

<b>Escrow Accounts for Taxes and Insurance</b>	<p>Escrow accounts are always required on an USDA loan. No exceptions.</p> <p><b><u>Property Taxes</u></b></p> <p>When calculating escrow set up for property taxes, FSB will require certain parameters to ensure accuracy.</p> <ul style="list-style-type: none"> <li>• All tax amounts are to show on the title commitment or tax certificate.</li> <li>• Tax amounts must show without excess exemptions applied. If an exemption will be in effect when the borrower takes possession of the home, we must have documentation that the title company will file the exemption at closing. If the title company cannot provide this confirmation, the exemption must be removed and tax calculation showing at the worst-case scenario for escrow set up and DTI calculation.</li> <li>• For New Construction, the title company must provide an estimate of the property taxes based on the appraised value of the home. A state/county approved calculator for property taxes will be allowed but the calculation must be based on appraised value.</li> </ul>
	<p><b><u>Homeowners Insurance</u></b></p> <p>Homeowners insurance must have the following on the declarations page:</p> <ul style="list-style-type: none"> <li>• Property address to match appraisal address exactly</li> <li>• Deductible to be indicated on dec page – Maximum must \$1000 or 1% of value. If these are not options the insurer allows it must be the lowest deductibles allowed by the insurance provider with a maximum of \$5000 or 5% of the coverage. Insurer must provide statement that the lowest deductibles allowed have been used if above the \$1000/1%</li> <li>• Borrowers names to match 1003 and be spelled correctly</li> <li>• Mortgagee Clause to read exactly:  Flanagan State Bank  ISAOA  333 Chicago Road  PO Box 302  Paw Paw, IL 61353</li> <li>• Loan number to be on policy</li> <li>• Dwelling coverage to be indicated. Must cover loan amount or meet replacement cost requirements as indicated on FSB HOI worksheet</li> <li>• Effective date and expiration date to be on or before closing date</li> <li>• Must show policy is effective for 1 year if a purchase</li> <li>• If a refinance and policy will expire before first payment is made, FSB will need proof of what the new premium will be upon renewal</li> <li>• Must have invoice or paid receipt for premium in file prior to closing</li> <li>• Condo must have HO-6 insurance to cover 20% of appraised value</li> <li>• Condo insurance must show unit owner name and unit. Must have \$1,000,000 in building coverage and liability coverage</li> </ul> <p>Coverage must be bound prior to closing. A quote can be used for initial underwriting but will not be accepted for final approval.</p>

**Flood Insurance**

Dwelling to cover loan amount. Unless loan amount is over \$250,000. \$250,000 is the max FEMA allows. USDA 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 \$1000 or 1% of the face amount of the policy
- If a \$1000 deductible is not available a higher amount up to \$5000 is allowable if you have in writing that the deductible used is the lowest amount available and the borrower has assets that support using a higher deductible.
- All the other homeowner's insurance requirements apply to flood insurance as well, see above.