Insurance Binder Review Checklist

- Borrower(s) name(s) as it appears on title.
- Loan number and complete property address including unit number.
- Insurance company’s name, agent’s name, address and phone number.
- Premium amounts - if a refinance must show PAID or DUE.
- **Purchase**: Effective date matches estimated close date.
- **Refinance**: If expiration date is less than 90 days after funding date, renewal policy premium is required. Any remaining balance must be paid at closing regardless of whether impounds are collected or not.
- Correct dwelling coverage amount per table below as well as the words “Replacement Cost”.
- Deductible is the lesser of 5% of coverage or $5000.00.
- 2-4 unit and non-owner, insurance must reflect “Landlord Package” or 6 months of rental loss insurance.
- **Subordinate financing**: Coverage for a property with 1st / 2nd requires the lesser of 100% of the estimated cost new or the combined unpaid balance of the 1st and 2nd mortgages as long as it equals 80% of estimated cost new.
- Properties in Hawaii must have wind or hurricane coverage.
- **Manufactured Homes**: Coverage must reflect what the insurance agent and/or appraisal cost approach deems to be the value of the property residence.

### Condos: (Attached PUD: if Master Policy exists, we will need H0-6)
- H0-6 insurance required if master policy does not state “walls-in w/betterments and improvements”.
- Minimum coverage must be sufficient to restore unit back to original build and is determined by insurer.
- Deductible may not exceed the 5% of policy face value.

### Master Policy:
- is required together with individual unit policy (refer to CC&R’s if unsure about HO6 reqmts).
  - Liability insurance with minimum of $1 mil coverage and the words “per occurrence”.
  - Fidelity bond insurance also known as "employee dishonesty insurance" is required on projects greater than 20 units with minimum of $1 mil coverage equal to cash on hand.
  - If managed by a Management Company, fidelity coverage for the Management Company is also required or the Management Company must be listed as additional insured under the Crime / Fidelity portion of the Liability Policy.
  - Special endorsements: Building Ordinance and Law; and Equipment Breakdown (if applicable).
  - The number of units insured must be noted.
  - The maximum allowable deductible is 5% of the face amount of the policy.
  - Policy to show (or confirm via email from the ins agent), Separation of Insureds language.

### Flood Insurance: (FHA manufactured homes in a flood zone not allowed.)
The minimum amount of flood insurance required for most 1-4 unit properties, PUD’s and certain condos is the lowest of: a) 100% of the replacement cost; b) the maximum insurance available from the NFIP (currently $250,000 per dwelling); or c) loan amount.
- Must have full insurance application/policy; not just a quote.
- Flood cert date cannot be dated prior to application date or more than 120 days before note date.
- Flood policy must reflect flood zone to must match flood cert.
- Deductible may not exceed $5000.00.

(USDA deductible cannot exceed the greater of $1000.00 or 1% of the face amount of the policy)

**NOTE:** If loan has impounds there will always be **14 months** of insurance collected.  
**Purchase**: 12 mos premium + 2 mos cushion  
**Refinance**: 14 mos minus number of payments until expiration  
(OR AS CALCULATED BY SET-UP OF AGGREGATE SCREEN IN ENCOMPASS)

### Calculating Required Insurance Coverage.

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<th>Option</th>
<th>Description</th>
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| 1      | Compare the “Total Est of Cost New” from the appraisal and the loan amount. The amount of required coverage is the lower of the two:  
  **Example:**  
  - Total Est Cost New $100,000.00  
  - Loan Amount $150,000.00  
  - Required Coverage $100,000.00 |
| 2      | If the insurance coverage does not cover the lower amount, there is no appraisal or the appraisal does not have a cost approach (VA), then the insurance agent must provide a cost approach with the calculated dwelling coverage broken out in dollar amounts. |

**Mortgagee Clause:** Axia Financial LLC  
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