

# HAZARD INSURANCE GUIDELINES

## INTRODUCTION

Hazard insurance coverage is required on all loans. Each borrower has the right to select his or her own insurance carrier to provide hazard insurance for the mortgaged property. MoneyCorp will accept all hazard insurance carriers and policies that meet the guidelines outlined in the section.

## COVERAGE REQUIREMENTS

### Coverage Requirements Except for Condos

Hazard Insurance for one-to-four family homes and PUD units must protect against loss or damage from fire and other hazards covered by the standard “Fire and Extended Special Form Coverage” policy.

This coverage cannot limit or exclude from coverage windstorm, hurricane, hail damages, or any other perils that are normally included under an extended coverage endorsement. Normal perils limited or excluded must be covered with a separate policy or endorsement from a commercial insurer or from insurance pools established by the state.

### Coverage Requirement for Condos

Each file must include an “Individual Insurance Certificate” for the unit. The Individual Insurance Certificate must include all specific endorsements required for the loan product. Refer to the Product Guide for assistance.

### Coverage Amount

MoneyCorp requires that coverage for a first mortgage must at least equal the higher of a) the unpaid principal balance up to 100% of the replacement cost of the insurable improvements, or b) 80% of the full replacement cost of the insurable improvements to compensate for damage or loss on a replacement cost basis.

Examples:

|                                       |           |
|---------------------------------------|-----------|
| Unpaid principal .....                | \$101,000 |
| Insurable value of improvements ..... | \$165,000 |
| Policy amount .....                   | \$132,000 |

Coverage must be \$132,000. 80% of the insurable value which is higher than the unpaid principal balance.

|                                       |           |
|---------------------------------------|-----------|
| Unpaid principal .....                | \$101,000 |
| Insurable value of improvements ..... | \$108,000 |
| Policy amount .....                   | \$101,000 |

Coverage must be \$101,000. The unpaid principal balance is higher than 80% of the insurable value.

*Note:* Individual bond programs may be the exception. Refer to the Bond Program Guide.

