



## HOMEOWNERS INSURANCE REQUIREMENTS

Flanagan State Bank requires the following for Homeowners Insurance Declarations/Binders

- Property address to match appraisal address exactly
- Deductible to be indicated on dec page – cannot exceed 5% of dwelling or \$5000, whichever is less (please note, Freddie Mac loans do not limit the deductible to \$5000. It simply cannot exceed 5% of dwelling)
  - USDA deductible not to exceed ***the greater*** of either \$1000 or 1 percent of the policy coverage
- Borrowers' names to be spelled correctly
- FSB Loan Number to be identified on the binder or Dec Page
- Mortgage Clause to read exactly:

Flanagan State Bank  
ISAOA  
333 Chicago Road  
PO Box 302  
Paw Paw, IL 61353

- Dwelling coverage to be indicated. Must cover loan amount OR
  - All programs, including USDA – guaranteed full replacement coverage is acceptable in lieu of dwelling coverage covering loan amount. Coverage must clearly show this is FULL replacement coverage. If the coverage amount is limited in amount or has a cap, this may not be acceptable. Policy must provide verbiage on this for clarification of the amount of coverage.
  - USDA – if the appraisal has the Total Estimate of Cost new completed and it is less than the Total Loan Amount, then we can use this information to determine the minimum amount of Dwelling Coverage needed.
- Effective date to be on or before closing date. Purchase loans must have effective date to show the same month as the closing.
- Must have paid receipt or pay premium at closing for 1 year (purchase or refinance)
- Condo – must have HO-6 insurance to cover 20% of appraised value
- Condo Master Insurance must show unit owner name and unit. Must have \$1,000,000 in building coverage and liability coverage.

## FLOOD INSURANCE REQUIREMENTS

- Government Loans (USDA, FHA and VA) require use of NFIP Flood Insurance and will not accept a private flood insurance vendor. Conventional loans may use NFIP or Private vendor for flood insurance as long as the requirements noted here are met.
- Dwelling to cover loan amount. Unless loan amount is over \$250,000. \$250,000 is the max FEMA allows. RD requires total estimated cost new on cost approach section of appraisal.
- Flood zone to be indicated and must match flood zone on appraisal and flood cert.
- Unless a higher maximum amount is required by state law, the maximum allowable deductible is \$5000.

- USDA will remain at the above requirement of the deductible not to exceed ***the greater*** of either \$1000 or 1 percent of the policy coverage
- USDA Flood Insurance must cover the lesser of the outstanding principal balance of the loan or the maximum amount of coverage allowed under FEMA's National Flood Insurance Program (NFIP)
- All the other homeowner's insurance requirements apply to flood insurance as well, see above.
- Condos in a Flood Zone will require proof of flood insurance for the HOA and depending on the coverage amounts, may require additional coverage from the borrower.
- Rating of insurer – required insurance must be provided by one of the following insurers:
  - 1) An insurer with a current rating that meets the requirements below:
    - a. For an insurer rated by A.M. Best Company (A.M. Best), a minimum Financial Strength Rating of B+/III, or for a non-U.S. insurer, A/VIII, as reported online at [www.ambest.com](http://www.ambest.com)
    - b. For an insurer rated by Demotech, Inc., a minimum Financial Strength Rating of A as reported online at [www.demotech.com](http://www.demotech.com)
    - c. For an insurer rated by Standard & Poor's, a division of The McGraw-Hill Companies ("Standard & Poor's"), a minimum Financial Strength Rating of BBB as reported online at [www.standardandpoors.com](http://www.standardandpoors.com)
  - 2) An insurer with coverage that is guaranteed by a reinsurer under all of the following conditions:
    - a. The reinsurer's current rating meets the requirements below:
      - i. For a reinsurer rated by A.M. Best, a minimum Financial Strength Rating of B+/III, or for a no-U.S. reinsurer, A/VIII; or
      - ii. For a reinsurer rated by Standard & Poor's, a minimum Financial Strength Rating of BBB
    - b. The reinsurer assumes by endorsement to give the policyholder, the Seller/Service and insurer 90-day written notice before canceling or otherwise terminating the guarantee
    - c. The above endorsements are attached to each property insurance policy accepted by the Seller/Service on account of the endorsements
  - 3) A state insurance pool created by statutory authority to provide insurance for geographic areas or insurance lines which suffer from lack of voluntary market availability (such pool may be designated as a property insurance plan, a Fair Access to Insurance Requirements (FAIR) plan, an underwriting association, a joint underwriting association or an insurance authority)
  - 4) A non-admitted insurer with a current rating that meets the requirements below:
    - a. For an insurer rated by A.M. Best, a minimum Financial Strength Rating of A, or
    - b. For an insurer rated by Standard & Poor's, a minimum Financial Strength Rating of AA
  - 5) An insurer with coverage that is guaranteed by the National Flood Insurance Program (NFIP) under a Standard Flood Insurance Policy issued pursuant to the National Flood Insurance Act of 1968, as amended.

Insurers rated by more than one rating company need only meet one of the rating requirements.



## 4703.1

# General property insurance requirements

Effective 06/10/2020

Effective June 10, 2020, the content of this section has moved from [Section 8202.1](#).

For Mortgages sold to Freddie Mac, the Seller must ensure that the Mortgaged Premises are covered by insurance meeting the requirements in this [Chapter 4703](#). The Seller must obtain evidence of insurance meeting the requirements of [Section 8202.8](#).

### (a) Licensing of insurer

All insurance companies (insurers) and insurance companies which guarantee coverages provided by other insurance companies (reinsurers) must be licensed, or otherwise authorized by law, to conduct business in the jurisdictions where the Mortgaged Premises are located.

### (b) Assessments

Insurance contracts must provide that no assessment may be made against the Seller/Service or Freddie Mac and that any assessment made against others may not become a lien on the Mortgaged Premises superior to the lien of the Freddie Mac Mortgage.

### (c) Rating of insurer

The required insurance must be provided by one of the following insurers:

1. An insurer with a current rating that meets the requirements below:
  - For an insurer rated by A. M. Best Company (A.M. Best), a minimum Financial Strength Rating of B+/III, or for a non-U.S. insurer, A/VIII, as reported online at <http://www.ambest.com>
  - For an insurer rated by Demotech, Inc., a minimum Financial Strength Rating of A as reported online at <http://www.demotech.com>
  - For an insurer rated by Standard & Poor's, a division of The McGraw-Hill Companies ("Standard & Poor's"), a minimum Financial Strength Rating of BBB as reported online at <http://www.standardandpoors.com>
2. An insurer with coverage that is guaranteed by a reinsurer under all of the following conditions:
  - The reinsurer's current rating meets the requirements below:
    - For a reinsurer rated by A.M. Best, a minimum Financial Strength Rating of B+/III, or for a non-U.S. reinsurer, A/VIII; or
    - For a reinsurer rated by Standard & Poor's, a minimum Financial Strength Rating of BBB
  - The reinsurer assumes by endorsement 100% of the insurer's liability for any covered loss payable but unpaid by the insurer for reason of insolvency
  - The reinsurer assumes by endorsement to give the policyholder, the Seller/Service and insurer 90-day written notice before canceling or otherwise terminating the guarantee
  - The above endorsements are attached to each property insurance policy accepted by the Seller/Service on account of the endorsements
3. A state insurance pool created by statutory authority to provide insurance for geographic areas or insurance lines which suffer from lack of voluntary market availability (such pool may be designated as a property insurance plan, a Fair Access to Insurance Requirements (FAIR) plan, an underwriting association, a joint underwriting association or an insurance authority)
4. A non-admitted insurer with a current rating that meets the requirements below:
  - For an insurer rated by A. M. Best, a minimum Financial Strength Rating of A, or
  - For an insurer rated by Standard & Poor's, a minimum Financial Strength Rating of AA-

5. An insurer with coverage that is guaranteed by the National Flood Insurance Program (NFIP) under a Standard Flood Insurance Policy issued pursuant to the National Flood Insurance Act of 1968, as amended

Insurers rated by more than one rating company need only meet one of the rating requirements.

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