFU must be affixed to the binder/policy in favor of:

CARRINGTON MORTGAGE SERVICES, LLC
ISAOA/ATIMA
P.O. BOX 692408
San Antonio, TX 78269-2408

Texas Specific Loss Payee:

CARRINGTON MORTGAGE SERVICES, LLC AND EACH SUCCESSOR IN OWNERSHIP OF THE INDEBTEDNESS SECURED BY THE INSURED MORTGAGE, EXCEPT A SUCCESSOR WHO IS AN OBLIGOR UNDER THE PROVISIONS OF SECTION 12 (C) OF THE CONDITIONS
P.O. Box 692408
San Antonio, TX 78269-2508

Note: No words may be added to, deleted from, or substituted for the language above.

Exception: Abbreviation(s) are permitted only to the lender name. No other changes or modifications are allowed. Example: Carrington Mtg Srvs, LLC

Requirements (continued)

Minimum Policy/Binder Requirements (continued)

9. CMS permits an insurance binder in lieu of an original policy in the state of Texas providing the following conditions are met;
- The binder is issued by a licensed general property and casualty agent or a personal lines property and casualty agent who is appointed to represent the insurer whose name appears on the binder and who is authorized to issue binders;
 - The binder is accompanied by evidence of payment of the required premium.

10. The property address should match as shown on the preliminary title report/commitment.

11. The insured borrower's name should match the preliminary title report/commitment, however, name variations are allowed for borrower's and can include the following:

- Include or omit a middle initial
- Shortened form of the first name

Unacceptable name variations for borrower(s) include the following:

- Omit a suffix such as 'Jr. or Sr.'
- Misspelled name

12. Parties allowed to join on the insurance policy include:

- Non-borrowing spouse
- Domestic Partner

No other, non-borrower entity may be named as an insured party.

13. The effective date of new policies, endorsements, and/or assignments shall be as of or prior to, the date of recording of the security instrument on this loan.

An insurance binder remains in effect for a limited period of time, such as 30 days. The effective date of new binders shall be as of or prior to, the date of recording of the security instrument on the loan, but no later than 30 days at funding.

For One to Four Family Units, a certificate showing proof of coverage must be submitted to CMS prior to funding.

Requirements (continued)

Condominium and PUD Project Insurance Requirements

Minimum Hazard Insurance Coverage

Insurance should cover 100% of the insurable replacement cost of the project improvements and common elements, including the individual units in the project.

If the subject property is an attached PUD or a condominium, the respective associations may acquire a blanket policy to cover the project. The entire project insurance policy should be reviewed to ensure the homeowners' association maintains a master or blanket type of insurance policy, with premiums being paid as a common expense. The policy must show the HOA as the named insured.

For PUD projects, individual insurance policies are also required for each unit. If the project's legal documents allow for blanket insurance policies to cover both the individual units and the common elements, blanket policies are acceptable in satisfaction of its insurance requirements for the units.

The policy must require the insurer to notify in writing the HOA (or insurance trustee) and each mortgage loan holder named in the mortgagee clause at least 10 days before it cancels or substantially changes a condo project's coverage.

HO-6 Insurance Coverage for Condominiums

If the unit interior improvements are not included under the terms of the condominium policy, the borrower is required to have an HO-6 hazard policy ("wall-in coverage"), which is sufficient to repair the condo unit to its condition prior to a loss claim event.

The HO-6 coverage must be for an amount that is at least 20% of the appraised value of the individual unit. The Master Policy must also contain Fidelity Bond or Directors and Officers Liability coverage where required in the underwriting guidelines.

Note: On FHA Streamline Refinances where a true appraised value is not available use of 20% of the loan amount is permitted. If the borrower is obtaining new HO-6 Insurance, use of the documented prior appraised value from the FHA Refinance Authorization is required.

Windstorm/Hurricane Insurance

Windstorm/Hurricane Insurance is required coverage in high risk areas (e.g., Florida, Hawaii and the Gulf Coast Region). Though it is often included in the homeowner policy, it may be excluded in the state of Hawaii, or in coastal areas of Florida and the Gulf of Mexico, where a separate policy is required. If such coverage is not included in the homeowner policy, a separate Windstorm policy will be required. If the subject property is located in a high wind catastrophe area.

Force Placed Coverage (Restriction)

An existing insurance policy with force placed coverage is not permitted. The force placement of coverage is designed for use at any time during the term of a loan in uninsured and underinsured situations, it is not intended for use at loan origination. The consumer must have their own voluntary policy when originating a loan.

Requirements (continued)

Rating Requirements (Conventional Loans)

For all Conventional Loan Programs the insurance company providing coverage must have a “B” rating or better from A. M. Best as shown in the latest edition of “Best’s Insurance Rating Guide.” The A. M. Best rating is verified by checking the “Best Insurance Rating Guide” electronically through the CMS Intranet Hazard Insurance portal prior to funding. The service must be licensed in the State in which the property is located, and must be licensed to transact the lines of insurance required in this transaction.

CMS maintains its own list/data base of B or better rated insurance companies as determined by A. M. Best. If the company is not listed on the list/data base, an alternative form is to print out the rating of the company form from either Demotech, Standard & Poor’s (S&P) or Kroll Bond Rating Agency. For Demotech, the rating must be “A”. For S&P, the rating must be “BBB”. For Kroll, the rating must be “BBB” or better.

- CMS will accept “B-” rated companies in the state of Florida only if the company is approved by Citizens Property Insurance Corporation and has been processed by the Property Insurance Clearinghouse. Refer to [Florida Insurance Requirements](#) section below for additional details.
- Companies rated “B” or higher must be chosen over “B-” rated companies. A list of companies must be provided from the Citizens Property Insurance Clearinghouse website if a “B-” insurance company is selected.

If the rating of the company is from either *Demotech*, *S&P* or *Kroll Bond Rating Agency*, the printed form must be uploaded to the file with the Hazard Insurance Policy.

CMS also will accept hazard insurance policies underwritten by a state's Fair Access to Insurance Requirements (FAIR) plan if it is the only coverage that can be obtained. In addition, CMS will accept coverage obtained through state insurance plans—if that is the only coverage that is available.

Florida Insurance Requirements

The borrower is required to search Citizens Property Insurance Corporation's clearinghouse on all new orders for multi-peril homeowners (HO-3) policies. The clearinghouse will search for coverage with participating private-market companies before allowing the borrower to purchase a Citizens Property Insurance policy.

Citizens Property Insurance will only write a new insurance policy if:

- No comparable private-market coverage is available; or
- Comparable private-market offers of coverage are available, but the premiums are more than 15 percent higher than a comparable Citizens Property Insurance policy.

The borrower must accept the private-market offer if the premium is within 15 percent of a comparable Citizens Property Insurance policy.

CMS will accept the policies of an insurer that does not meet CMS' rating requirement if this insurer is covered by reinsurance with a company that meets either one of the A.M. Best's Financial Strength Ratings, Demotech's Financial Stability Rating, Standard and Poor's Insurer Financial Strength Rating or Kroll's Financial Strength Rating.

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Requirements (continued)

Impound Requirements

The following are required to be escrowed/impounded:

- Hazard Insurance
 - Flood Insurance
- Note:** An escrow account for flood insurance for the life of the loan is required regardless of LTV and/or federal exemptions.
- Windstorm/Hurricane Insurance
 - HO-6 (condominium properties) when not covered by the Master Policy

Waiver Eligibility

Insurance (excluding Flood Insurance) escrows/impounds may be waived under Conventional loan programs with the following criteria:

Primary Residence	Second Home	Investment Property
All states excluding CA and NM: up to 80% LTV California: up to 90% LTV New Mexico: up to 80% LTV	All states excluding CA: up to 80% LTV California: up to 90% LTV	All states excluding CA: up to 80% LTV California: up to 90% LTV

SECOND LIEN REQUIREMENTS

Minimum Policy/Binder Requirements

The minimum requirements for the Hazard Insurance for Second Lien loans is outlined in the CMS Insurance Binder/Policy, which must be provided covering the subject property to include the following:

1. Coverage must be equal to the **lessor** of the ***Replacement Cost from the Property Appraisal** or the **Base Loan Amounts of the first lien and second lien combined** or the policy must include "Guaranteed Replacement Cost".

If the policy includes "Extended Replacement Cost" the additional amount may be applied towards the dwelling amount.

***Replacement Cost Determination**

A Replacement Cost Estimator (RCE) from the insurance agent may only be used to determine the ***replacement cost** of the subject property in the following two examples.

- 1) In the absence of an appraisal with a completed replacement cost or,
- 2) When the appraiser makes note their Cost Estimator is not to be used to determine the replacement cost for insurance purposes.

Second Lien Requirements (continued)

Minimum Policy/Binder Requirements (continued)

In Florida where state law prohibits an RCE to be requested or provided, a Checklist of Coverage (COC) may be requested and provided to determine ***Replacement Cost**. The “Loss Settlement Basis” on the COC form must state “Replacement Cost”. No other loss settlement basis may be used.

Note: If a Checklist of Coverage (COC) is not able to be provided and an appraisal is not available to determine the amount of **replacement cost coverage**, the Binder/Policy must state “Guaranteed Replacement Cost” to ensure the policy has adequate coverage.

2. If any existing policies are paid on a monthly installment basis and the provided policy will expire within 30 days from the funding of the loan, must show proof paid.
3. Both the First and Second Lien loan numbers must be listed on the policy to aide in the identification of servicing transfers.
4. Mortgagee Loss Payee Clause to be completed with the CMS standard loss payee for all states, including Texas, unless the Texas Specific Loss Payee is requested. Standard Loss Payee: Loss Payable Endorsement 438 BFU must be affixed to the binder/policy in favor of:
CARRINGTON MORTGAGE SERVICES, LLC
ISAOA/ATIMA
P.O. BOX 692408
San Antonio, TX 78269-2408

Texas Specific Loss Payee:

CARRINGTON MORTGAGE SERVICES, LLC AND EACH SUCCESSOR IN OWNERSHIP OF THE INDEBTEDNESS SECURED BY THE INSURED MORTGAGE, EXCEPT A SUCCESSOR WHO IS AN OBLIGOR UNDER THE PROVISIONS OF SECTION 12 (C) OF THE CONDITIONS P.O. Box 692408 San Antonio, TX 78269-2508

Note: No words may be added to, deleted from, or substituted for the language above.

Exception: Abbreviation(s) are permitted only to the lender name. No other changes or modifications are allowed. Example: Carrington Mtg Srvs, LLC

End of Document