



VIP Insurance Requirements: Flood Zones and Flood Insurance

Insurance Requirements: Flood Zones and Flood Insurance

Flood Zone:

- Zone must match on flood cert AND flood policy
- Exception: we allow for discrepancy between AO and AOB zone classification between the flood cert and flood policy

Deductible:

- Individual Policy – Max \$5,000
- Master Flood Policy – Max \$25,000 per building

Coverage:

- Individual Policy
 - o \$250,000 NFIP max OR
 - o Equal to/exceed the replacement cost coverage on the hazard policy
- Master Flood Policy – take total coverage divided by total # units for our subject property
 - o 100% of full replacement cost (or similar verbiage to indicate “guaranteed replacement”) OR
 - o \$250,000 NFIP max per unit

Other Detached Structures

- Other DETACHED structures, in addition to the main house – requires separate flood policy if it does not state that it's included in main flood policy
 - o Review appraisal, photos, sketches – if structure is given a value of \$5,000 or more.
 - o Examples: barn, guest home, large storage facility/shed, workshop, tack room, horse facilities. A permanent structure with 2 rigid walls affixed to the property counts.
 - o Exception: A detached garage can be covered under the same flood policy as subject property
 - o Separate Flood policy requirements:
 - Must have flood coverage that is at least equal to the value given on appraisal for structure
 - Example: Tack room valued at \$11,000 needs a policy with \$11K flood coverage
 - If no value given: request appraiser for value, or insurance company to provide estimated value
 - Must indicate “Other structures – (list type of structures)”. If multiple detached structures, need the structures itemized.
 - Example: “Other structures – tack room and horse facilities”

Policy Requirements

- Acord, Binder, and Quotes are not acceptable
- Acceptable forms of documentation – 2 options ONLY:
 - FEMA Flood Application – must fully completed and include correct info, along with listed premium, and signed by borrowers and agent for acknowledgement
 - Flood Dec Page – contains all requirements, along with listed premium
- Premium payment – 2 options ONLY:
 - Evidence showing 1st full year premium has been paid in full
 - Evidence 1st full year premium collected and paid on final HUD-1

Forms/Disclosures

- Flood Hazard Notice (page 2 of flood cert) – must be signed/dated 3 days prior to closing
- Flood Servicing Disclosure – no wait period; can be signed at closing

Borrower Information

- All borrowers' names match final 1003 (including suffix if applicable):
 - Middle initial may differ.
- Name Examples:
 - 1003 shows Michael Smith, Insurance shows Mike Smith. We need insurance updated to show Michael.
 - 1003 shows Michael D. Smith, Insurance shows Michael Smith. We don't need insurance updated.
- All borrowers must appear on the policy.
 - May have additional insured, if applicable (e.g., non-borrowing spouse).
 - The name of the insured can be listed in any order, but must include our borrower(s) name.

Policy Information

- Policy Number: Required, no quotes allowed.
- Effective dates, Purchases must be on or before the funding date of the same month.
 - Policy period must extend at least 12 months from date of closing.
- Effective dates, Refinances: Need at least 60 days remaining after the note (signing) date. If not, do one of the following:
 - Renewal policy and collect the new premium at closing.
 - Or collect current premium at closing.
- Premium payment: We cannot assume the premium is paid in full.
 - We need one of the following:
 - Evidence paid in full.
 - Unpaid invoice or amount to collect at closing.
- Escrows Waived: Need written proof that account is paid current with no lates.
- Subject Property Address must match the 1003 and USPS.
- Primary Refinance Address: Mailing and subject addresses must match.

Mortgagee Clause

- All branches must show corporate address:
 - o 4900 N. Scottsdale Rd. Ste. 6000
 - o Scottsdale, AZ 85251
- Mortgagee name: Standard: V.I.P. Mortgage, Inc., ISAOA
- Texas and California must use V.I.P. Independent Mortgage, Inc., ISAOA
- V.I.P. Loan Number must be listed on evidence.

Coverage Information

- Must indicate it's for dwelling, building or property
 - o Personal property cannot be included in dwelling coverage amount
 - o "Other Structures" can be included in the total dwelling coverage amount
- Must have sufficient coverage that meets one of the following:
 - o Loan amount
 - o Cost to build new (see appraisal page 3 "Total Estimate of Cost-New")
 - o No appraisal loans = use current home value and subtract the assessed land value (from tax cert)
 - o Policy or remarks must indicate "replacement cost coverage". May be listed in the body of the policy, fax cover sheet, additional detail page, or other correspondence directly from insurance company.
- Investment properties – Need at least 6 months of rent loss or needs to include "landlords" verbiage

Deductible Information

- All loans (except specialty programs) – Max deductible is 5% of dwelling coverage
- Specialty program (e.g., DPA, Bond or CHFA) – Max deductible is the lesser of 1% of the policy or \$1,000.

V.I.P. Mortgage, Inc. does not discriminate in any aspect of a credit transaction on the basis of sex, marital status, race, religion, national origin, age, income derived from public assistance, or the good faith exercise of rights under the Consumer Credit Protection Act.