Insurance Requirements

CORRESPONDENT LENDING

1-4-Unit Properties

Hazard Insurance: 1-4-Unit Properties

- Hazard insurance is required on all loans.
- Documentation of insurance may include a certificate, evidence or declarations of insurance and must reflect the following:
  - At least one of the borrowers on the Note is listed as the insured.
  - The insured property address must match the Note and Appraisal.
  - Type of coverage
  - Amount of coverage
  - Effective dates of coverage
    - Refer to Term of Coverage/Evidence of Payment
  - Deductible amount and coverage to which deductible applies.
    - Refer to Deductible
  - Any applicable endorsements or optional coverage made part of the policy.
  - Insurer's agreement to provide at least 10 days' notice before cancellation of policy.
  - Signature of the authorized representative of the insurer, if required by law.
- Insurance must meet all requirements outlined in the Acceptable Insurance Carriers section.
- The policy must provide coverage for loss or damage from fire and other hazards.
  - If any perils are excluded from the primary insurance policy, coverage of the excluded peril must be obtained through a secondary policy.
    - If insurance is escrowed, this separate policy must also be escrowed.
- If the property is exposed to additional hazards that are not covered under the standard insurance policy, additional insurance must be provided.
  - Examples may include, but are not limited to:
    - Earthquake
    - Volcanic eruption
    - Sinkhole
    - Mine subsidence
    - Windstorm

Coverage Requirements

- The minimum coverage amount is equal to the lesser of the following:
  - 100% of the insurable value of the improvements as established by the property insurer, unless otherwise restricted by state law; ***OR***
    - Estimated cost new on the appraisal may be substituted for insurable value.
  - 100% Guaranteed replacement cost; ***OR***
  - The combined unpaid principal balance of the mortgage (loan amount), as long as it equals 80% of the insurable value of the improvements.

Examples:

- 1) Compare the insurable value of the improvements (as established by the property insurer) to the unpaid principal balance of the mortgage.
  - a. If the insurable value of the improvements is less than the unpaid principal balance, the insurable value will be the amount of coverage required.
  - b. If the unpaid principal balance of the mortgage is less than the insurable value of the improvements, go to Step 2.
- 2) Calculate 80 percent of the insurable value of the improvements.
  - a. If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance will be the amount of coverage required.
  - b. If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure will be the amount of coverage required.

Category	Property A	Property B	Property C
Insurable Value	$90,000	$100,000	$100,000
Unpaid Balance	$95,000	$ 90,000	$ 75,000
80% Insurable Value	—	$ 80,000	$ 80,000
Required Coverage	$90,000	$ 90,000	$ 80,000

Deductible	• The maximum deductible is 5% of the face amount of the policy, unless otherwise specified by state laws. • USDA: ○ The hazard insurance should have a deductible which does not exceed the greater of either $1,000 or 1% of the policy coverage, or the minimum deductible offered by the borrower's chosen insurance carrier.

Term of Coverage/ Evidence of Payment	<u>Purchase Transactions</u>
	• Evidence of Insurance must also include the following:
	• A pair receipt for one (1) year which has been documented with the following:
	    ○ Paid receipt from the insurance agent
	    ○ Itemized as paid on the Closing Disclosure
	    ○ Zero balance on the declarations page
	
	<u>Refinance Transactions</u>
	• If the policy will expire less than 30 days from the FAMC purchase date, the policy must be renewed for a minimum of 12 months. The following documentation is required:
	• Declarations page for the renewal policy evidencing the acceptable effective dates of coverage.
	• Evidence the renewal premium has been paid.
	• Sufficient Impounds must be collected to renew coverage at the due date.

Acceptable Insurance Carriers	Each hazard insurance policy must be written by an insurance carrier that has an acceptable rating as defined below:

Rating Agency	Rating
AM Best Company	• "B" or better Financial Strength Rating
Demotech, Inc.	• "A" or better Insurance Financial Stability Ratings.
Kroll Bond Rating Agency	• "BBB" or better rating in Insurance Financial Strength Rating (IFSR)
S & P Global	• "BBB" or better Insurer Financial Strength Rating

Project Insurance Requirements

Master/Blanket Policy	• The condominium governing documents will define the insurance requirements for the association and the individual unit owner in a condominium project, including specific project types. The insurance requirements define the extent to which the association will insure the individual units and the unit owner responsibility for individual insurance. The unit coverage may vary depending on what the governing documents require.
	• The homeowner's association must maintain a property insurance policy that provides coverage for the full insurable replacement cost of the project improvements and all units, as applicable.
	    ○ This may include, but is not limited to:
	        ▪ Building and all structures
	        ▪ Common elements which may include: fixtures and building service equipment.

Master/Blanket Policy (Continued)	• Coverage Requirements:
	  ○ The types and amounts of coverage must be provided.
	    ▪ If the HOA does not maintain coverage, the unit owner may not obtain "gap" coverage to meet this requirement.
	    ▪ Refer to HO-6/Walls-In Coverage within this document if the interior of the individual units are not covered by the Master/Blanket Policy.
	• Documentation Requirements:
	  ○ Copy of the Master/Blanket Policy, or
	  ○ Certificate of Insurance reflecting the following:
	    ▪ HOA as insured
	      – Refer to Named Insured within this document
	    ▪ Type, amount and effective dates of coverage
	      – Refer to Coinsurance, if applicable within this document
	      – Refer to Pooled Insurance, if applicable within this document
	    ▪ Deductible amount and coverage for which each deductible applies.
	      – Refer to Deductible within this document
	    ▪ All endorsements that are part of the master policy
	      – Refer to Endorsements
	    ▪ Provide for at least 10 days' written notice to servicer before cancellation of policy.
	    ▪ Signature of the authorized representative of the insurer, if required by law.
	  ○ *Note*: Mortgagee Clause is not required

Deductible	• The maximum deductible for policies covering the common elements in a condominium project must not be greater than 5%. ○ LPA: Refer to the Freddie Mac Selling Guide if the deductible exceeds the 5% maximum due to a per unit deductible for named perils specific to a geographic area
HO-6/Walls-In Coverage	• HO-6 insurance is not required if the Master/Blanket policy provides "all-in" coverage. • If the master/blanket policy excludes coverage for improvements or betterments, an HO-6 policy that provides coverage sufficient to repair the unit to its condition prior to a loss claim event.

Endorsements	• The guidance for endorsements is as follows:
	  ○ Agreed Amount, Agreed Value, Replacement Guarantee or Extended Replacement
	  ○ Inflation Guard Endorsement, when it can be obtained
	  ○ A Building Ordinance or Law Endorsement
	    ▪ This endorsement is required if the enforcement of any building, zoning, or land-use law would result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs to rebuild after a covered loss event occurs.
	    ▪ The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction.
	    ▪ The endorsement is not required if it is not applicable or the coverage is not obtainable in the insurance market available to the association.
	  ○ Boiler and Machinery/Equipment Breakdown Endorsement, when available and applicable
	    ▪ This endorsement is required if the project has central heating or cooling.
	    ▪ This endorsement should provide for the insurer's minimum liability per accident to at least equal the lesser of $2 million of the insurable value of the building(s) housing the builder or machinery.
	    ▪ In lieu of obtaining this as an endorsement to the commercial package policy, the project may purchase separate standalone boiler and machinery coverage.

Named Insured	• The policy must reflect the following: ○ Association of Owners of the (Name of the Condo/PUD) for the use and benefit of the individual owners (designated by name, if required by law of the governing documents).

Liability Coverage	• As applicable, the HOA must maintain commercial general liability (CGL) for the entire Condominium project, including but not limited to:
	  ○ All common areas and elements
	  ○ Public Ways
	  ○ Any other areas under HOA supervision
	  ○ All commercial spaces
	• Coverage Requirements:
	  ○ At least $1,000,000 for bodily injury and property damage for each occurrence.
	• Conventional Products
	  ○ Refer to the applicable review type in the Condo Requirements section of the guide.

Fidelity/Crime Insurance	• Fidelity insurance is required for condominium projects, except:
	  ○ Projects with 20 units or less.
	  ○ Projects that would require fidelity/crime insurance of $5,000 or less.
	    ▪ See Coverage Requirements within this document.
	  ○ Conventional projects as applicable to the project review type utilized
	• In states that have statutory fidelity/crime insurance requirements, those requirements are accepted in lieu of requirements outlined below.
	• Coverage Requirements:
	  ○ Coverage must be no less than the maximum amount of funds in custody of the HOA/Management Firm/Agent at any one time.
	    ▪ Lesser coverage of at least 3 months of assessments on all units in the project is acceptable if the project documents require the HOA and any Management Firm/Agent to adhere to certain financial controls and meet at least one of the provisions below:
	      – HOA and Management Firm/Agent maintain separate accts for the working account & reserve fund AND the depository institution in which the funds are deposited are mailed directly to the HOA.
	      – The Management Firm/Agent maintains separate records and accounts for each HOA utilizing their services AND the Management Firm/Agent does not have authority to draw checks on or to transfer funds from the HOA's reserve fund.
	      – Two or more members of the Board of Directors must sign any checks drawn on the reserve fund.
	• Named Insured Requirements:
	  ○ The homeowners' association must have blanket fidelity insurance coverage for anyone who either handles or is responsible for funds that it holds or administers, whether or not that individual receives compensation for services, including coverage for a Management Firm/Agent.
	  ○ The insurance policy should name the homeowners association as the insured and the premiums should be paid as a common expense by the association.
	  ○ A Management Firm/Agent that handles funds for the homeowners' association should also be covered by its own fidelity/crime bond insurance policy which must provide the same coverage required of the HOA.

Coinsurance	• Policies with a coinsurance clause must include:
	  ○ An Agreed Amount or Agreed Value Option Endorsement.
	    ▪ Must not be less than the estimated replacement cost.
	• If the coinsurance clause is not waived (endorsements not provided), the policy is still acceptable with the following:
	  ○ Evidence the amount of coverage is at least 100% of the insurable replacement costs of the project improvements.

Pooled Insurance	• Pooled insurance is only permitted with an affiliated project. ○ Affiliated projects include those under the same master association or that share the use of common facilities that are owned separately or as part of the master association. ▪ Projects that do not meet this definition are considered unaffiliated projects and pooled insurance would not be permitted.

Detached Condominiums

Detached Condominiums	• If the legal documents for the project permit for unit insurance policies, it is acceptable as long as the standard coverage requirements for 1-4-unit properties are met. • There are some detached associations which carry a master hazard policy covering both the individual units and the common elements in the project. ○ If there is a Master/Blanket Policy, refer to all applicable requirements in Project Insurance Requirements

PUDs

Master/Blanket Policy	• Master/Blanket coverage is required if there are any significant common areas. • If the project is insured with master blanket coverage, the HOA must maintain a property insurance policy, with premiums being paid as a common expense. The policy must cover all of the common elements except for those that are normally excluded from coverage, such as land, foundation, and excavations. Fixtures and building service equipment that are considered part of the common elements, as well as common personal property and supplies, should be covered. • Individual insurance coverage is also required for each unit in a PUD project. There are various types of acceptable policies for individual coverage) ○ If the project's legal documents allow for blanket insurance policies to cover both the individual units and the common elements, blanket policies in satisfaction of its insurance requirements for the units.

Flood Insurance

General Requirements	Flood insurance is required for all residential buildings on the mortgaged premises if any part of the structure is located in a Special Flood Hazard Area (SFHA). Flood insurance is required even if the mortgaged premises are above the 100-year flood boundary. If the land is in the flood hazard area but the improvements are not, flood insurance is not required. Flood Zone Determination (FZD) FAMC requires a completed Standard Flood Hazard Determination (FEMA form 81-03) for all loans. The FZD must contain all of the following requirements: • Preferred providers for the life of loan FZD are CoreLogic or ServiceLink National Flood, LLC. In the event that a lender chooses to use an alternative vendor other than Corelogic® or ServiceLink National Flood, LLC and if a discrepancy or error is later identified, only flood zone determinations issued by Corelogic® or ServiceLink National Flood, LLC will be accepted for the purpose of resolution and determining the need for flood insurance. In such a scenario where an alternative vendor provided the determination which later requires corrective action, it will be the lender's responsibility to incur the costs to do so, or to make whole Franklin American Mortgage for any costs to resolve. Refer to Correspondent National Bulletin #2018-03.

General Requirements (Continued)	• Property Address (must match appraisal and other applicable file documents)
	• Loan Number
	• Flood - Risk Zone
	• NFIP Map. Panel, Suffix Number
	• NFIP Map Date
	• NFIP Community Identification number
	• NFIP Community participation status
	• If the property is not located in a flood zone, the form must indicate as such and include map and panel numbers.
	• If the community is not participating or the area has not been mapped, the form must state as such
	• Parcel number is optional if using FEMA Form 086-0-032.
	
	An escrow account must be established for any loan secured by a property that is located or will be located in a special flood hazard area, regardless of LTV.
	
	Acceptable Policies – Conventional/USDA/VA Loans
	• Flood insurance should be in the form of the standard policy issued under the NFIP or by a private insurer. The terms and conditions of the flood insurance coverage must be at least equivalent to the terms and conditions of coverage provided under the standard policy of the NFIP for the appropriate property type. The amount of flood insurance provided by the NFIP or by a private insurer must meet FAMC's minimum coverage requirements for the appropriate property type.
	  ○ The full policy is required along with the Flood Insurance Policy Mandatory Acceptance Review Checklist.
	  ○ Private polices are not acceptable for FHA loans
	
	Transferred Policies
	• The borrower may assume the seller's flood insurance policy provided it is not a construction loan and the policy states that it is transferrable.

Special Flood Hazard Areas	Flood insurance is required on properties located within the following SFHA zones: • A • AO • AH • A1-A30 • AE • A99 • AR • AR/A • AR/AE • AR/A1-30 • AR/AH • AR/AO • V • V1-V30 • VE Properties mapped in a flood zone but located in a NFIP Non-Participating community are ineligible. For communities that participate in the Emergency Program of the NFIP, properties in those communities are eligible provided the flood insurance coverage meets the higher NFIP Regular Program limits (available on FEMA's website). Because the NFIP Emergency Program provides only limited coverage, the borrower must obtain private insurance or a supplemental private policy in conjunction with an NFIP Emergency Program policy that fully meets FAMC's insurance coverage requirements.

Special Flood Hazard Areas
(Continued)

Properties located in a community that do not have FEMA flood maps are not federally mandated to require flood insurance; therefore, evidence of flood insurance is not required. However, if there is knowledge that the property is exposed to flood risks, then flood insurance is required.

Separate Structures – FHA/VA

- Flood Insurance is required if any portion of the dwelling or related structures essential to the value of the property are located within an SFHA. An additional flood policy is not required if documentation is provided clearly detailing why structure is not insurable (structure is not affixed to a permanent foundation, does not have two or more rigid walls).
  - VA only: At the Veteran's request, non-residential improvements such as detached garages and small sheds may be excluded from the flood insurance policy if they are also excluded from the appraised value. The cost of flood insurance with and without coverage for the detached building should be compared as excluding a detached building may not be worthwhile.

Separate Structures – Conventional and USDA

- If two or more residential structures are located on the security property (for example, a principal structure and a guest house), all structures with any part in a SFHA must be covered by adequate flood insurance. The principal structure refers to the primary residential structure on the subject property. Refer to the following table for when flood insurance would be required:

IF:	THEN FLOOD INSURANCE:
Any part of the principal structure is located in a SFHA,	is required on the principal structure.
A non-residential detached structure attached to the land on the subject property has any part located in a SFHA,	is not required on the non-residential structure
A residential detached structure on the subject property has any part located in a SFHA,	is required on the residential detached structure.

Properties Located in the Coastal Barrier Resources System or in an Otherwise Protected Area

Coastal Barrier Resources Act (COBRA) of 1982 and later amendments, removed the Federal government from financial involvement associated with building and development in undeveloped portions of designated coastal barriers (including the Great Lakes). These areas were mapped and designated as Coastal Barrier Resources System units or "otherwise" protected areas. They are colloquially called COBRA zones. COBRA banned the sale of NFIP flood insurance for structures built or substantially improved on or after a specified date. For the initial COBRA designation, this date is October 1, 1983. For all subsequent designations, this date is the date the COBRA zone was identified. COBRA zones and their identification dates are shown on Flood Insurance Rate Maps (FIRMs). Communities may permit development in these areas even though no Federal assistance is available, provided that the development meets NFIP requirements

FHA, VA, and USDA Loans: When a flood zone determination company determines that a property is located within the Coastal Barrier Resources System (CBRS) or within an Otherwise Protected Area (OPA), as defined by the Coastal Barrier Resources Act, then the property is not eligible for FHA, VA, or USDA financing.

Conventional loans: FAMC will accept flood insurance policies from private insurance carriers when a property that is located within the CBRS or an OPA is not eligible for federal flood insurance. The amount of flood insurance required must meet Franklin American Mortgage Company's minimum coverage requirements for the appropriate property type. The carrier must meet Franklin American Mortgage's minimum rating requirements for insurance underwriters.

Special Flood Hazard Areas (Continued)	New and Proposed Construction FHA and USDA Loans: If any portion of the property improvements (the dwelling and related structures/equipment essential to the value of the property and subject to flood damage) is located within a SFHA, the property is not eligible unless a final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) that removes the property from the SFHA is obtained from FEMA, or a FEMA National Flood Insurance Program Elevation Certificate (FEMA Form 086-0-33), is obtained if the property is not removed from the SFHA by a LOMA or LOMR. The flood elevation certificate must document that the lowest floor (including the basement) of the residential building, and all related improvements/equipment essential to the value of the property, is built at or above the 100-year flood elevation in compliance with the NFIP criteria. The flood elevation certificate must be prepared by a licensed engineer or surveyor. If a LOMA or LOMR is obtained that removes the property from the SFHA, neither flood insurance nor a flood elevation certificate is required. Note: Insurance under the NFIP is required when a flood elevation certificate documents that the property remains located within a SFHA. The LOMA, LOMR or flood elevation certificate must be maintained in the loan file. Additional information regarding FEMA guidelines can be found at: http://www.fema.gov/national-flood-insurance-program
Required Coverage	The minimum amount of flood insurance required for most first mortgages secured by one-family to four-family properties, individual PUD units, and certain individual condominium units (such as those in detached condominiums, townhouses, or row houses) is the lower of: • 100% of the replacement cost of the insurable value of the improvements; • The maximum insurance available from the National Flood Insurance Program (NFIP), OR • The unpaid principal balance of the mortgage.
Required Coverage Condominiums	Stand-alone flood insurance policies for attached individual condo units are not acceptable. A master condo flood insurance policy must be maintained by the homeowner's association, subject to the requirements below. If the condo project has no master flood policy or does not meet the below requirements, it is not eligible for financing. • 2-4-unit projects: It is acceptable to follow the guidance for flood insurance coverage as noted in the Freddie Mac and Fannie Mae Selling Guide (as applicable). The amount of coverage must be the lesser of: • 80% of the replacement cost, or • $250,000 multiplied by the number of residential units in the building The condominium owner's association must maintain contents coverage on the building for the lesser of: • The actual cash value (100%) of the contents in the building that are owned in common by the association members, or • The maximum amount of contents coverage sold by the NFIP for a condominium building If the master flood insurance policy meets the minimum coverage of 80% replacement cost, but the per unit coverage amount does not meet the requirement for loans secured by one-to-four unit properties as shown above, the owner of the unit must maintain a supplemental policy for the difference. For FHA mortgages, the Condominium's Homeowners Association, not the borrower/unit owner is responsible for obtaining and maintaining flood insurance under the NFIP on buildings located in an SFHA.

Required Coverage on PUDs and Detached Condo Projects	Flood insurance requirements for individual PUD units are the same as for other one-family to four-family properties. A Master Association Flood Policy is required that provides 100% coverage for the common elements and amenities. Individual PUD Units The same flood insurance for individual PUD units that is required for one-to-four-unit properties. A stand-alone dwelling policy must be maintained to meet those requirements. A Master Association Flood Policy is not required, however; if one is maintained, it must cover any common element buildings and any other common property located in an SFHA. The unit allocation from the master policy must meet the one-to-four-unit coverage requirements.
Deductible	Conventional/FHA/VA/USDA Loans: • Deductibles for both master project and individual dwelling flood insurance policies must meet NFIP requirements for the type of improvements insured unless state law requires a higher maximum deductible amount. This requirement applies to both NFIP and private polices.

Term of Coverage/ Evidence of Payment	<u>Purchase Transactions</u>
	• Evidence of Insurance must also include the following:
	• A paid receipt for one (1) year which has been documented with the following:
	    ○ Paid receipt from the insurance agent, or
	    ○ Zero balance on the declarations page
	
	<u>Refinance Transactions</u>
	• FAMC requires proof of payment for the policy that was in effect at the time of closing.
	• If the policy will expire less than 30 days from the FAMC purchase date, the policy must be renewed for a minimum of 12 months. The following documentation is required:
	    ○ Paid receipt from the insurance agent, or
	    ○ Zero balance on the declarations page

Contesting Flood Insurance	Flood Certificate Determinations may be contested on a case-by-case basis. A final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) may be required in these cases to re-issue a clear flood certificate. If a clear flood certificate is not re-issued, the loan must close with flood insurance.
Disclosures	Specific language must be incorporated into the “Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance” disclosure. A sample form containing the required content is located in the General Forms Section.

Mortgagee Clause

Mortgagee Clause	CITIZENS BANK, N.A. ISAOA – ATIMA P.O. Box 202060 Florence, SC 29502-2060

Definitions

Fidelity Insurance	A fidelity bond is a form of protection that covers policyholders for losses that they incur as a result of fraudulent acts by specified individuals. It usually insures a business for losses caused by the dishonest acts of its employees.
Insurable Value	Replacement cost or actual cash value of a building for which standard insurance policies provide indemnity coverage. Insurable value is less than the properties appraised or market value because it excludes the value of land on which the building stands.
Dwelling Coverage	The Coverage A section of Homeowners Insurance, known as Dwelling Coverage, offers protection against direct physical damage caused to the dwelling, including rooms, fireplaces, carpeting, tile floors, and elements of decor. Structures, which are attached to the insured dwelling on the same foundation, such as a garage, are also liable to coverage under this section of the Homeowners Insurance. In addition, this section of the policy covers the materials and supplies needed to rebuild or repair damage to the home. It should be noted that structures which are part of the property but are not attached to the house are usually liable to the Coverage B section of a homeowner's policy, entitled Other Structures, which is typically limited to 10% of the Dwelling Coverage amount. Among the structures which are covered under Coverage B are detached garages, gazebos, patios, swimming pools, storage sheds, barns, guest houses, sidewalks, driveways, fences, etc. The risks against which the insured is protected with Coverage A and Coverage B are basically the same, but the conditions are different.

State by State Insurance Requirements

State	Hazard Insurance Requirements
Alabama	A lender may not require a borrower to obtain any insurance other than insurance covering the lender's lien on the property that is collateral for the transaction.
Alaska	If property insurance is required in connection with a loan, a borrower has the reasonable right to select the insurance producer and insurer through whom the insurance is to be placed.
Arizona	A mortgage banker or mortgage broker may not require a person seeking a loan secured by real property to obtain property insurance coverage in an amount that exceeds the replacement cost of the improvements as established by the property insurer.
Arkansas	A mortgage company may not require that a borrower purchase casualty insurance on the property that is the subject of the mortgage in an amount in excess of the fair market value of the property's buildings or appurtenances. This restriction does not limit the right of the borrower to purchase replacement cost coverage on the property that is the subject of the mortgage.
California	No lender may require hazard insurance in an amount which exceeds the replacement value of the improvements on the property. All lenders must accept written binders as proof of insurance.
Colorado	A lender may not require a borrower to obtain hazard insurance in an amount that exceeds the replacement value of the improvements to real property.

State	Hazard Insurance Requirements
Connecticut	A mortgage lender may not require any prospective mortgagor to obtain by purchase or otherwise a fire insurance policy, flood insurance policy, or other extended coverage policy, or any combination thereof, in excess of the replacement value of the covered premises as a condition for granting a mortgage.
Delaware	A lender may not require hazard insurance in an amount which exceeds the greater of the value placed on the improvements by the insurer or the value placed on the improvements as determined by the lender's appraisal of the real property. A lender must accept as evidence of insurance a written binder issued by any authorized insurer or its agent.
District of Columbia	The borrower has the right to choose the insurance provider, agent, broker, and producer. The law is silent on maximum coverage amounts.
Florida	A mortgage lender must not, in connection with any application for a mortgage loan which is secured by a mortgage on residential real estate, require any prospective mortgagor to obtain by purchase or otherwise a property insurance policy in excess of the replacement value of the covered premises as a condition for granting such a mortgage.
Georgia	There no statutes or regulations with regard to hazard insurance requirements. The law is silent on maximum coverage amounts.
Hawaii	The borrower has the right to choose the insurance provider, agent, or broker. The law is silent on maximum coverage amounts.
Idaho	A lender may not require a borrower to obtain or maintain fire insurance or other hazard insurance in an amount that exceeds the replacement value of the improvements to the real estate.
Illinois	No lender may require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property.
Indiana	A lender may not require a mortgagor, as a condition of receiving or maintaining a mortgage, to obtain hazard insurance coverage against risks to improvements on the mortgaged property in an amount exceeding the replacement value of the improvements.
Iowa	A lender may not require that the borrower contract with any specific person or organization for insurance services as an agent, broker, or underwriter. The law is silent on maximum coverage amounts.
Kansas	The borrower has the right to choose the insurance provider, agent, broker, or producer. The law is silent on maximum coverage amounts.
Louisiana	The lender may require that the amount of insurance be at least in an amount to protect the amount of the loan on a type of policy furnishing reasonable protection to the lender in a form selected by the borrower which may include additional coverage not insuring to the benefit of the lender and reasonably associated or connected with the property which is the subject of the loan or mortgage. It is an unfair trade or practice for a lender to require as a condition precedent to making a mortgage loan that the borrower negotiates any policy of insurance covering the property through a particular insurance agent, company, or broker.
Maine	No person or financial institution making a residential mortgage loan for 1 to 4 residential units may, as a condition of the mortgage or as a term of the mortgage deed, require that the borrower carry property insurance on the property which is the subject of the mortgage in excess of the replacement cost of any buildings or appurtenances subject to the mortgage.

State	Hazard Insurance Requirements
Maryland	A lender may not require a borrower, as a condition to receiving or maintaining a loan secured by a first or second mortgage or deed of trust, to provide or purchase property insurance coverage or flood insurance coverage in an amount exceeding the replacement cost of the improvements on the real property. In determining the replacement cost of the improvements on any real property, the lender may accept the value placed on the improvements by the insurer or use the value placed on the improvements by the lender's appraisal of the improvements.
Massachusetts	A lender, when making a mortgage loan, must not require, as a condition of a mortgage or as a term of a mortgage deed, that the borrower purchase casualty insurance on the property which is the subject to the mortgage in an amount in excess of the replacement cost of the buildings or appurtenances on the mortgage premises. The borrower cannot be required to purchase insurance through any particular insurer or agent or broker.
Michigan	A lender that requires property/casualty insurance as a condition to receiving a mortgage loan may not require the amount of such insurance to exceed the replacement cost of the mortgaged building. However, a lender may require any amount of property/casualty insurance that is required of the lender as a condition of a sale, transfer, or assignment of all or part of the mortgage to a third party. The lender will not require the borrower to purchase any policy or contract of insurance through a particular agent, agency, or with a particular insurer.
Minnesota	A lender may not require insurance on real property in any amount exceeding the replacement value of the improvements. A lender may not require a borrower to use a specific agent or insurer as a condition to obtaining a loan.
Mississippi	A lender that requires a borrower to obtain insurance in connection with a loan and that offer insurance either directly or through an affiliate must clearly disclose to the borrower that their choice of insurance provider will not affect the lender's decision in extending credit to the borrower. The law is silent on maximum coverage amounts.
Missouri	A lender may not, as a condition of financing a residential mortgage or providing other financial arrangements for residential property, require a borrower to purchase homeowners insurance coverage in an amount exceeding the replacement value of the improvements and contents on the real property. The borrower has the right to choose their insurance provider, agent, and insurer.
Montana	A borrower has the right to choose his own insurance provider, agent, and insurer. A borrower cannot be required to obtain insurance in an amount that exceeds the reasonable replacement value of the improvements.
Nebraska	There no statutes or regulations with regard to hazard insurance requirements.
Nevada	A binder which is issued in accordance with Nevada's insurance laws is deemed a policy for the purpose of proving that a person has insurance coverage. The borrower has the right to choose the insurance provider, agent, and insurer. Lenders are prohibited from requiring borrowers to obtain insurance coverage in an amount that exceeds the reasonable replacement value of the improvements.
New Hampshire	There no statutes or regulations with regard to hazard insurance requirements.
New Jersey	A licensee may require a borrower on a first mortgage loan or secondary mortgage loan to insure the property against damage or loss due to fire and other perils, for a term that does not exceed the term of the loan and in an amount that does not exceed the amount of the loan, including amounts needed to satisfy all prior liens on that property.
New Mexico	The borrower has the right to choose insurance provider, agent, or insurer. The law is silent on maximum coverage amounts.

State	Hazard Insurance Requirements
New York	No mortgage banker or exempt organization may require any mortgagor, in connection with the granting of a mortgage loan, to obtain a hazard insurance policy in excess of the replacement cost of the improvements on the property, as a condition for the granting of the mortgage loan.
North Carolina	A lender is prohibited from requiring a borrower to deal with a particular insurance company as a condition of receiving a loan. Lenders are prohibited from requiring borrowers to obtain insurance coverage in an amount that exceeds the reasonable replacement value of the improvements.
North Dakota	No person making mortgage loans or an employee of such person may require, as a condition of making, receiving, or extending the loan that the person negotiate any insurance policy or renewal covering the property through a particular insurance company or insurance producer. The law is silent on maximum coverage amounts.
Ohio	The amount and term of required property insurance must be reasonable in relation to the amount and term of the loan contract and the type and value of the security, and the insurance must be procured in accordance with the insurance laws of Ohio. The borrower has the right to choose the insurance agent, broker, producer, and insurer.
Oklahoma	A lender may not require a borrower as a condition of financing a residential mortgage or providing other financing arrangements for residential property (including a mobile or manufactured home) to purchase homeowner insurance coverage, mobile or manufactured home insurance coverage, dwelling fire coverage, or other residential property coverage in an amount that exceeds the replacement value of the dwelling and its contents. In determining replacement value for purposes of insurance, a lender may not include the fair market value of the land on which the dwelling is located. A lender may accept the value of the dwelling determined by the insurer, or use the value placed on the dwelling that is determined by an appraisal of the real property by the lender to determine the replacement value.
Oregon	The Oregon Mortgage Lender Law does not contain provisions regarding hazard insurance and is silent on maximum coverage amounts.
Pennsylvania	A lender may not require a borrower, as a condition of obtaining or maintaining a secured loan, to obtain property insurance coverage which exceeds the replacement value of buildings and structures situated on the land used to secure the loan. In addition, a borrower on a loan secured by real property may not be required to insure the value of the land.
Rhode Island	The borrower has the right to choose the insurance provider, agent, broker, and producer. A lender or broker may not, as a condition of the mortgage, require that the mortgagor carry property insurance on the property which is the subject of the mortgage in excess of the replacement cost of any buildings subject to the mortgage.
South Carolina	A mortgage company or any public or private mortgagee doing business in South Carolina, when making a mortgage loan, may not require, as a condition or term of the mortgage, that the borrower purchase casualty insurance in an amount in excess of the replacement cost of the buildings or appurtenances on the mortgaged premises.
South Dakota	The Mortgage Lender Business Statute does not impose hazard insurance requirements. The law is silent on maximum coverage amounts.
Tennessee	The borrower has the right to choose insurance provider, agent, and insurer. Lenders are prohibited from requiring hazard insurance in an amount exceeding the replacement cost of the structure existing at the time of the loan, or in the case of a construction or home improvement loan, insurance exceeding the value of the structure or the expected value of the structure upon completion of the improvements.

State	Hazard Insurance Requirements
Texas	A lender may not require as a condition of financing a residential mortgage or providing other financing arrangements for residential property, including a mobile or manufactured home, that a borrower purchase homeowners insurance coverage, mobile or manufactured home insurance coverage, or other residential property insurance coverage in an amount that exceeds the replacement value of the dwelling and its contents, regardless of the amount of the mortgage or other financing arrangement entered into by the borrower. A lender may not include the fair market value of the land on which a dwelling is located in the replacement value of the dwelling and its contents. The borrower has the right to choose the insurance agent, broker, producer, and insurer.
Utah	The borrower has the right to choose insurance provider, agent, or insurer. The law is silent on maximum coverage amounts.
Vermont	The borrower has the right to choose insurance provider, agent, or insurer. The law is silent on maximum coverage amounts.
Virginia	A lender may not require a borrower, as a condition to receiving or maintaining a loan secured by any mortgage or deed of trust, to provide or purchase property insurance coverage against risks to any improvements on any real property in an amount exceeding the replacement value of the improvements on the real property. In determining the replacement value of the improvements on any real property, the lender may accept the value placed on the improvements by the insurer or use the value placed on the improvements that is determined by the lender's appraisal of the real property. The borrower has the right to choose the insurance agent, broker, producer, or insurer.
Washington	The borrower has the right to choose insurance provider, agent, and insurer. Lenders are prohibited from requiring hazard insurance in an amount that exceeds the value of the improvements.
West Virginia	A lender may not require hazard insurance in an amount that exceeds value of the insured property (i.e. value of the improvements).
Wisconsin	The borrower has the right to choose insurance provider, agent, and insurer. The amount of insurance may not exceed any of the following: the actual cash value or stated value of any motor vehicle or mobile home in which the creditor holds a security interest; the cash value or replacement value of any property in which the creditor holds a purchase money security interest; the stated amount of the customer's credit line of the purchase money security interest secures transactions pursuant to an open-end credit plan; in any other transaction, the total payments or, if the transaction is for a term of 49 months or more, the amount financed.
Wyoming	The borrower has the right to choose insurance provider, agent, or insurer. The law is silent on the maximum coverage amounts.