Section 1.14 – Hazard and Flood Insurance

In This Policy Section

This policy section contains the following topics.

Overview

General

Agency Loan Programs
Reference: See the "Property and Flood Insurance" topic outlined in Section 2.01 Agency Loan Programs of the *Correspondent Seller Guide* for hazard and flood insurance guidelines for Agency loan programs.

FHA Loan Programs
Reference: See the "Property and Flood Insurance" topic outlined in Section 2.22 The FHA 203(b) Loan Programs of the *Correspondent Seller Guide*.

VA Loan Programs
Reference: See the "Property and Flood Insurance" topic outlined in Section 2.23: Veterans Administration (VA) Loan Program of the *Correspondent Seller Guide*.

RD Loans
Reference: See the property and flood Insurance topic outlined in RD Handbook 3555-1.

Key Loan Program

- Property insurance, including homeowners/hazard policies, fire policies and flood policies, is required for all loans.
- The type of insurance required depends on varying factors such as property type, occupancy, the flood zone improvements are located in, etc.

Note: The Mortgage obligates the Mortgagor thereunder to maintain all such insurance at the Mortgagor's cost and expense, and on the Mortgagor's failure to do so, authorizes the holder of the Mortgage to maintain such insurance at the Mortgagor's cost and expense and to seek reimbursement therefor from the Mortgagor and may not be canceled, reduced or terminated without 30 days' prior notice. If the Mortgaged Property is a condominium unit, it is included under coverage afforded by a blanket policy for the project.

Suspension of Policy Issuance Due to Impending Disaster Warnings

In the event of impending disasters (earthquake, hurricane, tornado, etc.), insurance companies may suspend the issuance of new policies until there is no longer a risk to the property from the disaster. **Under no circumstances can loans be closed until such time as a policy can be obtained.**

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Enforceable Insurance Policy

With respect to any insurance policy including, but not limited to, hazard, title, or mortgage insurance, covering a Mortgage Loan and/or the related Mortgaged Property, (A) such policy (i) is a valid, binding and enforceable obligation of the qualified insurer and is in full force and effect and will inure to the benefit of the Purchaser and will be in full force and effect upon the consummation of the transactions contemplated by the Correspondent Loan Purchase Agreement, and (ii) contains a standard mortgagee clause naming the Seller, its successors, and its assigns as mortgagee, (B) neither the originator nor any prior holder has engaged in any act or omission which would impair the coverage of any such policy, the benefits of the endorsement, or the validity and binding effect of either, including without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind has been or will be received, retained or realized by any attorney, firm or other person or entity, and no such unlawful items have been received, retained or realized by the originator, (C) all premiums due thereunder have been paid, and (D) all provisions are being complied with and no action, inaction, or event has occurred and no state of facts exists or has existed that has resulted or will result in the exclusion from, denial of, or defense to coverage under any such policy, irrespective of the cause of such failure of coverage. Where required by state law or regulation, the Mortgagor has been given the opportunity to choose the carrier of the required insurance.

Related Bulletins

General

Related bulletins are provided below in PDF format. To view the list of published bulletins, select the applicable year below.

- 2021
- 2020
- 2019
- 2018
- 2017
- 2016

Hazard Insurance – 1-4 Unit Single Family Dwelling

General

Hazard Insurance is required for owner occupied primary residences.

Reference: See the topic "Fire Insurance" for information regarding investment property and second home requirements.

Property Address

Property Address must agree with the survey, appraisal, and security instrument. If the mailing address is different from the property address, both must appear on the policy.

Coverage Amount

The appropriate amount of hazard insurance is determined as the lesser of:

- 100% of the insurable value of the improvements with replacement cost coverage, as established by the property insurer, or
- the unpaid principal balance of the mortgage, or the combined unpaid principal balance of the first and any secondary financing, as long as it equals the minimum amount required to compensate for damage or loss on a replacement cost basis, typically 80% of the insured value of the improvements. If it does not, then coverage that does provide the minimum required amount must be obtained.

Note: The coverage can exceed 80%, but typically cannot be less than 80% to the policy's co-insurance provisions.

Insurable Value Defined

Insurable value, as established by the property insurer is the construction cost to build the improvements new (includes square footage, type of improvement(s), amenities, land area, etc.). The Dwelling plus Other Structures coverage will be used as insurable value.

Note: It is the insurance company's responsibility to research data in order to make this determination. Truist does not provide information to make this determination.

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Formula for Determining Amount of Required Coverage

The following table shows the steps required to determine the amount of required hazard insurance coverage.

<table>
<tr><th>Step</th><th>Action</th></tr>
<tr><td></td><td></td></tr>
<tr><td>1</td><td>Compare the insurable value of the improvements (as established by the property insurer) to the unpaid principal balance of the mortgage.

Use one (1) of the following options.

<table>
<tr><th>IF the insurable value of the improvements is…</th><th>THEN…</th></tr>
<tr><td>A. less than the unpaid principal balance of the mortgage</td><td>the amount of coverage required equals the insurable value.</td></tr>
<tr><td>B. greater than the unpaid principal balance of the mortgage</td><td>go to Step 2.</td></tr>
</table></td></tr>
<tr><td>2</td><td>Calculate 80% of the insurable value of the improvements.

Use one (1) of the following options.

<table>
<tr><th>IF the result of this calculation is…</th><th>THEN the required coverage amount equals…</th></tr>
<tr><td>A. equal to or less than the unpaid principal balance of the mortgage</td><td>the unpaid principal balance.</td></tr>
<tr><td>B. greater than the unpaid principal balance of the mortgage</td><td>the calculated figure.</td></tr>
</table>
Examples:

<table>
<tr><th>Category</th><th>Property A</th><th>Property B</th><th>Property C</th></tr>
<tr><td>Insurable Value</td><td>$90,000</td><td>$100,000</td><td>$100,000</td></tr>
<tr><td>Unpaid Balance</td><td>$95,000</td><td>$90,000</td><td>$75,000</td></tr>
<tr><td>80% Insurable Value</td><td>N/A</td><td>$80,000</td><td>$80,000</td></tr>
<tr><td>Required Coverage</td><td>$90,000</td><td>$90,000</td><td>$80,000</td></tr>
<tr><td>Calculation Method</td><td>Step 1A</td><td>Step 2A</td><td>Step 2B</td></tr>
</table></td></tr>
</table>

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Deductibles

Fire and/or Extended Coverage
A maximum deductible of up to 5% of the face amount of the policy is allowed.

Wind-Loss Deductibles Only
When a policy provides for a separate wind-loss deductible (either in the policy itself or in an endorsement to it), a deductible of up to 5% of the face amount of the policy is allowed.

Exclusions from Coverage

Policies **cannot** limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that are normally included under an extended coverage endorsement.

Mortgagee Clause

Mortgagee Clause must read as follows:

Truist Bank, its successors and/or assigns, as their interest may appear (ISAOA/ATIMA)
P.O. Box 7952
Springfield, OH 45501-7952

Policy Term

The inception date of the policy must be no later than the date of loan closing or no earlier than thirty (30) days prior. The Term must be for a minimum of twelve (12) months. Policy terms greater than one (1) year (e.g., 3-year terms, life term, etc.) are acceptable.

Policy Prepayment

The policy shall be prepaid for a minimum of one (1) year at closing or prior to closing.

Binder Term

Binder Term must be for thirty (30) days from the closing date or the state requirement, whichever is greater. A policy must be issued from the insurance agency/company and received by Truist, prior to binder expiration date.

Receipt

If Client Chooses to Pay Homeowner's Insurance:	Verify Payment By:
In advance	• Obtain a signed paid receipt from the insurance company stating that the premium for the first year of coverage has been paid in full, and • Settlement Statement must reflect the repayment of the policy in advance as a P.O.C.
At closing	• Reviewing the insurance binder to verify that the client obtained homeowner's insurance. • Ensure the insurance premium amount is indicated on the settlement statement.

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Acceptable Rating Agencies

- The company used to insure the property must be rated by one of the following rating agencies listed in the table below:
- The company must also satisfy the rating criteria specified below, unless acceptable alternative arrangements are in effect.

Insurance Rating Agency	Insurance Rating Agency Website	Acceptable Rating
A.M. Best Company	www.ambest.com/ratings	• "B" or better general policyholder's rating in Best's *Insurance Reports*, with the following exception: "B-" rating is acceptable ONLY if the insurance company is State Farm Florida Insurance Company. • "A" or better Financial Strength Rating and a Financial Size Category of "VIII" or greater in Best's *Insurance Reports Non-US Edition,* • Carriers providing coverage for cooperative projects must have a general policyholder's rating of "A" and a Financial Size Category of "V" in Best's *Insurance Reports.*
Demotech, Inc.	www.demotech.com	"A" or better rating under Demotech's Hazard Insurance Financial Stability Ratings.
Standard and Poor's, Inc.	www.standardandpoors.com	"BBB" or better Insurer Financial Strength Rating in Standard and Poor's *Ratings Direct Insurance Service.*

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Alternative Arrangements

State "Fair Access to Insurance Requirement"

- Coverage underwritten by a state's "Fair Access to Insurance Requirement" (FAIR) plan is also acceptable, if it is the only coverage that can be obtained.
- In addition, coverage obtained through state insurance plans—such as Florida's Citizens Property Insurance Corporation, or other state-managed windstorm and beach erosion insurance pools is acceptable—if that is the only coverage that is available.

Perpetual Homeowner's Insurance Policies

Perpetual policies are insurance policies where the insured has paid the premium in advance for the life of the risk. Once the policy is cancelled, the insured receives a refund of the full premium. The carrier uses the funds to invest and any funds paid out for any damage or repairs to the home will come from an investment fund. The policy has no effective date or expiration date.

Escrow

The escrow collection must be based on a sufficient number of months of escrow to pay the renewal premium on the expiration date. The amount is based on the premium due at closing.

Refinances

Individual Hazard Insurance Policies (includes HO-3 & HO-6)

Individual hazard insurance policies for refinance loan transactions must adhere to the following:

- The coverage must be adequate and in place at time of closing.
- If the policy is expiring within 45 days of closing, collect the renewal at closing or obtain the paid receipt and updated documentation from the borrower prior to closing.
  - The updated documentation is a copy of the existing policy, including the hazard insurance declarations page if applicable, and a detailed renewal bill (should have all of the standard information on the declarations page) with proof of payment from the insurance agent or company. Compare the renewal bill with the existing policy to ensure nothing substantive has changed. The policy must show the following:
    - Correct Truist mortgagee clause,
    - Sufficient coverage for new loan, and
    - New loan number.

Hazard Insurance – Condominium

General

Non-Agency Loan Programs

- Hazard Insurance is required for all occupancy types.
- Condominium projects' hazard insurance policies must cover commonly-owned property and the privately-owned unit.
- Hazard insurance coverage must be verified at the project level as part of the project review.
- Because Master/Blanket policies may or may not extend to the unit itself, the project's legal documents (covenants, conditions and restrictions) must be reviewed to see what kind of coverage is in place.
- If the project's legal documents allow for the individual unit owners to obtain their own hazard insurance policy and allow for a blanket insurance policy to cover the project's common elements, two policies are acceptable to satisfy insurance requirements.
- The lender must verify that both the project and individual unit are covered by the required hazard insurance policies.
- The following insurance policies are not permitted:
  - a blanket master insurance policy that covers multiple unaffiliated condominiums or associations of projects, or
  - a master insurance policy that is a self insurance arrangement whereby the owners' association is self insured or has banded together with other unaffiliated associations to self insure all of the general and limited common areas.

Reference: See the topic "Fire Insurance" for information regarding investment property and second home requirements.

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All in Policy

- An "all-in" policy is a Master Policy which is negotiated and purchased by the board of directors.
- It covers all the condominium common areas (grounds, pool, clubhouse, tennis courts, parking lot and the outside of the condominium) and individual units (interior walls and permanent fixtures, i.e., sinks and cabinets).
- The master policy must include replacement of improvements and betterment coverage to cover any improvements that the borrower may have made to the unit.
- Each unit is covered except for personal possessions.
- A copy of the current Master Policy and a Certificate of Insurance, covering the individual unit, must be obtained.
- The Certificate of Insurance requirements are described below:
  - Name of Unit owner – must be the same as on the security instrument and deed.
  - Property Address and Unit Number – must read the same as on the appraisal and deed.
  - Insured's Name, Building Coverage Amount, Deductibles and Mortgagee Clause are addressed in the *Condominium Insurance Coverage and Deductible Requirements Chart*.

Bare Walls Policy

- A "bare walls" policy is a Master Policy which is negotiated and purchased by the board of directors.
- It covers all the condominium common areas (grounds, pool, clubhouse, tennis courts, parking lot and the outside of the condominium) often ending at the condominium's inside walls.
- It does not cover the individual unit (interior walls and permanent fixtures, i.e., sinks, cabinets, etc.).
- In addition to the "bare walls" Master Policy, an individual unit owner's HO-6 Policy is also required.
- A copy of the current Master Policy and the HO-6 Policy must be obtained.

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HO-6 Policy

- Truist will require an escrow for HO-6 Insurance coverage on any attached condominium unit for which the master policy does not cover the components of the individual units, including betterments and improvements.
- The HO-6 policy is one obtained by the unit owner to insure their personal content such as furniture/furnishings, as well as all interior improvements such as interior walls, ceilings, electrical fixtures, air conditioner, heating equipment, water heater, built-in cabinets and countertops, floor/wall coverings, etc.
- An HO-6 policy provides separate coverage amounts for personal content, and for the unit improvements.
- When the unit owner obtains their HO-6 policy, their insurance agent is instrumental in helping them determine an appropriate amount of coverage for both content and interior improvements. However, whenever there is concern that the unit improvements may not be adequately insured under an HO-6 policy, lenders are encouraged to contact the insurance carrier/agent prior to closing to discuss.
- This should also be applied when evaluating if the HOA has Master/Blanket insurance that fully complies with Fannie Mae eligibility requirements.
- Insured's Name, Building Coverage Amount, Deductibles and Mortgagee Clause are addressed in the *Condominium Insurance Coverage and Deductible Requirements Chart.*
- When all of the unit components, including any betterments or improvements, are not already covered by the association's master policy, the borrower must obtain an individual HO-6 policy that provides coverage sufficient to repair the condo unit to its condition prior to a loss claim event. The amount of coverage required will be determined (and verified in writing) by the insurer, appraiser, architect, engineer or a licensed contractor.
- The indication that "unit owners coverage included" is not sufficient to determine if this coverage complies with the HO-6 requirement.
- If the policy does include for "betterments and improvements" contained within the individual unit that is insured, the lender should also know for what amount.
- The escrow will be required for all government (FHA, RD and VA) loans without adequate unit coverage provided through the master policy. For conventional and STI portfolio loans, the HO-6 insurance escrow requirement can be waived under the same terms and conditions that apply to HO-3 insurance policies (individual hazard policies).
- HO-6 must be included in the analysis of the borrower's mortgage-payment-to-income and debt-to-income ratio calculations regardless if the coverage is escrowed or not.

Master Insurance Requirements

- The following insurance is not permitted for transactions secured by condominium units:
  - A blanket master insurance policy that covers multiple unaffiliated condominiums or associations of projects, or
  - A master insurance policy that is a self insurance arrangement whereby the owners' association is self insured or has banded together with other unaffiliated associations to self insure all of the general and limited common areas.
- When all of unit components, including any betterments or improvements, are not already covered by the association's master insurance policy, the borrower must obtain an individual HO-6 policy that provides coverage sufficient to repair the condo unit to its condition prior to a loss claim event. The amount of coverage required will be as determined (and verified in writing) by the insurer, appraiser, architect, engineer or a licensed contractor.

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Condominium Insurance Coverage and Deductible Requirements Chart

	All-in Master	Bare Walls Master	HO-6 Policy
Name of Insured	Owners' Association	Owners' Association	At least one titleholder
Coverage	100% of the insurable replacement cost of the project improvements, including the individual units. [1]	100% of the insurable replacement cost of the project improvements.[1]	• Purchase and Refinance – When all of the unit components, including any betterments or improvements, are not already covered by the association's master insurance policy, the borrower must obtain an individual HO-6 policy that provides coverage sufficient to repair the condo unit to its condition prior to a loss claim event. The amount of coverage required will be as determined (and verified in writing) by the insurer, appraiser, architect, engineer or a licensed contractor.
Deductibles for Fire and/or Extended Coverage and Wind-loss only	Up to 5% of the face amount of the policy is allowed	Up to 5% of the face amount of the policy is allowed	Up to 5% of the face amount of the policy is allowed
Exclusions from coverage	Policies cannot limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages or any other perils that are normally included under an extended coverage endorsement.	Policies cannot limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages or any other perils that are normally included under an extended coverage endorsement.	Policies cannot limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages or any other perils that are normally included under an extended coverage endorsement.
Mortgagee Clause	Truist Bank, its successors and/or assigns, as their interest may appear (ISAOA/ATIMA) P.O. Box 7952 Springfield,OH 45501-7952	Truist Bank, its successors and/or assigns, as their interest may appear (ISAOA/ATIMA) P.O. Box 7952 Springfield, OH 45501-7952	Truist Bank, its successors and/or assigns, as their interest may appear (ISAOA/ATIMA) P.O. Box 7952 Springfield, OH 45501-7952
Policy Term	12 months	12 months	12 months

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Condominium Insurance Coverage and Deductible Requirements Chart, continued

	All-in Master	Bare Walls Master	HO-6 Policy
Notices of Changes or Cancellation	The insurance policy should require the insurer to notify in writing the owners' association and each first mortgage holder	The insurance policy should require the insurer to notify in writing the owners' association and each first mortgage holder named in the mortgagee clause at least ten (10) days before it cancels or substantially changes coverage.	The insurance policy should require the insurer to notify in writing the first mortgage holder named in the mortgagee clause at least ten days before it cancels or substantially changes coverage.

[1] An insurance policy including either of the following endorsements will ensure 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 coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance); or
- A Replacement Cost Endorsement (under which the insurer agrees to pay up to 100 Percent of the property's insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).

Refinances

- Master condominium hazard insurance policies for refinance loan transactions must adhere to the following:
  - The coverage must be adequate and in place at time of closing.
  - The documentation required is either a copy of the current policy or the declaration page and a certificate of insurance for the unit showing:
    - Correct Truist mortgagee clause for the unit,
    - Sufficient coverage for the subject building, and
    - New loan number.
- HO-6 individual hazard insurance policies for refinance loan transactions must adhere to the following:
  - The coverage must be adequate and in place at the time of closing.
  - If a policy is expiring within 45 days of closing, collect the renewal at closing or obtain the paid receipt and updated documentation from the borrower prior to closing.
    - The updated documentation is a copy of the existing policy, including the hazard insurance declaration page if applicable, and a detailed renewal bill (should have all of the standard information on the declaration page) with proof of payment from the insurance agent or company. Compare the renewal bill with the existing policy to ensure nothing substantive has changed. The policy must contain the following:
      - Correct Truist mortgagee clause for the unit,
      - Sufficient coverage for the subject building, and
      - New loan number.

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Special Endorsements

- The following endorsements are required for condominium projects:
  - An Inflation Guard Endorsement, when it can be obtained;
  - Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land-use law will result 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 stand-alone boiler and machinery coverage.
- In addition, the policy for a condominium project should provide that
  - any Insurance Trust Agreement will be recognized;
  - the right of subrogation against unit owners will be waived;
  - the insurance will not be prejudiced by any acts or omissions of individual unit owners that are not under the control of the owners' association; and
  - the policy will be primary, even if a unit owner has other insurance that covers the same loss.

Note: These provisions usually are covered by a Special Condominium Endorsement.

Acceptable Rating Agencies

Reference: See "Acceptable rating agencies" in the topic "Hazard Insurance – 1-4 Unit Single Family Dwelling" in this document for additional information on rating agencies.

Alternative Arrangements

Reference: See "Alternative arrangements" in the topic "Hazard Insurance – 1-4 Unit Single Family Dwelling" in this document for additional information.

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PUD Insurance Requirements

Attached PUD Requirements for Units Being Insured Individually

Attached PUD units being insured individually must follow the requirements specified below for 1-4 unit properties.

The PUD project and the subject unit must meet all applicable insurance requirements as outlined in the table below:

Type of Insurance	Requirements
Hazard Insurance	• Subject dwelling must be covered as per the requirements as shown in the Property Insurance section of the Correspondent Seller Guide for 1-4 unit single family dwellings. • The HOA must maintain a property insurance policy with premiums being paid as a common expense to cover common areas. • If the subject is insured under a master policy, the master policy must insure the common area and property for 100% of the replacement cost under a commercial package policy. <u>Reference</u>: See "HO6 (Interior Unit Coverage)" subsequently presented in this table for additional information.
HO6 (Interior Unit Coverage)	• Truist will require an escrow for HO-6 insurance coverage on any attached PUD unit that is not being insured individually under an HO-3 policy and for which the master policy does not cover the components of the individual units, including any betterments and improvements. • When all of the unit components, including any betterments and improvements, are not already covered by the association's master insurance policy, the borrower must obtain an individual HO-6 policy that provides coverage sufficient to repair the PUD unit to its condition prior to a loss claim event. The amount of coverage required will be as determined (and verified in writing) by the insurer, appraiser, architect, engineer or a licensed contractor. • The escrow will be required for all government (FHA and VA) loans without adequate unit coverage provided through the master policy. For conventional and STI portfolio loans, the HO-6 insurance escrow requirement can be waived under the same terms and conditions that apply to HO-3 insurance policies (individual hazard policies). • HO-6 must be included in the analysis of the borrower's mortgage-payment-to-income and debt-to-income ratio calculations regardless if the coverage is escrowed or not.
Flood Insurance	• If in a flood zone, the subject and all common areas must be covered as per the requirements shown in the Flood Insurance Procedures section of the Correspondent Seller Guide.
Liability Insurance	• Project must maintain commercial general liability insurance covering ALL common areas, common elements, commercial spaces and public ways in the PUD. Minimum required coverage is $1M and the Association of Owners of the PUD must be the named insured.

Detached PUD Requirements

Detached PUD projects must be covered per the hazard insurance requirements for 1-4 unit single family dwellings.

Fire Insurance

Single Family (1-4 unit) Dwelling

- Fire Insurance or Landlord/Rental Property Insurance is required for all investment single family 1-4 unit properties (including Condo/PUD for properties being individually insured) and must contain coverage for the following:
  - Physical damage to the property caused by fire, wind, hail, lightning, explosion, or storm,
  - Structures on the property,
  - Liability, and
  - Medical payments.
- The main difference between a Fire Insurance policy and a Hazard Insurance policy is that fire insurance typically does not cover the contents inside the property.
- All of the required information for hazard insurance also applies to a fire policy, except the mailing address will be different from the property address, but both must show on the policy.

Acceptance of Combined Insurance Policies

General

Occasionally, a borrower will have a combined policy of various insurance types (i.e., hazard, automobile, jewelry, etc.). Truist will accept this type of policy, **only** if the hazard insurance portion of the policy can be billed separately from the other coverages. Also, Truist will escrow only for the hazard insurance portion of the policy.

Flood Insurance

General

- Flood insurance coverage is required for all residential buildings on the mortgaged premises if any part of the structure is located within an SFHA. If two or more residential structures are located on a security property (for example, a principal structure and a guest house), all structures with any part in an SFHA must be covered by adequate flood insurance. (The "principal structure" is the primary residential structure on the security property.)
- The following tables describe when flood insurance is required.

Agency Loan Programs	
If…	**Then flood insurance…**
any part of the principal structure on a property securing the mortgage loan is located in an SFHA	is required on the principal structure.
a non-residential detached structure attached to the land on a property securing the mortgage loan has any part located in an SFHA,	is not required on the non-residential detached structure.
a residential detached structure on a property securing the mortgage loan has any part located in an SFHA, ***Truist's Definition of Residential Structure***: A structure generally serves as a residence if it includes sleeping, bathroom, or kitchen facilities. A structure with more than one of these facilities may serve as an individual's residence. A structure with only one of these facilities would render the structure non-residential.	is required on the residential detached structure.

Continued on next page

General, continued

Non-Agency Conventional Loan Programs	
If...	**Then flood insurance...**
any part of the principal structure on a property securing the mortgage loan is located in an SFHA	is required on the principal structure.
a non-residential detached structure is attached to the land, was given a value (as reported on the appraisal, if obtained) of $10,000 or more, serves as part of the security for the mortgage loan, and has any part located in an SFHA,	is required on the non-residential detached structure.
a non-residential detached structure is attached to the land, was given a value (as reported on the appraisal, if obtained) of less than $10,000, serves as part of the security for the mortgage loan, and has any part located in an SFHA,	is not required on the non-residential detached structure.
a residential detached structure on a property securing the mortgage loan has any part located in an SFHA, ***Truist's Definition of Residential Structure***: A structure generally serves as a residence if it includes sleeping, bathroom, or kitchen facilities. A structure with more than one of these facilities may serve as an individual's residence. A structure with only one of these facilities would render the structure non-residential	is required on the residential detached structure.

- All loans require flood insurance, when the **property improvements** are located in special flood hazard area zones beginning with the letters "A" or "V. The requirements outlined in this topic must be followed to ensure compliance with the National Flood Insurance Act.
- Risk or "all risk" or GAP policies are not acceptable.
- Policy must be a FEMA policy or acceptable private flood policy consistent with NFIP standards.

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Flood Hazard Determination

- Correspondent lenders must obtain an initial flood determination from a third party vendor who guarantees the validity of their information. This determination must be in all files submitted to Truist for purchase. The basic determination must contain the following information:
  - Property location
  - Community number
  - FEMA panel number and map date
  - Zone code
  - Community status
  - Appropriate lender ID in block 3, section 1 as follows:
    - FDIC-insured lenders should indicate their FDIC Insurance Certification Number, or
    - Federally-insured credit unions should indicate their charter/insurance number, or
    - Farm Credit institutions should indicate their Unique Identifier Number (UNINUM), or
    - Other lenders who fund loans sold to or securitized by Fannie Mae or Freddie Mac should enter the Fannie Mae or Freddie Mac seller/servicer number.

  Note: If a correspondent lender does not fall into one of these four (4) categories, FEMA does not require the lender to enter a number on the flood determination.

- Truist will order the life-of-loan tracking for all loans.

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Flood Act Requirements

The following Flood Act requirements apply:

- The Standard Flood Hazard Determination, FEMA Form 81-93 determines whether flood insurance is required.
- If a property is in a SFHA:
  - The community must participate in the National Flood Insurance Program (NFIP) on a regular, emergency or probationary basis. If a property requires flood insurance and the community in which it is located is either, non-participating or suspended, the loan is ineligible for Truist to purchase.
  - The application must be denied or file declined according to established procedures by the lender. The reason for denial on the Adverse Action Notice would be, "Flood insurance not available due to community status."
  - The borrower must still receive the standard Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance form.

    Note: The Correspondent client must include the flood determination, any required Notice to Borrower and proof of coverage in the loan file submitted for purchase.

  - The Flood Hazard Notice (Exhibit 1) must be given to the borrower(s) and signed by the borrower(s) prior to closing or as soon as the lender learns the property is in a SFHA.
  - Correspondent clients must include the flood determination, the required Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance (signed by borrower and client) and proof of flood insurance coverage in the loan file submitted for purchase.
  - Regular, emergency or probationary status: a Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance and flood insurance are required.
- The flood determination/certification form received from the various flood determination vendors have a place for the lender and borrower(s) to sign, however, the signatures are not a required part of the form.
- See the "General" subtopic previously presented in the "Flood Insurance" topic for guidance regarding when flood insurance is required.

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Escrows

- Truist requires an escrow for flood insurance, regardless of LTV:
  - If the product requires the establishment of escrows, or
  - If the subject property is a primary residence (all transaction types), second homes (all transaction types) or a cash-out refinance investment property, or
  - If the subject property is a condominium and all individual flood insurance policies for the condominium unit shows the client as the insured, including flood insurance policies that are required to supplement a Residential Condominium Building Association Policy (RCBAP) shortfall.
    - A condominium and some PUD properties are not required to establish an escrow for flood insurance if that condominium or PUD property has a master policy that carries sufficient flood coverage and that policy reflects the HOA as the insured and not the subject. However if it is acceptable for the client to obtain an individual flood policy, then mandatory escrow is required for the individual policies.

Notes:

- You cannot waive mortgage insurance escrow.
- If the borrower chooses to obtain flood insurance when it is not required based on the flood certification, Truist will not escrow for the insurance.
- Truist Bank must still reflect as Mortgagee on the flood policy.
- When flood insurance is obtained for a home where flood insurance is not required, there are no minimum coverage limits.
- Optional flood insurance is not required to be included in the borrower's DTI.

Address Differences

- Occasionally a flood determination will be returned to the lender showing a slightly different address than the one that was sent; for example, a street type might change from Fork to Court, a directional (e.g., NE) might be removed or added, or a property might even seem to change towns.
- Flood determination companies have detailed processes for address verification which include an address standardization process. If the address can be confirmed through this process a flood determination will be issued. Even if the determination shows a slightly different address the fact that a flood determination is returned means that the address has been standardized and it is the same.
- If the address standardization process cannot be successfully completed the lender will be required to supply additional information, such as parcel number, legal description or homeowner's name. Based on that additional data, the flood determination will be returned and again, even if there is a discrepancy in the property address, it is on the right property.
- The address standardization process, however, does not eliminate the need to input the most accurate address possible, including city and state.

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Truist Internal Information Only

- The origination system should be updated to match the standardized address of the security property on the flood determination to ensure correct HMDA reporting and Geocoding by the Correspondent Lender.
- It is permissible to have one address on the flood determination and the origination system and another elsewhere in the file, as long as the address differences are minor.

Flood Determination Vendor

- Truist does not require that you use a particular flood determination vendor. Correspondents that have an existing relationship with a vendor may continue to use them. Order the basic determination only, without life-of-loan tracking. Truist will order life-of-loan tracking when the loan has been purchased.

Acceptable Proof of Initial Insurance

Single-family residences, 2 - 4 units and PUDs

Review the flood application and/or policy for the following:

- **Policy Form/Type:**
  - GP= General Property Type,
  - DP = Dwelling Property Type,
  - PRP = Preferred Risk Eligibility Extension Policy.
- **Policy Number**
- **Name of Insured** – must be the same as on security instrument and final loan documents.
- **Property** – must read the same as on the survey, appraisal and security instrument and flood determination. If the mailing address is different from the property address, both must appear on the policy.
- **Flood Zone Risk** – must accurately identify flood zone risk in terms of whether the zone is a SFHA. For example, a policy for Zone X is not acceptable if the property is in a SFHA of AF, but a policy reflecting “AE” instead of “A10” is acceptable.

  Note: Only the first letter of the Zones must match within the same category (A to A and V to V).

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Acceptable Proof of Initial Insurance, continued

Single-family residences, 2 - 4 units and PUDs, continued

- **Coverage Amount** – The minimum required amount of flood coverage amount is the lesser of the following **three** values:
  1. FEMA Maximum Coverage Amount Available
     - $250,000 Regular Program
     - $35,000 Emergency Program
     - $500,000 for 5 or more non-condo family structure where policy is owner is an HOA.
  2. Total of outstanding liens,
     - New loan note amount
     - Balance of any outstanding loans
     - Commitment Amount of any outstanding Equity Lines
  3. Replacement Cost Value of the Structure **is the greater of** the below values:
     - **Appraisal** – Total Estimated Cost New from the cost approach section of the appraisal:
       - Less line amount for clearly identified uninsurables. These are recorded on one of the section blank lines with a total,

         Examples: Pool, porch, patio, fence, fireplace, deck, outside bath, balconies, piers, boathouse, appliances, ceiling fans, drapes, central air/heat and generators.

       - Less the value recorded for a non-garage, detached structure (for example: garage apartment, guesthouse, workshop, horse barn, etc.).

     - **Homeowners Policy** – Building coverage Amount from the Homeowners policy declaration page or application for insurance, OR
     - **Flood Policy** – Replacement Cost Value (if provided) from the Flood policy declaration page or the application for flood insurance.

     Note: If the agent disagrees with the calculated required amount of flood coverage, a written certification of the “maximum insurable value” is acceptable and replaces the above calculation. The certification can be by mail with full signature line or on the agent’s letterhead and signed by the agent.

     Certification Statement: The maximum insurable value of the house (structure type) is $__________________.

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Acceptable Proof of Initial Insurance, continued

Single-family residences, 2 - 4 units and PUDs, continued

- **Deductibles** – Unless a higher maximum amount is required by state law, see the chart below for the maximum allowable FEMA flood insurance deductibles:

Loan Program	Maximum Allowable FEMA Deductible
Portfolio Products	$10,000 for a single family one-four unit dwelling and $25,000 for a condominium building
Note: Lower deductibles are permitted.	

- **Mortgagee Clause** – mortgagee clause must read as follows:

  Truist Bank, its successors and/or assigns, as their interest may appear (ISAOA/ATIMA)
  P. O. Box 7952
  Springfield, OH 45501-7952

- **Policy Term** –
  - Must include effective date and expiration date.
  - Purchase money loan inception date must be no later than the date of closing.
  - The term must be for 12 months or have an annual billing for longer terms.

- **Annual Premium**
  - Change request to the policy declaration page such as the addition of mortgagee, major address change, insured's name, etc. where the agent cannot provide an update declaration page, must be received on a General Change Endorsement/Request form as an official attachment to the declaration page. ACORD Certificates and Temporary Declaration Pages are not acceptable.

Continued on next page

Acceptable Proof of Initial Insurance, continued

- **Acceptable Proof of Flood Insurance for Single Family Residence (SFR), 1-4 units and PUDs:**
  - Completed application for insurance plus a copy of the borrower's premium check or the agent's paid receipt, or
  - Completed application plus the final Settlement Statement showing the premium collected at closing, or
  - Copy of the flood insurance policy (Declaration page is sufficient), or
  - Property sellers have the option to transfer an existing flood insurance policy to the borrower purchasing the property. The seller's insurance agent must provide a completed and executed General Change Endorsement/Request form attached to the declarations page showing the transfer of the current flood insurance policy by the property seller to the borrower. The policy must meet standard flood policy requirements, except a minimum of 90 days must remain on the term, at closing, or
  - An assignment of an existing flood insurance policy by the seller of the property to the buyer is not acceptable because assignments occur after closing, or
  - The only exception is a refinance. A premium amount listed under **TOTAL PREPAID PREMIUM** on an application will be accepted as a paid receipt.
  - A loan cannot close with Lender Placed insurance. The borrower must purchase flood insurance.
  - For all non-Agency loans, when the flood determination becomes 120 days old and the loan has not closed, reissue the determination. This is to ensure there has not been a flood zone revision since the initial purchase.
- Correspondent Lenders must include the flood determination, required Notice to borrower and proof of coverage in the loan file submitted for purchase by Truist.
- **Rating** – Flood insurance should generally be in the form of the standard policy issued by members of the National Flood Insurance Association. The Policy Declaration page of a National Flood Insurance Administration program policy is acceptable evidence of flood insurance coverage. Other policies that meet the National Flood Insurance Administration's requirements will also be acceptable.
- **Escrow** – the escrow collection must be based on a sufficient number of months escrow to pay the renewal premium one month prior to the expiration date. The amount is based on the current premium.

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Condominiums

Flood insurance is required for loans secured by an individual residential condominium unit, including the units located in a multi-story condominium building, if the condominium building is located in a Special Flood Hazard Area (SFHA) where flood insurance is available under the National Flood Insurance Program (NFIP).

There are three types of flood insurance policies issued by FEMA through the NFIP:

- The "Dwelling Form" policy provides coverage for 1-4 unit residential properties.
- The "General Property Form" policy provides coverage for non-residential properties.
- The "Residential Condominium Building Association Policy (RCBAP)" is a master policy that provides coverage for a single residential condominium building. It covers both the common elements and the individual units within the building.

RCBAP Policy Limits: The maximum amount of building coverage that may be purchased on a residential condo building under the RCBAP is the replacement cost value of the building or total number of units in the condo building multiplied by $250,000, whichever is less.

If the condominium building is not covered by an RCBAP (or an equivalent private insurance policy approved by the Truist Compliance Department), or if the coverage provided under the RCBAP is not equal to at least the lesser of the building's replacement cost or the maximum available under the NFIP, the borrower may ask the condominium association to obtain coverage or increase coverage sufficient to meet this requirement. If the condominium association refuses, the condominium unit is not eligible for financing unless:

- The loan program allows a condominium unit owner to cover their portion of any shortfall in the association's coverage or allows a condominium unit like the subject to be insured under an individual FEMA Dwelling Form policy; AND
- The borrower obtains a FEMA Dwelling Form policy on their condominium unit covering at least their portion of any shortfall in the condominium association's coverage.

Continued on next page

Condominiums, continued

Key Loan Program – Attached Condominiums
An individual condominium unit located in a building in an SFHA can be insured under one of the following two methods:

- An RCBAP, or an equivalent private flood insurance policy approved by the Truist Compliance Department, in an amount equal to the lesser of 100% of the building's replacement cost or the maximum available under the NFIP.
- An RCBAP, or the equivalent private policy approved by the Truist Compliance Department, in an amount equal to at least 80% of the building's replacement cost or the maximum available under the NFIP, whichever is less. If the association's flood insurance policy is in an amount less than the building's replacement cost, and additional coverage is available under the NFIP, either the association must increase their coverage to the lesser of 100% replacement cost or the maximum available under the NFIP, or the individual unit owner must purchase an individual dwelling form flood insurance policy to cover their portion of the shortfall.

  Note: If the condominium association does not have coverage in place equal to the lesser of 80% replacement cost or the maximum available under the NFIP, attached condominium units are not eligible for Key Loan Program.

Key Loan Program – Detached Condominiums
A detached condominium unit located in an SFHA can be insured under one of the following three methods:

- An RCBAP, or an equivalent private flood insurance policy approved by the Truist Compliance Department, in an amount equal to the lesser of 100% of the building's replacement cost or the maximum available under the NFIP.
- An RCBAP, or the equivalent private policy approved by the Truist Compliance Department, in an amount equal to at least 80% of the building's replacement cost or the maximum available under the NFIP, whichever is less. If the association's flood insurance policy is in an amount less than the building's replacement cost, and additional coverage is available under the NFIP, either the association must increase their coverage to the lesser of 100% replacement cost or the maximum available under the NFIP, or the individual unit owner must purchase an individual dwelling form flood insurance policy to cover their portion of the shortfall.
- An individual Dwelling Form flood insurance policy that meets the requirements for 1-4 unit properties.

  Note: The acceptability of insuring a detached condominium with an individual Dwelling Form flood insurance policy may be subject to a review of the project's legal documents to determine whether or not the entire structure of the building is contained within the boundaries of the "unit" or the structure of the building is considered to be a "common element".

Continued on next page

Condominiums, continued

Flood Insurance Requirements for Condominium Units - Government Loans

FHA Loans on Attached Condominium Units
An individual condominium unit located in a building in an SFHA must be insured by the condominium association under an RCBAP in an amount equal to the lesser of 100% of the building's replacement cost or the maximum available under the NFIP.

Note: For FHA loans on attached condominium units, if the condominium association does not have coverage in place equal to the lesser of 100% replacement cost or the maximum available under the NFIP, the individual condominium units are not eligible for FHA financing. Individual flood insurance policies or individual "gap" flood insurance policies to cover a deficiency in the association's flood insurance coverage are not acceptable for FHA loans on attached condominium units.

FHA Loans on Detached Condominium Units
A detached condominium unit located in an SFHA can be insured under one of the following three methods:

- An RCBAP in an amount equal to the lesser of 100% of the building's replacement cost or the maximum available under the NFIP.
- An RCBAP in an amount equal to at least 80% of the building's replacement cost or the maximum available under the NFIP, whichever is less. If the association's flood insurance policy is in an amount less than the building's replacement cost, and additional coverage is available under the NFIP, either the association must increase their coverage to the lesser of 100% replacement cost or the maximum available under the NFIP, or the individual unit owner must purchase an individual dwelling form flood insurance policy to cover their portion of the shortfall.
- An individual Dwelling Form flood insurance policy that meets the requirements for 1-4 unit properties.

  Note: The acceptability of insuring a detached condominium with an individual Dwelling Form flood insurance policy may be subject to a review of the project's legal documents to determine whether or not the entire structure of the building is contained within the boundaries of the "unit", or the structure of the building is considered to be a "common element".

VA Loans on Attached or Detached Condominium Units
An individual condominium unit located in a building in an SFHA can be insured under one of the following three methods:

- A RCBAP, or an equivalent private flood insurance policy approved by the Truist Compliance Department, in an amount equal to the lesser of 100% of the building's replacement cost or the maximum available under the NFIP.
- A RCBAP, or the equivalent private policy approved by the Truist Compliance Department, in an amount equal to at least 80% of the building's replacement cost or the maximum available under the NFIP, whichever is less. If the association's flood insurance policy is in an amount less than the building's replacement cost, and additional coverage is available under the NFIP, either the association must increase their coverage to the lesser of 100% replacement cost or the maximum available under the NFIP, or the individual unit owner must purchase an individual dwelling form flood insurance policy to cover their portion of the shortfall.

Continued on next page

Condominiums, continued

VA Loans on Attached or Detached Condominium Units, continued

- An individual Dwelling Form flood insurance policy that meets the requirements for 1-4 unit properties.

Refinances

Individual Flood Insurance Policies

- The coverage must be adequate and in place at time of closing.
- If a policy is expiring within 45 days of closing, collect the renewal at closing or obtain the paid receipt and obtain updated documentation from the borrower prior to closing. The updated documentation is a copy of the expiring policy, including flood insurance declarations page if applicable, and a detailed renewal bill (should have all the standard information on the declarations page) with proof of payment from the insurance agent or company.
  - Compare the renewal bill with the existing policy to ensure nothing substantive has changed. The policy must show the following:
    - Correct Truist mortgagee clause,
    - Sufficient coverage for new loan, and
    - New loan number.

Condominium Master Flood Insurance Policies – Residential Condominium Building Association Policy (RCBAP)

- The subject building coverage must be adequate and in place at the time of closing.
- The documentation required is either a copy of the current policy or the declaration page.

  Note: It is not required that the Lender be named as a mortgagee on a Residential Condominium Building Association Policy (RCBAP); **however**, Truist requires insurers to provide evidence of the Mortgagee on an ACORD Evidence of Insurance document if the insurer will not add directly to the RCBAP.

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Unacceptable Proof of Insurance

- Truist does not accept assignments of existing flood insurance policies. At or before closing, Truist must have proof of flood insurance. We do not accept assignments by the seller to the buyer because they always occur after closing.
- ACORD forms (which are binders or a certificate of insurance) for either a purchase or refinance transaction are not acceptable to Truist.

  Note: Regardless of what is documented at the top of the form (i.e. Certificate of Insurance, Certificate of Property Insurance, Insurance Binder, Evidence of Insurance, etc.) it is not acceptable to Truist according to regulatory guidelines. While an ACORD has been an acceptable proof of insurance within the insurance industry, there is a very clear disclaimer on the ACORD form indicating "This Certificate is used as a matter of information only…." therefore, this is not acceptable proof of insurance for Truist.

- HO-6 policies with flood insurance endorsement.

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Grandfathering and Preferred Risk Eligibility Extension Policy

- Loans secured by property in a SFHA cannot close or be purchased without FEMA flood insurance in the required amount. Additionally, the flood zone on the policy must match the flood zone on the determination unless the property is grandfathered OR the property is eligible for a Preferred Risk Eligibility Extension Policy.
- Grandfathering and Preferred Risk Eligibility Extension Policy is covered by FEMA under the remapping effort to modernize the flood mapping process. As a result, properties that were previously in a low-risk zone may be remapped into a higher-risk zone or the Base Flood Elevation may change. This means a property may now require flood insurance or flood insurance at a higher premium due to the increased risk. FEMA allows lower cost policies for two years to allow homeowners to adjust to the higher premiums.
- When the flood zone on the determination differs from the flood zone on the flood insurance policy review the rating section of the flood insurance policy to see if the grandfathering option indicates Y or Yes.
- If blank, and the agent states the policy qualifies to be grandfathered, the agent must provide a Change Endorsement Form adding the grandfathered status to the policy. If the policy cannot be grandfathered, the policy zone must be changed to match the flood determination. This may result in a delay because some insurance companies require the flood policy be re-underwritten using the new flood zone. It may also result in increased premiums for the borrower.
- Preferred Risk Eligibility Extension Policy: When the flood zone on the determination differs from the flood zone on the flood insurance policy review the rating section of the flood insurance policy to see if there is a clear statement that it is a Preferred Risk Eligibility Extension Policy. In addition, the policy must reflect the Rating Zone of X, B, or C and the Current Zone of A or V. If either the eligibility description or the current flood zone is missing, the agent must provide an updated Declaration Page in order for the low risk Rating Zone to be acceptable.
- Borrower disputing the flood determination has two options:
  - Obtain flood coverage and cancel post-closing, if it is ultimately determined flood insurance is not required, OR
  - Wait to close until dispute has been resolved.

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Special Rules for Coastal Barrier and Other Protected Areas (CBRS and OPAs)

- The U.S. Congress passed the Coastal Barrier Resources Act of 1982, and the Coastal Barrier Improvement Act of 1990, defining and establishing a system of protected coastal areas (including the Great Lakes) known as the Coastal Barrier Resources System (CBRS) and Otherwise Protected Areas (OPAs).
- The Acts define areas within the CBRS as depositional geologic features consisting of unconsolidated sedimentary materials; subject to wave, tidal and wind energies; and protecting landward aquatic habitats from direct wave attack.
- The Acts further define coastal barriers as "all associated aquatic habitats, including the adjacent wetlands, marshes, estuaries, inlets and near shore waters, but only if such features and associated habitats contain few manmade structures and these structures and man's activities on such features, and within such habitats do not significantly impede geomorphic and ecological processes.
- "Otherwise Protected Areas (OPAs) means an undeveloped coastal barrier within the boundaries of an area established under Federal, State, or local law, or held by a qualified organization, primarily for wildlife refuge, sanctuary, recreational, or natural resource conservation purposes.
- The Acts provide protection to CBRS areas by prohibiting most expenditures of Federal funds within the CBRS.
- These prohibitions refer to "any form of loan, grant, guarantee, insurance, payment, rebate, subsidy or any other form of direct or indirect Federal assistance," with specific and limited exceptions.
- Boundaries of Coastal Barrier Resources System (CBRS) areas and Otherwise Protected Areas (OPAs) are established and mapped by the U.S. Department of Interior's Fish and Wildlife Service. They are identified by the Department of the Interior legislation.
- FHA Coastal Barrier Resource System:
  - FHA will not insure or originate any loan on property (existing or proposed) located within a designated Coastal Barrier Resource System (CBRS), regardless of whether flood insurance is available.

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Availability of Flood Insurance in CBRS/OPAs

- Federal flood insurance is available in a CBRS area if the subject building was constructed (or permitted and under construction) before the CBRS area's effective date.
- For CBRS areas designated by the 1982 Act, the sale of Federal flood insurance is prohibited for structures built or substantially improved after October 1, 1983.
- For subsequent additions to the CBRS, the insurance prohibition date is shown on the Flood Insurance Rate Map (FIRM).
- For structures located in OPAs, insurance may be obtained if written documentation is provided certifying that the structure is used in a manner consistent with the purpose for which the area is protected.
- If Federal flood insurance is available, it must be purchased under the same guidelines as any property in a SFHA.
- If an existing insured structure is substantially improved or damaged, any Federal flood insurance policy will not be renewed.
- If a Federal flood insurance policy is issued in error, it will be canceled and the premium refunded; no claim can be paid, even if the error is not found until a claim is made.
- Private flood insurance for areas that are ineligible for Federal flood insurance is acceptable.

Private Flood Insurance - Acceptable Rating Agencies and Rating Categories

Reference: See Acceptable rating agencies in the topic Hazard Insurance – 1-4 Unit Single Family Dwelling in this document for additional information on rating agencies and carrier rating categories

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Waiving Flood Insurance

Authority to Waive Insurance

- Truist will NOT purchase a loan where the Correspondent lender has waived the requirement for flood insurance when property improvements (i.e., dwelling, detached garage) are shown to be in a special flood hazard area.
- If the security property IS IN a SFHA, proof of flood insurance or a copy of the application for flood insurance with proof of payment in a satisfactory amount is required before the loan may close. This requirement cannot be waived by any level of management or underwriter.

  Notes:
  - If the borrower chooses to obtain flood insurance when it is not required based on the flood certification, Truist will not escrow for the insurance.
  - Truist Bank must still reflect as Mortgagee on the flood policy.
  - When flood insurance is obtained for a home where flood insurance is not required, there are no minimum coverage limits.
  - Optional flood insurance is not required to be included in the borrower's DTI.

Request to Amend a FEMA Flood Map

- When a property owner feels that their property is not in a Special Flood Hazard Area (SFHA) as shown on FEMA's flood maps or otherwise feels that FEMA has made an error in mapping the property, the **property owner** may request a map amendment. This is FEMA's only acceptable method of changing a mapped property.
- When a Letter of Map Amendment is received from a borrower, it must be forwarded to the flood determination vendor who will determine if it is a valid LOMA. If a valid LOMA, they will provide a new flood determination removing the property from a special flood hazard area.

  Note: If the property is NOT in a Special Flood Hazard Area, OR the community is NOT mapped (it is not known if the subject property is in a Special Flood Hazard Area), no other action is required.

..

Reference: See the topic "Map Amendment Request" in this document for additional information.

Example: If a property is shown on the flood map as being located in a SFHA, but the building is actually elevated above the base flood elevation, the lender must require flood insurance as a condition of the mortgage. The property owner may request a *Letter of Map Amendment* or a *Letter of Map Revision* from FEMA, whichever is appropriate. If it is issued, the lender must send the Letter of Map Amendment to the flood determination vendor who will determine if the property can be removed from a special flood hazard area eliminating the requirement for flood insurance.

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Map Amendment Request

Process

- If a special flood hazard area zone designation is believed to be incorrect or the building is shown as being in the special flood hazard area, but is actually above the base flood elevation (e.g., on a knoll or bluff or elevated on fill), the **property owner** may submit scientific or technical data (certified topographic data, hydrologic and hydraulic analyses, etc.) to the Federal Insurance Administrator, at the appropriate regional office for review.

  Note: The cost to collect the scientific or technical data is the responsibility of the borrower(s).

- If the review upholds the owner's claim, then a *Letter of Map Amendment* (LOMA) or *Letter of Map Revision* (LOMR) is issued by FEMA changing the designation for the property in question.

Interim Insurance

- It takes approximately three (3) months for FEMA to make a decision concerning a LOMA/LOMR request, which may or may not be granted.
- In the interim, insurance must be required and if the LOMA/LOMR is granted, the premium will be refunded to the borrower(s) from FEMA, if:
  - no claim is pending **and**
  - no claim has been paid during the current policy year.

Flood Elevation Certificates

- Truist will NOT accept flood elevation certificates as evidence for eliminating the requirement for flood insurance when flood insurance is required.
- These certificates are used to determine the premium cost for the insurance policy.

Definitions

Definitions

Base Flood Elevation (BFE): The level of the 100-year flood; important for determining insurance rates under the Regular Program

Community Status Book: A listing of all participating communities as well as communities with identified flood hazard areas that are not participating. Current information should be obtained when:

- the deadline for participation has passed since publication of the book or
- the community was under sanctions at the time of publication.

Note: For updated community participation information, contact the borrower's insurance agent.

Emergency Program: The first stage of a community's participation in the NFIP. Limited amounts of insurance are available. A Flood Hazard Boundary Map is in effect.

Federal Emergency Management Agency (FEMA): The federal agency responsible for administering the National Flood Insurance Program.

Flood Hazard Boundary Map (FHBM): Initial insurance map issued by FEMA that identifies, based on approximate analyses, areas of 100-year flood hazard in a community that may be participating in the Emergency Phase of the National Flood Insurance Program.

Flood Insurance Rate Map (FIRM): Insurance and flood plain management map issued by FEMA that identifies, based on detailed analyses, areas of 100-year flood hazard in a community (also shown are BFEs, actuarial insurance rate zones, delineations of the 100- and 500-year flood boundaries, and, on some FIRMs, the 100-year floodway) and enables the community to enter the Regular Phase of the National Flood Insurance Program

Letter of Map Amendment (LOMA): Official determination that a specific structure is not in a 100-year flood zone; amends the effective FHBM or FIRM.

Letter of Map Revision (LOMR): Letter that revises BFEs, flood insurance rate zones, flood boundaries, or floodways as shown on an effective FHBM or FIRM.

National Flood Insurance Program (NFIP): Federal regulatory program under which flood-prone areas are identified and flood insurance is provided to the owners of property in flood-prone areas.

100-Year Flood: A flood level with a statistical occurrence probability of 1% in any given year (26% chance of flooding during a 30-year mortgage).

Regular Program: The final stage of a community's participation in the NFIP. Additional insurance, above the Emergency Program limits, is available. A Flood Insurance Rate Map is in effect.

Special Flood Hazard Area (SFHA): Land in the floodplain within a community subject to a one percent or greater chance of flooding in any given year; Zones beginning with the letters "A" or "V" are special flood hazard areas.

Exhibit 1

SAMPLE FORM OF NOTICE OF SPECIAL FLOOD HAZARDS AND AVAILABILITY OF FEDERAL DISASTER RELIEF ASSISTANCE

Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance

We are giving you this notice to inform you that:

The building or mobile home securing the loan for which you have applied is or will be located in an area with special flood hazards.

The area has been identified by the Administrator of the Federal Emergency Management Agency (FEMA) as a special flood hazard area using FEMA's Flood Insurance Rate Map or the Flood Hazard Boundary Map for the following community: __________________. This area has a one percent (1%) chance of a flood equal to or exceeding the base flood elevation (a 100-year flood) in any given year. During the life of a 30-year mortgage loan, the risk of a 100-year flood in a special flood hazard area is 26 percent (26%).

Federal law allows a lender and borrower jointly to request the Administrator of FEMA to review the determination of whether the property securing the loan is located in a special flood hazard area. If you would like to make such a request, please contact us for further information.

___ The community in which the property securing the loan is located participates in the National Flood Insurance Program (NFIP). Federal law will not allow us to make you the loan that you have applied for if you do not purchase flood insurance. The flood insurance must be maintained for the life of the loan. If you fail to purchase or renew flood insurance on the property, Federal law authorizes and requires us to purchase the flood insurance for you at your expense.

• At a minimum, flood insurance purchased must cover the lesser of:
  (1) the outstanding principal balance of the loan; or
  (2) the maximum amount of coverage allowed for the type of property under the NFIP.

Flood insurance coverage under the NFIP is limited to the building or mobile home and any personal property that secures your loan and not the land itself.

• Federal disaster relief assistance (usually in the form of a low-interest loan) may be available for damages incurred in excess of your flood insurance if your community's participation in the NFIP is in accordance with NFIP requirements.

• Although you may not be required to maintain flood insurance on all structures, you may still wish to do so, and your mortgage lender may still require you to do so to protect the collateral securing the mortgage. If you choose not to maintain flood insurance on a structure and it floods, you are responsible for all flood losses relating to that structure.

Availability of Private Flood Insurance Coverage

Flood insurance coverage under the NFIP may be purchased through an insurance agent who will obtain the policy either directly through the NFIP or through an insurance company that participates in the NFIP. Flood insurance that provides the same level of coverage as a standard flood insurance policy under the NFIP may be available from private insurers that do not participate in the NFIP. You should compare the flood insurance coverage, deductibles, exclusions, conditions, and premiums associated with flood insurance policies issued on behalf of the NFIP and policies issued on behalf of private insurance companies and contact an insurance agent as to the availability, cost, and comparisons of flood insurance coverage.

Escrow Requirement for Residential Loans

Federal law may require a lender or its servicer to escrow all premiums and fees for flood insurance that covers any residential building or mobile home securing a loan that is located in an area with special flood hazards. If your lender notifies you that an escrow account is required for your loan, then you must pay your flood insurance premiums and fees to the lender or its servicer with the same frequency as you make loan payments for the duration of your loan. These premiums and fees will be deposited in the escrow account, which will be used to pay the flood insurance provider.

___Flood insurance coverage under the NFIP is not available for the property securing the loan because the community in which the property is located does not participate in the NFIP. In addition, if the non-participating community has been identified for at least one year as containing a special flood hazard area, properties located in the community will not be eligible for Federal disaster relief assistance in the event of a Federally declared flood disaster.