Lenders Gone Wild!

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Poll Question

• Is this your first webinar with FAIA?
  • Yes
  • No

Wait for poll question…
Notice

This webinar is approximately an hour. Since it is not filed for CE credit we are not “married to the clock.”
Webinar Being Recorded

- We are recording this on 11/4/13
- Possible future rebroadcast dates

Kid Update
Sarah Annsley Bigwood
aka “Rambette”
DOB: 5/3/13
“Some of these lender demands just crack me up. Stand firm and do what's right!”

Today’s Special Guests
How Much of an Issue Are Lender Inquiries?
Today’s Menu

- Fannie Guidelines
- Deductibles
- Condo projects
- GRC wording
- Agreed value
- 100% RC wording
- Ordinance & Law
- Mechanical Breakdown
- NFIP requirements
- Private flood ins.
- RCE issues
- Lender specific forms
- Recorded lines
- Resources
- Standing firm

To Set The Stage...11/1/13

- Appraisal for “hazard” shows $4.7M
- Blanket “hazard” policy for $4.7M
- RCBAP dec page shows RC of $2,779,900
- RCBAP building coverage: $2,770,900
  - $7,000 short. 13 units. $538 short per unit
- Lender says unit owner must buy $14,000 of NFIP building coverage
  - Says, “Hazard must match NFIP”
To Set The Stage...11/1/13

- Customer has voluntarily purchased NFIP building coverage of $80,000
- Lender says, “The $80K plus the RCBAP goes above the NFIP max of $250K.”
  - Lender tells agent, “We will not allow customer to purchase $80K. Please reduce coverage to $14,000.”
- Thompson calls lender, issue resolved.

Your “One Stop Shop”
The Basis for Many Lender Issues

Selling Guide
Fannie Mae Single Family
Financial Ratings of Carriers

- A.M. Best: “B” or better
- Demotech: “A” or better
- S&P: “BBB” or better
- Citizens is acceptable
Financial Ratings of Carriers

• Can a lender refuse to accept a policy by an insurer without an A. M. Best rating?

Coverage Requirements

• Hazard insurance for property securing loans delivered to Fannie Mae must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement.....
• The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion.

• Fannie Mae does not accept hazard insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement.
Amount of Coverage

• For a first mortgage, Fannie Mae requires coverage equal to the **lesser** of the following:
  - 100% of the insurable value of the improvements, as established by the property insurer;
  or
  - the unpaid principal balance of the mortgage, as long as it equals the minimum amount—80% of the insurable value of the improvements—required to compensate for damage or loss on a replacement cost basis.
Deductible Amount

- The maximum allowable deductible for insurance covering a property (including common elements in a PUD, condo, or co-op project) securing a first mortgage loan is 5% of the face amount of the policy.

Condo Projects

- **The lender** must review the entire condo project insurance policy to ensure the homeowners’ association maintains a master or blanket type of insurance policy, with premiums being paid as a common expense.
"Project Approval"

Bank of America Insurance Request

To: Condo Department

Company: Key Agency

Date: 10-24-13

Fax: 941-429-9709

*****Please be advised we are pre-approving the condo project below in anticipation of processing a purchase financing application. Please forward a copy of the master policy for the condos project via email or fax to the contact information above. Thank you in advance for your prompt attention to this request. If a formal application is made and approved, we will contact you further with specific mortgage information.

Name: ____________________________

Property Address: Waterside Club II at Heritage Oak Park

Requirements

Hazard: x

Flood: if applicable

Windstorm: x

Zone Info MUST be on FFO

*If windstorm is not included in hazard insurance policy, must provide a separate windstorm policy.

Coverage Amounts:

Must be in an amount at least equal to:

100% of the Insurable Value of the Improvements as established by the property owner. Replacement cost coverage is required for all properties. COVERAGE FOR ALL PERILS MUST BE FULL.

Deductible: Maximum not to exceed 5% of the policy face amount for Hazard and $5,000 for Flood.
To: 19414747283
From: inessa.kazakova@chase.com
Date: October 24, 01:45:53 PM GMT
Subj: RE: P306806 - FIDDLERS GREEN TALL PINES / 8200 MEMORY LN /
Page 2

Good Morning.

RE: P306806 - FIDDLERS GREEN TALL PINES / 8200 MEMORY LN / CONDO REFI

Please provide an updated certificate of insurance including the following info for Condo approval:

- General Liability
- Umbrella Liability
- Flood Bond
- Replacement Cost
- Deductible Amount
- Law & Ordinance coverage - please advise if this offered by the carrier
- # of units covered
- Management agent must be included in the policy

Condo Projects
Amount of Insurance
Fannie Mae does **not** require “Guaranteed Replacement Cost” or Agreed Value!!

Insurance must cover 100% of the insurable replacement cost of the project improvements, including the individual units in a co-op or condo project. An insurance policy that includes either of the following endorsements ensures full insurable value replacement cost coverage:

- a Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a co-insurance clause, an Agreed Amount Endorsement (which waives the requirement for co-insurance); or
- a Replacement Cost Endorsement (under which the insurer agrees to pay up to 100% of the property’s insurable replacement cost, but no more) and, if the policy includes a co-insurance clause, an Agreed Amount Endorsement (which waives the requirement for co-insurance).

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**Guaranteed Replacement Cost**

- Dave, one quick question. I just read your article, Mortgage Company Issues, where you state there is no such thing as Guaranteed Replacement Cost or 100% percent RC.

- Continued ..................
When it comes to high net worth companies, most if not all include Guaranteed RC if the dwelling is insured to 100% RC. Some go as high as up to 200% (for some perils) of the coverage limit. They indicate this on their declaration page once the policy is written. Under these circumstances, would it acceptable for us to include in our EOI Guaranteed Replacement Cost, or would you suggest we include a copy of the declaration page which indicates this coverage?
Another Lender - GRC

Request for Certificate of Insurance

Borrower Name: ________________________________
Property Address: ________________________________

Loan Number: 0481159047
Closing date: 8/17/13 Escrowing: YES NO
Condo Name: ________________________________

1. Property insurance Must have 100% replacement cost shown on policy or like verbiage provision and shown in the certification.
   a. Expiration date MUST be shown (if effective until canceled provision)
   b. Property insurance deductible MUST be shown on the certificate.

2. Flood insurance coverage MUST equal hazard insurance coverage or the maximum
   amount of $250,000.00
   a. Flood insurance (if applicable) with applicable deductible
   b. Must show flood zone on certificate ********

3. The borrower(s) names as it appears above, property address including unit number and VPHM loan number must be shown as filed above.
Home Owners Insurance Guidelines Clarification

Please refer to the AllRegs Sales Manual for complete HOI guidelines and verbiage. THE APPRAISAL SHOULD NOT BE USED TO VERIFY ANY TYPE OF INSURANCE COVERAGE.

What is "Insurable Value" vs. "Replacement Cost" vs. "Cost Estimator"? They are all the same thing. Any of this verbiage will suffice and the terms are interchangeable.

HOI coverage amount clarification:
If the following verbiage is listed on the policy, no additional documentation is needed.
- "Guaranteed or 100%" Replacement Cost coverage
- "Extended" Replacement Cost coverage that, with the addition of that percentage, meets or exceeds the unpaid principal balance. If this is listed, our coverage is sufficient and no further action is required.

If Replacement Cost coverage is not "guaranteed" or "extended", we want the dwelling coverage (Coverage "A") to be at least:
- 100% of the Insurable value of improvements (this is the same as "replacement cost" and is reflected on the cost estimator)
- Total unpaid principal balance (the loan amount plus the line amount of any HELOC and/or the balance of any closed end 2nd that BUI covers), or long as these figures combined are at least 80% of the insured value of improvements

*Only the agent knows this figure.

New verification required:
We need to know what the Insurable value of improvements is. If the lender does not state it has "guaranteed" or "extended" replacement cost coverage, then ask the agent to confirm. Documents that will suffice are:

1. Cost Estimator
2. Written verification that the total replacement cost equals the dwelling coverage or what the replacement cost/insurable value of the property is. This can be typed or hand written and can be shown on the Deed page, fax cover page, or any other document as long as it comes from the insurance agent. This cannot be done verbally.

Tip: Tell the insurance agent you need something in writing at the beginning of this process to avoid having to call them again.

HO-6 coverage guidelines change:
Coverage in the amount of 20% of the appraised value is no longer required on HO-6 policies. The new guidelines only require that the coverage be "sufficient by the insurer."
There is no such coverage as “Guaranteed Replacement Cost.” If you use those words on any document then there is “Guaranteed” coverage. It is guaranteed by your E&O policy!

Agreed Value Coverage

- It is **not** required by Fannie Mae
- It does **not** “…ensure full value replacement cost coverage” as Fannie states
- It only waives the coinsurance provision, if the Statement of Values (SOV) is properly submitted to the carrier.
- It is **not** an endorsement. Activate it via the declarations page.
Agreed Value Coverage
Example #1

- Estimated replacement cost: $1 million
- Policy coverage: $1 million
- SOV submitted and accepted
- After loss, RC is determined to be $1.5M
- $400,000 loss paid without coinsurance penalty

Agreed Value Coverage
Example #2

- Estimated replacement cost: $1 million
- Policy coverage: $1 million
- SOV submitted and accepted
- After total loss, RC is determined to be $1.5M
- Policy pays $1 million
Agreed Value Coverage – Fannie Mae

One of the most common requests that an agency receives from a lender that relates to insurance is on a condominium unit (or a combination of an endorsement) regarding agreed value coverage. The request (or demand) generally follows: “If Fannie Mae prohibits, agreed value coverage is required to please add it and provide evidence of the coverage.”

The lender is, unfortunately, correct. The Fannie Mae Selling Guide does not require agreed value coverage, simple written lender’s way. To understand this, it’s necessary to call two Fannie Mae guidelines and one specific to the subject just mentioned: Section 5-3.8-4 states this:

The only requirement for that coverage is that the mortgage is at or below 80% of the appraised value of the property. It is not required that every agreement for segregation or cancellation be contained in a written agreement that is signed by both parties.

In conclusion, the Fannie Mae Selling Guide does not require agreed value coverage, as is written in Section 5-3.8-4. Any agreement for segregation or cancellation must be in writing and signed by both parties. The agreement must be recorded in the county where the property is located.

The guidelines do not require agreed value coverage.
Other Replacement Cost Issues

• “Policy must state replacement cost.”
• “Must state 100% replacement cost.”
• “100% replacement cost up to policy limits.”
• “Replacement cost up to policy limits”

“Ain’t gonna happen!”
Other Replacement Cost Issues

Example

- $1M of coverage
- 50 year old structure
- Fire damage to large deck and wood roof over deck plus damage to screens
- $75,000 replacement cost
- Insured decides not to replace
- How much is paid?

Other Replacement Cost Issues

What You Can Put on COI

- “Please refer to attached policy for loss settlement provisions relating to replacement cost.” Or...
- “Some (not all) losses are settled on a replacement cost basis subject to terms, conditions, limitations, deductibles, and exclusions found in the policy. Please refer to policy.”
Other Condo Coverages

- The requirements for endorsements for PUD, condo, and co-op projects are as follows:
- Inflation Guard Endorsement, when it can be obtained;
- Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land-use law results in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs. (The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction.); and
- Steam Boiler and Machinery Coverage Endorsement, 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 or the insurable value of the building(s) housing the boiler 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.
Inflation Guard – **When Available**

- **What it is not:**
  - Current coverage; $1M
  - Renewal coverage: $1.05M
- **What it is:**
  - Current coverage: $1M
  - 5% inflation guard endorsement
  - $50,000 of additional coverage, pro-rated each day during the policy. Loss six months into policy: $1,025,000 available

Ordinance and Law – **Required**
O&L – Homeowners Policies

- Required for admitted markets
- Issue policy at 25%; must offer 50%
- Carrier does not have to allow customer to reject it
- “Packaged” together
  - Undamaged portion
  - Demolition cost
  - Increased cost of construction
O&L – Commercial Property

- **Not** included. Add via endorsement.
- **Coverage A**: Undamaged portion
  - No dollar limit needed. Select it on endorsement
- **Coverage B**: Demolition cost
  - Selected by insured
- **Coverage C**: Increased Cost of Construction
  - Selected by insured

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O&L – Commercial Property

- Can blanket Coverages B and C
  - “Blanketed” A, B, and C is not true O&L
- Some O&L has sublimits of B and C as a percentage of A.
- Stand-alone “true” O&L is about as common as snow in Florida
O&L: Non-ISO Forms

- Carrier A: $1M on A, $500,000K on B&C; no coverage in the event of wind
- Carrier B: Full A but B&C sub-limited to 2.5% per bldg; coverage includes wind
- Carrier C: Blanket A, B, C. (Huh???)

“Sometimes you can add O&L to the DIC for just DIC perils and other times you can add to the DIC for what they call extended perils (all perils but wind). I’ve seen agents show the O&L on the cert when they are doing this but the bank doesn’t understand it, doesn’t care, they see O&L and mark it off the checklist.”
O&L - The Dilemma

- Coverage not available
- Fannie/lender requires it
- Some lenders stand firm
- Some lenders will close if agency states: “Coverage is not available via our agency at the current time.”

Question #19: We are getting demands from lenders that we put “severability of interest” in an email or certificate of liability insurance for a condominium association we write a CGL for. What is this about?

Answer: The “severability” term is dated in the standard ISO CGL policy, having been replaced by “separation of insureds” two decades ago. Please see this blog for more information.

Question #20: Lenders are requiring ordinance and law coverage on a condominium master property policy. What’s with this?

Answer: Fannie Mae guidelines state that ordinance and law coverage is required on a condominium master property policy. The problem is that such coverage is typically not available. Some lenders will accept a statement from the agency that such coverage is not available, while others insist on the coverage. With Citizens, especially, there is simply no way to add the coverage. Some agents report that an email to the lender that states Citizens does not offer the coverage has been adequate for some lenders. The coverage is not available there is really nothing that an agency can do other than, perhaps, advising the customer to see a new lender who is more flexible.

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0 ratings
O&L Coverage - Summary

- Extremely important coverage...even for a brand new structure
- Always quote and recommend it. Document it “out the wazoo.”
- If it’s not available, it’s not available. Advise the lender of such

Flood Insurance

[Image of FloodSmart.gov]
NFIP - Fannie

• **General Requirements**
  • The lender must ensure that any flood insurance required for the security property is in place.
  • Fannie Mae requires flood insurance for any property that has a building, dwelling, structure, or improvement situated in a Special Flood Hazard Area (SFHA) that has federally mandated flood insurance purchase requirements...

Detached Structures

• Flood insurance is required if any part of the principal structure is located within an SFHA.
• Detached buildings—such as stand-alone garages, sheds, or greenhouses—are not considered part of the principal structure, although flood insurance may be required for them if they are also a part of the security for the mortgage.
Two NFIP policies may be required here.

Acceptable Flood Insurance

- 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 Policy Declaration page of a policy is acceptable evidence of coverage.
WARNING!!!
Lender Letter

- What will we do with the lender’s letter?
Lender Letter

• What will we do with the lender’s letter?
• Answer...use it for this:

Lender Letter

• What I would sign....
NFIP – Amount of Coverage

- The minimum amount of flood insurance required for most first mortgages secured by one to four-unit properties, individual PUD units, and certain individual condo units (such as those in detached condos, townhouses, or rowhouses) is the **lower of**:
  - 100% of the replacement cost of the insurable value of the improvements;
  - the maximum insurance available from the NFIP, which is currently $250,000 per dwelling; or
  - the unpaid principal balance of the mortgage.
NFIP – Amount of Coverage
Condo Associations

• For co-op projects and most condo projects, the amount of coverage should be at least equal to the lesser of 100%** of the insurable value of each insured building (including all common elements and property) or the maximum coverage available under the applicable National Flood Insurance Program.

NFIP – Amount of Coverage
Condo Associations

• Effective 2/1/14...
• For co-op projects and most condo projects, the amount of coverage should be at least equal to the lesser of 80% of the insurable value of each insured building (including all common elements and property) or the maximum coverage available under the applicable National Flood Insurance Program.
Condo Associations
How Many Policies Are Required

• Effective 2/1/14...
• This Guide update also clarifies that flood insurance is required if any part of a security structure on the subject property is in a Special Flood Hazard Area and definitively allows delivery of mortgages on properties located in Emergency Program communities with additional insurance requirements.

Liability Insurance
Condos, Coops, Etc

• The homeowners’ association (or co-op corporation) must maintain a commercial general liability insurance policy for the entire project, including all common areas and elements, public ways, and any other areas that are under its supervision.
• The amount of coverage must be at least $1 million for bodily injury and property damage for any single occurrence.
CGL – Severability

• If the policy does not include “severability of interest” in its terms, Fannie Mae requires a specific endorsement to preclude the insurer’s denial of a unit owner’s claim because of negligent acts of the homeowners’ association (or co-op corporation) or of other unit owners.

CGL – Severability

ISO Wording

• 7. Separation Of Insureds
• Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this Coverage Part to the first Named Insured, this insurance applies:
  • a. As if each Named Insured were the only Named Insured; and
  • b. Separately to each insured against whom claim is made or "suit" is brought.
CGL - Severability
From the Lender...

- “The COI has to state severability or the loan won’t close. You are the only agent that won’t do this?”

Agent response:

Refuse the request for “severability.” Send a copy of the policy and point out where the “separation of insureds” is. Send them my blog.
Fidelity Coverage

- Fidelity insurance is required for condo or co-op projects consisting of more than 20 units. This requirement applies to all condo and co-op review processes.
- In states that have statutory fidelity insurance requirements, Fannie Mae accepts those requirements in place of its own. The lender must verify coverage as part of its review of the project.
**The Proper Documents To Use**

**Condominium and HOA Fidelity Bond Requirements**

<table>
<thead>
<tr>
<th>Resource Categories</th>
<th>Coverage</th>
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<tr>
<td>Automobile Insurance</td>
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<td>Flood Insurance</td>
<td>5</td>
</tr>
<tr>
<td>Commercial General/Liability Insurance</td>
<td>12</td>
</tr>
</tbody>
</table>

Flood policies require all residential condominium associations to obtain and maintain a fidelity bond or insurance to protect the funds of the association. The statute in question is: 387.040 RSMO (110); The association shall obtain and maintain adequate insurance or fidelity bonding of all persons who control or administer funds of the association. The insurance policy or fidelity bond must cover the maximum funds that will be in the custody of the association at any one time. As used in this paragraph, the term “persons who control or administer funds of the association” includes, but is not limited to, those authorized to accept checks and the president, secretary, treasurer, and all other officers of the association. The association shall bear the cost of bonding.

Note that no specific amount of the bond is referenced. That was an arbitrary change made over two decades ago. Instead of specifying a bond amount, the bond must be written to cover the maximum amount of funds that the association or its management company controls.

Common questions come up about the bond requirement. A sample follows:

**Question:** The board hires a management company who controls the funds. Does the condo board still have to obtain a new bond?

**Answer:** Yes. The statute says, “The association shall obtain and maintain adequate insurance or fidelity bonding.”

**Question:** The board casually had about $485,000 of funds in their control. After a loss, the board received a check for over $1 million from their insurance company for the claim and that money has been deposited in the savings account pending repayments over the next year. Does the amount of the bond/insurance be increased?
Do not put property and/or flood here.
Recorded Lines

• “I am calling from XYZ Mortgage Company and this call is being recorded.”
• Thoughts...
• Agent response: “I am conducting a test of my phone system. Listen close and see if it sounds like I am hanging up.”

Recorded Calls

• Per SwissRe/Westport relating to depositions:
  - We do not like recorded statements, as they always have been a problem. Agents should not give recorded statements, and should request the questions in writing.
Replacement Cost Estimators

• LENDER: “Our policy is that we require that your agency send the RCE to us for this closing. It is required by the investors.”
• Thoughts....
• Agency response: “Our policy is to ignore your policy.”

Replacement Cost Estimators

• “You are the only agency that won’t send the RCE. Everyone else does.”
• “The loan won’t close without the RCE.”
• “I will call the customer and advise them that you are holding up the closing.”
• 626.9551  Favored agent or insurer; coercion of debtors.
• (1) No person may:

• (a) Require, as a condition precedent or condition subsequent to the lending of money or extension of credit or any renewal thereof, that the person to whom such money or credit is extended, or whose obligation the creditor is to acquire or finance, negotiate any policy or contract of insurance through a particular insurer or group of insurers or agent or broker or group of agents or brokers.

• (b) ... or unreasonably disapprove the insurance policy provided by a borrower for the protection of the property securing the credit or lien.

Replacement Cost Estimators

• LENDER:
  - We can close without the RCE if you will please answer this question:
    • Is coverage adequate to rebuild the structure after a total loss?
      -  __Yes  __ No
Replacement Cost Estimators

• Background...
  - Lenders used to order appraisals
  - Appraiser put figure down, it was inadequate. Appraiser got sued. (See AMH vs. Argov)
  - Appraiser learns: “I put figure down, I get sued. No more figures to be listed.”
  - Lender now says: “We need someone else to give us a figure. If that figure is too low, that person will get sued.”

Replacement Cost Estimators

• Lender now says: “We need someone else to give us a figure. If that figure is too low, that person will get sued.”
  • The lender wants that person to be you!

You need an independent insurance agent.
Replacement Cost Estimators

• From SwissRe:
  • *Agents should not provide copies of any RCE, ever.* The agency has no relationship with the lender and is under no obligation to do so. We don’t recommend that they provide it to the customer either. If they don’t provide it to the customer, then they shouldn’t provide it to anyone. It is the lender’s job to determine what they think the value of the house is, the agent is not a real estate appraiser. At most they can provide an ACORD form certificate of insurance and nothing else.

Replacement Cost Estimators

• From Citizens:
  • *(Posted 08/30/13)* Citizens has become aware that some lenders are requesting copies of the Replacement Cost Estimator (RCE) that Citizens secures for underwriting purposes. The RCEs are a part of Citizens’ confidential underwriting file, and *agents are not to provide copies of the RCE to lenders or other third parties.*
Replacement Cost Estimators

- Would the lender send you these items:
  - Loan application
  - Credit report
  - Prior financials
  - Home inspection
  - Loan underwriting file

RCE – Related Issue
Agent Email to FAIA

- We frequently get calls from lenders informing us a value calculated using a RCE is too low and telling us we must increase or else.
RCE - Related Issue

- We frequently get calls from lenders informing us a value calculated using a RCE is too low and telling us we must increase or else.

Agent to lender: “Provide me with some documentation showing where you got your figure and after consulting with my customer, I will submit it to the carrier for review.”

Tools on RCE Issue
Agency Name
Address
City, State, ZIP

TO: <<Insert Lender Name>>
RE: <<Insert Customer Name>>
Loan Number: <<Insert Loan Number>>
Date: <<Insert Date>>

On the advice of our attorneys, our independent insurance agents association, and our professional liability insurance company, we are unfortunately unable to provide your firm with a copy of the replacement cost estimator (RCE) that our agency has prepared for the above referenced customer. Additionally, several of the insurance companies that we represent have advised us that the RCE is not to be shared with any third party, including the RCE could preclude our contract with the insurance company.

Your firm prepares and obtains various reports and documents in your lending/underwriting process, such as a credit report, prior financial records to include Internal Revenue Service (IRS) returns, prior checking and savings account statements, a list of assets, and more. Just like those documents and reports are for the internal use of the lender and are proprietary documents, so too is the RCE prepared by this agency.

If your firm performs its own, or using outside insurance industry software to provide an estimated replacement cost of the structure, we recommend that you utilize the services of RCE vendors such as eValue or Marshall & Swift. Alternatively, you may entertain the services of a firm that specializes in insurance replacement cost estimates, one such firm is Castle Fire Services. Should you choose to use any of these services and obtain your own valid insurance replacement cost estimate after consultation with our customer, we will submit your estimate to the insurance company for their consideration.

Sincerely,
From:  Wednesday, October 30, 2013 4:20 PM  
To:  
Subject: Loan # 3321017839 Decker, Joseph  

To clarify what we are asking for in regards to a client, as we know you cannot send a replacement cost estimator, is a letter signed and dated by the agent on letterhead stating that the client's homeowners insurance policy covers the property to the full current replacement cost value, according to your calculations.

Please let me know if you have any questions.

Thank you!
Building and personal property coverage limits are estimates only and were arrived at based on information provided by the policyholder and/or industry standard software used to estimate replacement costs. The actual cost to rebuild the structure or replace the personal property may exceed the policy limits, especially in circumstances where a catastrophic event has disrupted the normal supply of materials, labor, and resources.

The agency makes no assurances or guarantees that the policy limits provided will be adequate to rebuild the structure or replace personal property. If there is doubt about the adequacy of the policy limits, the policyholder should obtain a professional appraisal or obtain the services of a qualified company or builder who is able to provide replacement cost estimates.
Lender Specific Forms

CONDOMINIUM INSURANCE COVERAGE QUESTIONNAIRE

TO:

RE: Condominium Project: 365 SE 6th Ave

Address: 365 SE 6th Ave

Current Owner: ____________________________  Buyer/Mortgage Applicant: ____________________________

As an officer of the above referenced condominium association, I understand that the above referenced buyer has applied to TD Bank for a mortgage loan.

I also understand that in order for this application to be approved, the condominium must meet certain insurance requirements. Therefore, I certify that the answers to the questions below are true to the best of my knowledge.

1. Is there a multi peril ('master' or 'blanket') fire and extended coverage hazard insurance policy in effect for the owners' association with the association shown as the 'named insured'? □ Yes □ No

2. Is the amount of the insurance equal to 100% of the current replacement cost of the insurable improvements (if a condominium project) or 100% of the current replacement cost of the insurable improvements to the common area (if a PUD)? □ Yes □ No

The amount of insurance in force is ____________________________
Condominium Insurance Coverage Questionnaire

9. If there is a management company, is the management company included as a “named insured” on the owners’ association’s bond policy?  
   If yes, the amount of coverage is $ ______________.  
   □ Yes □ No

10. Is flood insurance in force?  
    If yes, the amount of coverage is $ ______________.  
    Is the Flood coverage from the National Flood Insurance Program (NFIP)?  
    □ Yes □ No

What is the replacement cost of the building? $ ______________.  
Is the Flood coverage equal to 50% replacement cost of the building?  
   □ Yes □ No

Is the unit on which we are lending located in a building that is covered under this binder?  
   □ Yes □ No

11. Is earthquake insurance in force?  
    If yes, the amount of coverage is $ ______________.
Lender Email

• Property Address:
• Policy Number:
• Is this the clients - Primary [ ] Secondary [ ]
  Investment [ ] Property?
• Is wind included in coverage?
• Yearly premium amount($) 
• Premium remaining balance due($)?
• Yearly 2013-2014 Premium amount($)?
• Premium remaining balance due 2013-2014 ($)?

Lender Email - Response

• Property Address: See dec page
• Policy Number: See dec page.
• Is this the clients - Primary [ ] Secondary [ ]
  Investment [ ] Property? Ask the customer.
• Is wind included in coverage? See dec page.
• Yearly premium amount($) See dec page
• Premium remaining balance due: See dec page.
• Yearly 2013-2014 Premium amount($)? See dec page
February 20, 2013

Mr. David Thompson CPCU
Florida Association of Insurance Agents
PO Box 12120
Tallahassee, Florida 32317-2129

Dear Mr. Thompson:

This will confirm our conversation earlier today regarding the demands placed on insurance agents by lenders. It is our understanding lenders are making the following requests to insurance agents:

Requests for unique wording: It is not uncommon that lenders advise the insurance agent that wording such as “100 percent replacement cost,” “guaranteed replacement cost,” “full replacement cost,” and similar wording must appear on the “Evidence of Property Insurance (EPI).” These terms are not defined in the standard homeowners policy and such coverage is not provided in the policy. An insurance agent who adds wording to an EPI or binder that is not supported by the policy violates Florida Statute 625.9541(1) and risks the loss of his/her insurance license as well as substantial fines from the Department of Financial Services. Lenders should not request such wording on an EPI or binder and should accept a properly completed EPI or binder from the insurance agent as valid proof of insurance.
Reminder...Source Document
In Summary

- Don’t be forced down the illegal highway or the wrong highway.

As We Conclude…

- E-mail me with questions
- Dthompson@faia.com

- Slides:
  - www.faia.com/lenders