Florida Housing Finance Corporation (FHFC)

Insurance Guide (Insurance Guide)

This Insurance Guide incorporates the Fannie Mae Multifamily Selling and Servicing Guide dated 2/22/16 (the "Fannie Mae Guide") for insurance requirements.

This Insurance Guide will be updated from time to time based on Fannie Mae Guide changes and FHFC changes.

Each section of the Insurance Guide incorporates language from the Fannie Mae Guide, which lays out the requirements for insurance, and is supplemented with FHFC specific guidance, when needed.

Table of Contents

General Guidance

Applicability of Insurance Guide

The general intent behind insurance applicability is to recognize that the lending/investing party at greatest financial risk or holding a superior lien position must take on the responsibility for determining the criteria for and maintenance of adequate insurance on the development.

The Insurance Guide applies to the following types of funding awards:

- Guarantee Program
- SAIL or HOME when in first mortgage position regardless of other funding awards
- Other transactions, such as, but not limited to, Homeless, Developmentally Disabled, Demonstration (Demo) and Predevelopment Loan Program (PLP) when using any type of FHFC resource, when in first mortgage position.
- Mortgage Revenue Bonds, when in first mortgage position without Low Income Housing Tax Credits (LIHTC), a credit enhancer, private placement purchaser, or other similar bond insurer/holder.

The Insurance Guide **does not apply** to the following types of funding awards (FHFC and its contracted servicers accept no responsibility for determining the criteria for, addressing or monitoring the insurance on these properties):

- FHFC resources, e.g. SAIL, when subordinate to first mortgage (unless otherwise stated in the loan documents)
- 9% LIHTC
- Mortgage Revenue Bonds (FHFC or "Local") with 4% LIHTC

Requirement

Based on the applicability criteria stated above, transactions awarded FHFC resources from Request For Applications (RFA's) issued during or after September 2016 are governed by the Insurance Guide, which may be amended from time to time. RFA or competitive solicitation documents, including transaction documents, will include insurance language consistent with the governing criteria.

For developments awarded funding through the RFA process containing insurance language that does not reference the Fannie Mae Guide and/or the Insurance Guide, the RFA language will govern the insurance requirements.

Noncompliance with the insurance criteria will result in the development being in default. Consequences for noncompliance/default apply to the Borrower, Principals, Key Principals and Affiliates, as defined herein, as well as Principals, Applicant, Affiliate, Developer, Financial Beneficiary and General Contractor, as defined in Rule Chapter 67 F.A.C. and amended from time to time, and can include, but are not limited to: penalty assessments; a processing fee; a premium for force-placed insurance; an impact on the award of future allocations; and/or delayed/suspended closings and /or financing modifications. Noncompliance includes refusal by the borrower and/or their insurance representative(s) to provide any and all insurance documents requested by the Servicer and/or FHFC.

Guidance for the Servicers

1. In each place the Fannie Guide uses the word "lender", for FHFC purposes insert the word "servicer".

2. In determining insurance coverage adequacy and compliance for **all** properties assigned to them, the Servicers are expected to follow this Insurance Guide, the transaction documents, the rules in effect at the time of the transaction, and any additional guidance provided by FHFC.

3. The Insurance Guide provides for waivers under certain narrow circumstances. If allowed, the supporting documentation for a waiver request is articulated in the Insurance Guide under each topic. If allowed, a waiver request may be submitted to FHFC for consideration. Under the narrow circumstances identified in the Insurance Guide, a written request for a waiver may be submitted by the borrower to the Servicer. The waiver request form is attached to this Insurance Guide as Exhibit A. For any waiver submitted by the borrower, the Servicer is expected to refer to the Insurance Guide for instruction on how to proceed with the waiver request. The Servicer should not submit to FHFC waiver requests that fall outside the narrow confines of the Insurance Guide. If such waiver requests are submitted to FHFC, they will be returned to the Servicer for return to the borrower. FHFC expects the Servicer to assess the completeness and applicability of the borrower's documentation supporting the waiver request before submitting it to FHFC. Incomplete or inadequate support for a waiver request will result in the waiver being denied and returned to the Servicer.

Waivers

A general waiver request form is attached to this Insurance Guide as Exhibit A. The waiver form, along with borrower request, Servicer recommendation and supporting information should be submitted to FHFC via email at InsuranceGroup@floridahousing.org. FHFC's waiver process includes timely staff review; the conclusions of which will be documented in writing and provided to the servicer and the borrower requesting the waiver.

Additional Insured and Loss Payee Status

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.01 General Insurance Requirements – Applies to All Policies

322.01 A. General

Fannie Mae requires each Property to be covered by Property and Liability Insurance for the life of the Mortgage Loan. All capitalized terms or acronyms for insurance forms and policies refer to Insurance Services Office ("ISO") forms and policies or their equivalent, and other capitalized terms and acronyms used throughout this Chapter have standard insurance industry meanings. The Borrower must be listed as a named insured on the policy. If the Borrower fails to maintain all required insurance coverage on a Property securing a Mortgage Loan, the Loan Documents authorize the use of Lender-placed insurance at the Borrower's expense. The Lender must be able at all times to promptly provide all required insurance coverage in the event that the Borrower fails to do so. Policies covering Properties securing a Mortgage Loan must comply with all of the following provisions.

- Policies must be written on a per occurrence basis except for Earthquake and Professional Liability coverage, which may be written on a "claims made" basis.
- Policies must name Fannie Mae as "Additional Insured" on General Liability and Excess/Umbrella policies. Blanket endorsements are acceptable as long as Fannie Mae is insured, and Terms and Conditions of coverage endorsement does not reduce, limit, or exclude coverage as required by this Section 322.
- Property policies must contain a mortgagee clause and loss payable clause acceptable to Fannie Mae. An acceptable mortgagee clause would be:

  Fannie Mae, its successors and/or assigns, as their interest may appear
  c/o [Lender Name] Lender's Street Address or PO Box
  Lender's City, State and Zip Code

FHFC Guidance:

Policies must name Florida Housing as additional insured on General Liability and Excess/Umbrella policies.

Mortgage clause and loss payable clause should be:

Florida Housing Finance Corporation, its successors and/or assigns, as their interests may appear
c/o [Servicer name]
[Servicer address]

<u>Cancellation Notice</u>

<u>Fannie Mae Guide Language:</u>

<u>Section 322. Property and Liability Insurance (02/22/16)</u>

Section 322.01 General Insurance Requirements – Applies to All Policies

322.01 A. General

- Policies must have a cancellation provision requiring the carrier to notify the "Mortgagee and/or Additional Insured" at least 30 days in advance of policy cancellation by the insurance carrier for any reason other than non-payment of premium.
- Policies must include a cancellation provision that provides for at least a 10 day written notification for non-payment of premium.

<u>FHFC Guidance:</u>

Cancellation notice is no longer provided via the certificate of insurance/evidence of property insurance forms and **must be endorsed** on policies. Note the exception for General Liability coverage described in section 322.04.

Blanket Programs

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.01 General Insurance Requirements – Applies to All Policies

322.01 B. Blanket and Other Policies Covering More Than One Property

Use of a blanket Policy (or policies) or multiple property policy (or policies) covering the Property and General/Excess/Umbrella/Professional Liability of the Borrower is acceptable, provided that the Lender's analysis shows:

- the policy provides the same or better insurance coverage as a single property insurance policy;
- the Property is listed and identified in the policy or associated schedules;
- the policy complies with all other applicable requirements contained in this Section; and
- all insured properties covered by the policy either:
  - have common ownership with the Borrower, or with a Key Principal, Principal or Affiliate of the Borrower; or
  - are managed by the same property management company.

The term "Blanket Policy" includes the following:

- Blanket policies;
- Blanket programs;
- Master policies;
- Master programs;
- First loss limit policies;
- First loss policies;
- Shared limit policies;
- Property programs;
- Pooled programs;
- Pooled insurance;
- Layered program; or
- Other similar insurance programs where multiple property locations are insured under one policy.

The Lender must review the insurable values and location of all the properties insured by the Blanket Policy to ensure compliance with the insurance requirements of the Guide. The Lenders must also evaluate the concentration of property and liability exposure of all the insured properties covered by the Blanket Policy when assessing the adequacy of insurance, paying particular attention to concentration when evaluating catastrophic coverage.

Often Blanket Policy limits will be less than 100% of the total insurable value of the properties insured by the policy. This is acceptable when there are high limits and geographic dispersion. When there is a high catastrophic exposure in a geographically concentrated area, the Lender may determine that the coverage is not adequate. When this occurs, the Borrower must obtain additional coverage or a waiver request must be submitted to Fannie Mae. The Lender's evaluation with recommendation(s), cost of compliant coverage and compelling reasons to approve must accompany the waiver request.

The Lender is responsible for determining whether the Blanket Policy meets the requirements of the Guide. This determination, along with all supporting evidence, must be documented in the Lender's underwriting and/or Servicing File. Fannie Mae may audit these files from time to time.

FHFC Guidance:

Three-step review process for the Servicer:

Step 1: Is insurance program a Blanket Program?

Fannie Mae (FM) defines a Blanket Insurance Program as an Insurance Program that provides coverage for the Property and for other locations.

A "no" check on the ACORD 28 Evidence of Property Form **does not** indicate that the Property is the only location covered on the program because the insurance industry definition of "blanket" and the FM definition are not the same.

Step 2 – Are requirements in first four bullets in the Fannie Mae Guide met?

- **the policy provides the same or better insurance coverage as a single property insurance policy;**

  To comply with this bullet, "same or better insurance coverage as a single property insurance policy" requires making sure the Insurance Program complies with all other requirements in the Insurance Guide. Servicers should check all coverages of program as if it were not a blanket.

- **the Property is listed and identified in the policy or associated schedules;**

Borrowers must provide complete and detailed schedules that include the Property. This is required to confirm that "the Property is listed and identified in the policy or associated schedules." Schedules with addresses and values for all locations are required in Step 3 also.

- **the policy complies with all other applicable requirements contained in this Section; and**

  For this bullet, the non-Blanket Program coverage checklist should suffice.

- **all insured properties covered by the policy either:**
  - have common ownership with the Borrower, or with a Key Principal, Principal or Affiliate of the Borrower; or
  - are managed by the same property management company.

  See 322.01.C.

<u>**Step 3 –** Review the locations to determine if "there are high limits and geographic dispersion."</u>

Note that while Windstorm will be most common, other property insurance coverages may also need to be addressed here, such as Flood, Ordinance or Law and Sinkhole. For Flood, Ordinance or Law and Sinkhole coverage, if these are insured on a Blanket Policy (the Property is covered and other locations are also covered) and one per occurrence sublimit applies to these coverages, then the "high limits and geographic dispersion" evaluation will need to apply to each of these coverages.

In order to begin Step 3, the Borrower must provide a schedule of all locations on the insurance program. This schedule must include:

- Address of all locations
- Total insured values by location
- Total amount of insurance purchased

The following guidance for blanket insurance policies is provided to help the Servicer determine the adequacy and/or compliance of subject FHFC properties as they perform their servicing responsibilities.

a. Require the broker provide the PML/Catastrophe study used to underwrite the development's insurance.

b. Require the borrower submit the insurance policy, including a complete valuation list of all properties (prepared by the insurance broker/agent) covered under the blanket policy showing each property's insurable value (as described in 322.02A) and location with the FHFC-funded properties clearly identified. Review the list for aggregate portfolio insurable value, as well as the location of properties to determine geographical dispersion (i.e., avoid geographical concentrations of risk).

c. The acceptable coverage for the blanket insurance of the properties on the valuation list (item b, above) will come from the PML study using the 250-year storm coverage category.

d. Compare the Total Amount of Insurance Purchased to the 250-year coverage – Is the property value (or combined values) equal to or less than the coverage?

e. If the answer to (d) is yes, then this is the complete analysis the servicer needs to perform regarding the acceptable dollar amount of coverage. If the value is greater than the 250-year coverage but equal to/less than to the 100-year coverage, FHFC requires a waiver. If the value is greater than the 100-year coverage, the coverage is unacceptable.

Fannie Mae Guide Language:

322.01 C. Blanket Policies for Properties Not Having Common Ownership

In many cases, programs insuring unrelated entities will provide evidence of insurance that appears to be a standard layered program. Red flags to look for may include (i) the Borrower adding its Property to an existing policy which causes a significant savings in premium, or (ii) a large, rounded limit of property insurance coverage. The Lender must confirm that all entities insured are related by common ownership with the Borrower or a Key Principal, Principal or Affiliate of the Borrower. This confirmation may be obtained through the insurance broker or agent.

The Lender must submit a waiver request to Fannie Mae if the insured properties covered by the Blanket Policy do not have common ownership with the Borrower, Guarantor, Key Principal, Principal or Affiliate of the Borrower, or are not managed by the same property management company. Such a waiver request by the Lender must be accompanied by a financial rating of the entity administering the program to determine the strength and acceptability of its business practices. Fannie Mae will accept such rating from Demotech, Moody's, Standard & Poor's or Fitch on a case by case basis. Suitability of the rating will be determined by Fannie Mae. If a rating is not available, the entity administering the program must be reviewed and approved by Fannie Mae.

FHFC Guidance:

The Servicer must confirm that all entities insured are related by common ownership with the Borrower or a Key Principal, Principal or Affiliate of the Borrower. This confirmation may be obtained through the insurance broker or agent.

If there is no common ownership demonstrated then a waiver must be requested. We would expect this to be a rare occurrence.

The waiver request must include a financial rating of the entity administering the program.

If no rating can be found, Servicer should confirm with Borrower that correct names, spellings, etc. are being used. If no rating is available, the insurance is not acceptable. Waivers will not be considered.

Insurance Carrier Rating

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.01 General Insurance Requirements – Applies to All Policies

322.01 D. Insurance Carrier Rating

All property and casualty insurance carriers must meet 1 of the following rating requirements even if it is rated by 1 or more rating agencies or conditions:

- A.M. Best Company general policyholder's rating of ”A-” or better, and a financial performance index rating of “VI” or better;
- state wind pools or state funds, if they are the only coverages that can be obtained; or
- flood coverages issued by the National Flood Insurance Program (“NFIP”) or written by companies approved under the NFIP’s “Write Your Own” program.

For existing insurance policies, the Lender has the delegated authority to waive the carrier rating requirement, but only for the duration of the policy term, if all of the following conditions are satisfied:

- the carrier is not downgraded below a B++ AM Best rating;
- the Lender monitors the rating of the carrier on a quarterly basis to confirm that the B++ rating is not further downgraded; and
- the Lender retains quarterly evidence of the carrier’s AM Best rating in the Servicing File.

If the insurance carrier is downgraded below a B++ rating, the Lender must instruct the Borrower to replace coverage immediately with a compliant carrier even though the policy has not yet expired.

FHFC Guidance:

Fannie Mae Guide applies with no modifications.

Documentation for A.M. Best’s Ratings for Lloyd’s of London

As of September 2015, the “Lloyds” insurance market was assigned an A. M. Best financial strength rating of A and a financial size category of XV.

The Lloyd’s insurance market is comprised of member syndicates. Per the Lloyd’s website:

> *All Lloyd’s syndicates benefit from Lloyd’s central resources, including the Lloyd’s brand, its network of global licenses and the Central Fund. The Central Fund is available at the discretion of the Council of Lloyds’s to meet any valid claim that cannot be met by the resources of any member. As all Lloyd’s policies are ultimately backed by this common security, a single market rating can be applied to all syndicates post-1992.*
>
> *. . . All policies written from 1993 at Lloyd’s are backed by security that is partially mutualized via the Central Fund.*

1. If the binder or certificate shows “Underwriters at Lloyds”, “Certain Underwriters at Lloyds”, “Lloyd’s of London” or “Lloyd’s”, servicers can ***temporarily*** assume the insurer is subject to the Lloyd’s A.M. Best’s Rating of A XV.

   (Note: A.M. Best ratings can change. Current confirmation of the Lloyd’s rating is required.)

2. When servicers receive the full policy, the policy must provide details of which syndicate(s) provides coverage. Servicers must review the listing of syndicates to confirm the percentage of coverage provided and that the listed syndicates are all subject to the Lloyd’s financial security.

   a. If applicable, confirm that the total percentage share listed for each syndicate adds up to the amount of coverage provided. See the example listed below.

   b. Check each syndicate to determine if it is listed on the list of Lloyd’s Syndicates contained in the Best’s Rating of Lloyd’s. (See list below. Note that this list is updated each year.) If the syndicate is listed, then the syndicate is subject to the Lloyd’s financial security and the A.M. Best Rating of A XV applies.

   c. If the syndicate is not listed, check if the syndicate has an independent A.M. Best rating. If it does, this rating will apply.

   d. If the syndicate is not listed on the syndicate list and does not have an independent rating, it is possible that it falls into the “All Other” item on the syndicate listing. The broker should be contacted to confirm that the syndicate is a “member syndicate subject to the Lloyd’s financial security.” This confirmation should be in writing and documented in the file.

Policy Number

Assured / account

Unique market reference number

SIGNED LINES:	WRITTEN LINES:

In a co-insurance placement, following (re)insurers may, but are not obliged to, follow the premium charged by the lead (re)insurer.

(Re)insurers may not seek to guarantee for themselves terms as favourable as those to which others subsequently achieve during the placement.

9.3618%	12½% MSP 318 3714 1F14LBΦX 22/04/14
11.2342%	15% Lex-London a Division of AIG Europe Limited REF 8258691-214. ~~LINE TO STAND~~ ALL CONTRACT AMENDMENTS TO BE AGREED BY LEX-LONDON PREMIUM PAYMENT 30 DAYS 4/4/14
7.4895%	10% TRAVELERS TRV 5000 CX18743AA001 (S=87½) Email: global.property@travelers.com 15/04/14 22/4/14 F.O. DATE Wording
7.4895%	10% FDY 435 CC80351 4A000 FARADAY (S:80) 16/4/14
5.6171%	7½ Liberty Syndicates LIB 4472 12319801 14ER NS Please email schedule to Propertyvalues@libertygroup.co.uk 16/4/14

Checked M

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Policy Number

Assured / account

Unique market reference number

SIGNED LINES:	WRITTEN LINES:
2.9958%	Syndicate 1206 ATL 1206 4% 1 4 E 2 3 4 6 5 A A M N O (MED) 16/4/14
3.7447%	Argo International AMA 1200 16/4/14 5% 2 8 3 7 2 1 4 A R O O D N N N N N N N A A N N N (NH)
	For your information: Aggregates to 1200@Argo-Int.com
3.7447%	APOLLO APL 1969 16/4/14 5% 1 4 P T 5 2 0 4 2 6 0 1 NS [redacted] SCHEDULES@APOLLOUNDERWRITING.COM
7.5000%	BRIT GLOBAL SPECIALTY BRT 2987 7.5% of limit U K 3 8 2 C 1 4 A 0 0 0 22 Apr 14.

Checked M

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Policy Number

Assured / account

Unique market reference number

SIGNED LINES:	WRITTEN LINES:
3.7447%	5% TALBOT VALIDUS GROUP TAL 1183 22.4.14 ACT16 68ΦB14 AAANNNNNNANN property.direct@talbotuw.com (SKNS SOV.)
3.7447%	5% torus TUL 1301 22159B14AAG1 Email Schedules to: sov@torus1301.com 23.4.14
66.6667%	

Checked M

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Appendix 1
Gross Written Premium by Syndicate (2013)
(GBP Millions)

Syndicate	Managing Agent	Gross Written Premium
33	Hiscox Syndicates Limited	823
44	AmTrust at Lloyd's Limited	9
218	Equity Syndicate Management Limited	406
260	Canopius Managing Agents Limited	67
308	R. J. Kiln & Co. Limited	31
318	Beaufort Underwriting Agency Limited	149
382	Hardy (Underwriting Agencies) Limited	291
386	QBE Underwriting Limited	449
402	Ark Syndicate Management Limited	359
435	Faraday Underwriting Limited	234
457	Munich Re Underwriting Limited	511
510	R. J. Kiln & Co. Limited	1,169
557	R. J. Kiln & Co. Limited	30
609	Atrium Underwriters Limited	380
623	Beazley Furlonge Limited	240
727	S.A. Meacock & Company Limited	70
779	ANV Syndicates Limited	26
780	Advent Underwriting Limited	135
958	Canopius Managing Agents Limited	172
1084	Chaucer Syndicates Limited	888
1110	Argenta Syndicate Management Limited	103
1176	Chaucer Syndicates Limited	27
1183	Talbot Underwriting Limited	698
1200	Argo Managing Agency Limited	425
1206	AmTrust at Lloyd's Limited	183
1209	XL London Market Limited	307
1218	Newline Underwriting Management Limited	106
1221	Navigators Underwriting Agency Limited	235
1225	AEGIS Managing Agency Limited	367
1274	Antares Managing Agency Limited	246
1301	Torus Underwriting Management Limited	148
1400	Markel Syndicate Management Limited	166
1414	Ascot Underwriting Limited	625
1458	Renaissance Re Syndicate Management Limited	141
1861	ANV Syndicate Management Limited	155
1880	R. J. Kiln & Co. Limited	237
1882	Chubb Managing Agent Limited	81
1897	R&Q Managing Agency Limited	75
1910	Asta Managing Agency Limited	204
1919	Starr Managing Agents Limited	289
1945	Asta Managing Agency Limited	59
1955	Barbican Managing Agency Limited	279
1967	W R Berkley Syndicate Management Limited	136
1969	ANV Syndicate Management Limited	121
1991	R&Q Managing Agency Limited	5
2001	Amlin Underwriting Limited	1,472
2003	Catlin Underwriting Agencies Limited	1,911
2007	Novae Syndicates Limited	608
2008	Shelbourne Syndicate Services Limited	25
2010	Cathedral Underwriting Limited	273
2012	Arch Underwriting at Lloyd's Ltd	158
2015	Asta Managing Agency Limited	124
2088	Catlin Underwriting Agencies Limited	49
2121	Argenta Syndicate Management Limited	239
2232	Capita Managing Agency Limited	96
2357	Asta Managing Agency Limited	9
2468	Marketform Managing Agency Limited	186
2488	ACE Underwriting Agencies Limited	371
2525	Asta Managing Agency Limited	39
2526	Asta Managing Agency Limited	53
2623	Beazley Furlonge Limited	1,093
2791	Managing Agency Partners Limited	261
2987	Brit Syndicates Limited	1,183
2999	QBE Underwriting Limited	1,118
3000	Markel Syndicate Management Limited	369
3002	Catlin Underwriting Agencies Limited	10
3010	Cathedral Underwriting Limited	27
3210	Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited	343
3334	Sportscover Underwriting Limited	88
3622	Beazley Furlonge Limited	13
3623	Beazley Furlonge Limited	134
3624	Hiscox Syndicates Limited	306
4000	Pembroke Managing Agency Limited	273
4141	HCC Underwriting Agency Limited	87
4242	Asta Managing Agency Limited	80
4444	Canopius Managing Agents Limited	704
4472	Liberty Syndicate Management Limited	1,268
4711	Aspen Managing Agency Limited	279
5000	Travelers Syndicate Management Limited	331
5151	Montpelier Underwriting Agencies Limited	150
5820	ANV Syndicates Limited	129
6103	Managing Agency Partners Limited	21
6104	Hiscox Syndicates Limited	43
6105	Ark Syndicate Management Limited	13
6106	Amlin Underwriting Limited	36
6107	Beazley Furlonge Limited	19
6110	Pembroke Managing Agency Limited	41
6111	Catlin Underwriting Agencies Limited	108
6112	Catlin Underwriting Agencies Limited	38
6113	Barbican Managing Agency Limited	23
6115	Canopius Managing Agents Limited	71
	All other syndicates and inter-syndicate RITC adjustment	(23)
Total		**26,106**

Source: Lloyd's Annual Report 2013

Term and Premium Payment

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.01 General Insurance Requirements – Applies to All Policies

322.01 E. Term

Polices must have a minimum 12-month policy term. For new Mortgage Loans, a Property may be added mid-term to an existing 12-month policy.

The Lender has the delegated authority to waive the policy term requirement if the following conditions are satisfied:

- upon expiration, the policy must be renewed for at least 12 months; and
- the Policy must not be short-term due to non-renewal or cancellation by the insurance carrier.

FHFC Guidance:

Fannie Mae Guide applies with no modifications.

322.01 F. Payment of Premium

Premiums for all required policies must be paid in full with no premium financing. For Mortgage Loans where no insurance impositions are being collected, the Lender must obtain evidence that all policies are paid in full annually.

The Lender has the delegated authority to waive the requirement prohibiting the payment of the annual premium in installments if the following conditions are satisfied:

- the Lender must escrow funds sufficient to cover 3 months of requirement installments;
- the Lender must collect a confirmation of payment by the Borrower of each installment, and retain the receipt in the Servicing File; and
- annually, at renewal, the Lender should attempt to reinstate the annual payments.

The Lender also has the delegated authority to waive the requirement prohibiting premium financing if the following conditions, along with any others deemed appropriate by the Lender, are satisfied on an annual basis:

- the Lender must escrow funds sufficient to cover 3 months of required installments;
- a copy of the finance agreement is obtained by the Lender, reviewed, and retained in the Servicing File;
- the Lender obtains a receipt confirming each installment payment of the annual premium;
- the terms of the finance agreement do not negatively affect the Lender or Fannie Mae;
- the finance agreement does not contain conditions that will prohibit the Lender from receiving insurance proceeds as required by the Loan Documents;
- the Lender must be notified of any cancellation of the policy as required by the Guide;
- Fannie Mae must be listed as “Mortgagee and Loss Payee”, and as “Additional Insured” on all applicable insurance policies.
- annually, at renewal, the Lender must determine whether the Borrower can terminate the need for premium financing in lieu of making annual payments.

FHFC Guidance:

Premiums for all required policies must be paid in full with no premium financing. The Servicer does not have delegated authority to waive this requirement.

Evidence of Insurance

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.01 General Insurance Requirements – Applies to All Policies

322.01 G. Evidence of Insurance

The Borrower must provide to the Lender evidence of insurance for the Property on or before the closing of the Mortgage Loan or the policy's renewal date. Evidence of insurance coverages for the Property must be provided as follows.

- Temporary Evidence – Any of the following are acceptable forms of temporary evidence of insurance:

    - ACORD 28 – "Evidence of Commercial Property Insurance" (most recent version or per state requirements if applicable), combined with ACORD 25 – "Certificate of Liability Insurance";
    - ACORD 75 – "Insurance Binder"; or
    - Mortgage Bankers Association (MBA) Evidence of Insurance – Commercial Property Form. In states where the MBA form is filed and approved, the appropriate state form must be used otherwise the most recently revised MBA form should be used.

  If an ACORD certificate is not available, Fannie Mae will accept a letter signed by the Borrower and the licensed insurance broker/agent certifying that all coverage requirements and terms and conditions meet Fannie Mae's requirements. Temporary coverage, such as an insurance binder (Acord 75 - "Insurance Binder"), has an expiration date that must be monitored by the Lender and renewed on or before its expiration date.

- Permanent Evidence – The following are acceptable forms of permanent evidence of insurance:

    - The original or duplicate copy of each current insurance policy, which must be received, reviewed and placed in the Lender's Servicing File within 90 days after the delivery of the Mortgage Loan or the date of the insurance policy renewal. Except for an NFIP policy, only the complete insurance policy is sufficient evidence of coverage. Insurance policy declarations pages, single policy endorsements, insurance binders and certificates of insurance are not an acceptable form of permanent insurance coverage. The Policy Declaration page of an NFIP policy is acceptable evidence of flood insurance coverage.

- For Properties securing Mortgage Loans with an Unpaid Principal Balance ("UPB") of $10 million or below, the "MBA Evidence of Insurance – Commercial Property Form" is acceptable under the following conditions:
    - Form must be complete in its entirety;
    - Form must have an original signature of an individual authorized to execute the "Evidence of Insurance" on behalf of the insurance carriers issuing each policy of Property Insurance described on the form; and
    - In states where the form is filed and approved, the appropriate state form must be used, otherwise the most recently revised MBA Evidence of Insurance – Commercial Property Form should be used.
- For Properties securing a Mortgage Loan with an UPB in excess of $10 million and/or for multi-layered Blanket Policies, including Master Property Insurance Programs, a duplicate copy of the primary insurance policies must be received along with a letter (signed and dated on company letterhead) from an individual authorized to execute any evidence of insurance on behalf of the insurance carriers issuing each policy of Property Insurance, and stating that all policies follow the same Terms, Conditions and Exclusions as the primary policy. Any differences must be specified.
- Fannie Mae recognizes that some insurance carriers (such as State Farm) use "boiler plate" policies that do not change from year to year. In these cases, the Lender may keep a specimen kit or library of such policies and endorsements, requesting only the renewal Declarations Page along with a list of endorsements as permanent evidence of insurance. The Lender must confirm that the policies on file are current.

FHFC Guidance:

Fannie Mae Guide applies with no modifications.

Insurance Waivers

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.01 General Insurance Requirements – Applies to All Policies

322.01 I. Insurance Waivers

All Lender-delegated waivers must be entered in DUS Gateway along with supporting documents and analysis. The Lender should use the Insurance – Delegated Waiver drop down selection box. This includes Lender-delegated waivers for excess flood and terrorism insurance. For existing Mortgage Loans, the Lender must maintain the analysis of the waiver request in the Servicing File.

Any request for a non-delegated waiver of insurance requirements prior to delivery of the Mortgage Loan to Fannie Mae must be submitted in DUS Gateway at least 72 hours prior to Rate Lock. Any request for a waiver of insurance requirements after delivery of the Mortgage Loan to Fannie Mae must be submitted by completing and delivering the Multifamily Waiver Review Form – Insurance (Form 4638) through the Multifamily Asset Management Portal (MAMP). The Lender must retain the Multifamily Waiver Review Form – Insurance (Form 4638), all supporting documentation, and the waiver approval in its Servicing File.

Insurance waivers granted by Fannie Mae shall be for the entire Mortgage Loan term unless otherwise specified by Fannie Mae at the time the waiver is approved.

FHFC Guidance:

A general waiver request form is attached to this Insurance Guide as Exhibit A. The waiver form, along with borrower request, Servicer recommendation and supporting information should be submitted to FHFC via email at InsuranceGroup@floridahousing.org. FHFC's waiver process includes timely staff review; the conclusions of which will be documented in writing and provided to the servicer and the borrower requesting the waiver.

Property Damage Minimum Requirements
Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.02 Property Damage

This Section covers the guidelines and requirements for Property Insurance. Fannie Mae requires that each Property be covered by Property Insurance for the life of the Mortgage Loan.

322.02 A. Property Damage Minimum Requirements

What is Required	Special Causes of Loss Form (formerly referred to as "All Risk"), on a "Replacement Cost" valuation.
When Applicable	For all property types

Minimum Amount of Coverage	• Single-building Properties: 100% of estimated insurable value.
	• Multiple-building Properties: 90% of estimated insurable value. Coinsurance is allowed up to 90% provided that the amount of coverage in place is at least 90% of the estimated insurable value of the Improvements and Business Income including Rental Value.
	• The Lender is delegated the authority to accept "Actual Cash Value" as a valuation method for roofs up to 15 years old if the Lender confirms that:
	  ◦ the Borrower is unable to obtain compliant coverage in the current insurance market;
	  ◦ no prior roof damage has occurred, the roof is inspected annually, and a maintenance plan is in place to address roof repair or replacement within 5 years;
	  ◦ the Mortgage Loan is not on Fannie Mae's Watch List; and
	  ◦ the valuation will be based on "Replacement Cost" after the roof is replaced.
	Note:
	• Multiple building properties are not attached, have no common walls and no common roof lines.
	• Coinsurance is a property insurance provision that penalizes the insured's loss recovery if the limit of insurance purchased

	is not at least equal to a specified percentage of the value of the insured property. • For properties located in an area that is potentially prone to Catastrophic Events, see Section 322.03 of the Chapter for additional information.
Maximum Deductible	• $15,000 per occurrence for a Property securing the Mortgage Loan that is on a policy with less than $5 million in total insurable values. • $25,000 per occurrence for a Property securing the Mortgage Loan that is on a policy having greater than or equal to $5 million and less than $50 million in total insurable values. • $100,000 per occurrence for a Property securing the Mortgage Loan that is on a policy having greater than or equal to $50 million and less than $100 million in total insurable values. • $250,000 per occurrence for a Property securing the Mortgage Loan that is on a policy having greater than or equal to $100 million in total insurable values.

FHFC Guidance:

FHFC allows co-insurance pursuant to the Fannie Mae Guide; however, an agreed value endorsement to the policy is required.

Document the source of the valuation. Possibilities include the following:

1) Estimated replacement cost from appraisal
2) Physical Needs Assessment (PNA) / Physical Condition Assessment (PCA)
3) Values established based upon documented construction costs.
4) Marshall & Swift
5) Insurance company annual valuation

Business Income Limits

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.02 Property Damage

332.02 B. Business Income (including Rental Value) Minimum Requirements

What is Required	• Either (i) Business Income, including Rental Value, or (ii) Rental Value (if no other source of income applies). • Coverage is required for all property insurance perils including windstorm, flood, earthquake, and terrorism even if written on a stand-alone policy.
When Applicable	For all property types
Minimum Amount of Coverage	• Coverage based on Actual Loss Sustained for 12 months, or coverage based on annual Effective Gross Income for the most recent year-end financials. and • For Mortgage Loans with a UPB of $25 million or more – 90 day Extended Period of Indemnity option.
Maximum Deductible	Same as required for Property Damage in Section 322.02.A of the Chapter, or up to a 72 hour waiting period.

FHFC Guidance:

Fannie Mae Guide applies with no modifications.

<u>Ordinance or Law Coverage</u>

<u>Fannie Mae Guide Language:</u>

<u>Section 322. Property and Liability Insurance (02/22/16)</u>

Section 322.02 Property Damage

322.02 C. Ordinance or Law Coverage

What is Required	Ordinance or Law Coverage
When Does it Apply?	• Any Property that contains any type of non-conformance under current land use laws or ordinances (building, zoning, energy management, “green”, etc.) and cannot be rebuilt “as is”. • Any Property with a construction date 25 years or more before closing. Note: “As is” means the ability to be rebuilt with the same building footprint and square footage, within the municipality’s required timeframe and without increasing the non-conformity or as otherwise defined by the municipality. The Lender should pay special attention to required timeframe and its feasibility.
Minimum Amount of Coverage	• Coverage A - Loss of Undamaged Portion of the Property, in an amount equal to the greater of (i) 100% of the insurable value of the Property, on a “Replacement Cost” valuation, less the damage threshold of the local building ordinance, or (ii) 50% if the threshold of the local building ordinance is not explicitly stated. For example: The Property has an insurable value of $10 million. If the damage threshold of the local building ordinance is 75%, then $2.5 million is required for Coverage A. If the threshold is not known, then $5 million is required. • Coverage B – Demolition/Debris Removal Cost in the minimum amount of 10% of the insurable value of the Property. • Coverage C - Increased Cost of Construction in the minimum amount of 10% of the insurable value of the Property. Note: When Ordinance or Law Coverage is offered with A, B and C combined, the minimum limit must be the Coverage A

	calculation, as explained above, <u>plus</u> 20% of the insurable value of the Property. When B and C are combined, the minimum limit must be 20% of the insurable value of the Property. For example: The Property has an insurable value of $10 million. If the damage threshold of the local building ordinance is 75%, then $2.5 million is required for Coverage A. A, B and C combined would require $2.5 million <u>plus</u> $2 million, or $4.5 million total.
Maximum Deductible	Same as required for Property Damage in Section 322.02.A of this Chapter.

FHFC Guidance:

All Properties – Ordinance and Law Coverage is required regardless of when the nonconformity was identified. See requirements above in 322.02 C.

Note: This coverage will be provided, in some cases, on a blanket basis.

Boiler and Machinery/Equipment Breakdown

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.02 Property Damage

322.02 D. Boiler and Machinery/Equipment/Mechanical Breakdown Minimum Requirements

What is Required	Full Boiler and Machinery Coverage, which covers loss arising from the operation of pressure, mechanical, and electrical equipment.
When Does it Apply?	Full Boiler and Machinery coverage is required if the building improvements contain any centralized HVAC boiler, water heater or other high-pressure vessels that are in operation and regulated by the state where the Property is located.
Minimum Amount of Coverage	100% of the insurable value of each building that houses equipment, on a "Replacement Cost" valuation.
Maximum Deductible	Same as required for Property Damage in Section 322.02.A of this Chapter.

FHFC Guidance:

Fannie Mae Guide applies with no modifications.

<u>Builder’s Risk</u>

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.02 Property Damage

322.02 E. Builder’s Risk Minimum Requirements

What is Required	Builder’s Risk Insurance
When Applicable	• For all Property types • Required if Property coverage is excluded or limited during construction, renovation or restoration.
Minimum Amount of Coverage	100% of the completed value, on a non-reporting basis.
Maximum Deductible	Same as required for Property Damage in Section 322.02.A of this Chapter.

FHFC Guidance:

This applies only when the Property is under construction. (Please note that Contractor’s Insurance, Architect E&O and Engineer E&O are addressed separately.)

Generally speaking, completed value is the project cost, including materials and labor, hard and soft costs, profit and overhead, change orders and contingencies, offsite materials, etc., but not including land value.

There are two types of Builder’s Risk Insurance policies: Reporting and Non-Reporting. A non-reporting policy is written, usually, for one construction project and the premiums are based upon the estimated completed value of the construction project. On a completed value policy, the policy will show the address of the construction project that is insured.

A reporting policy is written for many projects and, periodically (usually monthly), the contractor provides reports of the current projects to the insurer. These policies will show language like “Per Monthly Reports” instead of specifying the address of a covered construction project. Note: if Deductible exceeds $15,000, then full “Statement of Values” (SOV) is required on or before renewal date to evidence compliance.

Fidelity Bond/Crime

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.02 Property Damage

322.02 F. Fidelity Bond/Crime Minimum Requirements

What is Required	Fidelity Bond/Crime Insurance must be obtained and maintained throughout the term of the Mortgage Loan. This insurance reimburses the insured for losses resulting from dishonest acts of any employee, officer or board member.
When Applicable	Cooperative Organizations only
Minimum Amount of Coverage	An amount not less than 3 Months scheduled Maintenance Fees of the Cooperative Organization
Maximum Deductible	$25,000

FHFC Guidance:

Fannie Mae Guide applies with no modifications.

Sinkhole

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.02 Property Damage

322.02 G. Regional Perils Minimum Requirements

What is Required	Sinkhole, mine subsidence, volcanic eruption, avalanche, etc.
When Applicable	Required for Properties in areas prone to these geological phenomena as applicable.
Minimum Amount of Coverage	100% of the insurable value, on a "Replacement Cost" valuation.
Maximum Deductible	Same as required for Property Damage in Section 322.02.A of this Chapter.

FHFC Guidance:

Sinkhole coverage is required in the following Florida Counties:

- Alachua
- Citrus
- Hamilton
- Hernando
- Hillsborough
- Lake
- Manatee
- Marion
- Pasco
- Pinellas
- Polk
- Seminole
- Sumter
- Suwanee
- Wakulla
- Washington

Sinkhole coverage required counties include all counties where Citizens Property Insurance Corporation ("Citizens") currently requires sinkhole inspection.

Florida Housing will use the Citizens list of counties requiring sinkhole coverage (see Citizens List of Counties), which may be updated from time to time.

Catastrophic Ground Cover Collapse coverage does not meet the sinkhole coverage requirement. This coverage is acceptable in Counties where Sinkhole is not required.

The following is a quote from the Citizens website regarding Catastrophic Ground Cover Collapse:

> Sinkhole Loss coverage protects homeowners from structural damage to their home resulting from confirmed sinkhole activity. Sinkhole Loss coverage is different from Catastrophic Ground Cover Collapse coverage, which automatically is included in most Citizens policies. Catastrophic Ground Cover Collapse coverage applies only when geological activity results in *all* of the following conditions:
>
> - Abrupt collapse of ground cover
> - A depression in the ground cover that is clearly visible to the naked eye
> - Structural damage to the building, including the foundation
> - Condemnation of the structure and order by government authorities that it be vacated
>
> Since 2006, more than 15,000 sinkhole-related claims have been reported to Citizens. To protect our policyholders from the rising costs of Sinkhole Loss coverage, Citizens requires sinkhole inspections when policyholders add Sinkhole Loss coverage to their policy if the covered building is located in one of 16 sinkhole prone counties or if the coverage application indicates that there have been prior sinkhole claims or activity on the property.

Windstorm

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.03 Catastrophic Risk Insurance Minimum Requirements

322.03 A. General

A catastrophic event ("Catastrophic Event") is a natural or man-made hazard resulting in an event of substantial extent causing significant physical damage or destruction, loss of life, or drastic change to the natural environment, such as earthquake, flood, terrorist attack or windstorm.

The sections below apply to areas prone to Catastrophic Events.

322.03 B. Windstorm Minimum Requirements

What is Required	If the Special Causes of Loss Form excludes any type of wind related Catastrophic Event, a separate windstorm insurance policy must be obtained. Coverage obtained through state insurance plans, other state-managed windstorm or beach erosion insurance pools are acceptable if that is the only windstorm coverage available in an insurance market. The Lender must document that coverage is not otherwise available in the insurance market. Note: State insurance plans, other state-managed windstorm and beach erosion insurance pools are not acceptable for non-catastrophic perils.
When Applicable	Required for all Properties

Minimum Amount of Coverage	• 100% of the insurable value, on a "Replacement Cost" valuation. • Either (i) Business Income, including Rental Value, or (ii) Rental Value (if no other source of income applies), as follows: • Coverage based on Actual Loss sustained for 12 months, or if not available, coverage based on annual Effective Gross Income for the most recent year-end financials; and For Mortgage Loans with a UPB above $25 million – 90 day Extended Period of Indemnity option. • Rent Loss coverage is required even if written on a standalone basis. NOTE: Windstorm "Probable Maximum Loss" ("PML") calculations cannot be used as the primary factor for determining adequate windstorm coverage.
Maximum Deductible	• The greater of (i) 10% of the insurable value of the Mortgaged Property, or (ii) the maximum allowed for Property Damage in Section 322.02.A of this Chapter. For example (assuming 10% of the insurable value): The Property has an insurable value of $10 million with a "Total Insurable Value" ("TIV") of $50 million on the policy. The maximum deductible is 10% of $10 million or $1 million. • Business income including rental value – maximum of two weeks or equivalent.

FHFC Guidance:

Regarding Windstorm Coverage through Citizens

The borrower must provide documentation from insurance agent regarding the lack of availability of other coverage for windstorm. A letter or email from insurance agent is sufficient. This documentation must be provided annually.

Regarding Windstorm Coverage for Business Income including Rental Value

If Business Income including Rental Value coverage for the peril of Windstorm is not available then use flood insurance process for a waiver request (see page 39).

Regarding Adequate Limits for Windstorm Coverage

Even if a Blanket applies, limits for Windstorm Coverage must equal or exceed 100% of the replacement cost value of the Property. If Blanket applies, see Blanket section of Insurance Guide.

Regarding Acceptable Deductibles for Windstorm Coverage for Business Income including Rental Value

FHFC will accept 5% deductibles for the peril of Windstorm for Business Income including Rental Value with no waiver process.

Flood Limits

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.03 Catastrophic Risk Insurance Minimum Requirements

322.03. C. Flood Minimum Requirements

1. The Lender must determine, for every Mortgage Loan, whether any of the Improvements are located in a Special Flood Hazard Area ("SFHA") Zone A or Zone V as defined by the Federal Emergency Management Agency ("FEMA"). If properties are in a SFHA (Zone A or Zone V), then the "Notice to Borrower of Special Flood Hazard and Federal Assistance" form must be sent to the Borrower. Note: this form is included in the Flood Determination Certificate.	
What is Required?	Flood Insurance
When Applicable	• Flood insurance is required for Property Improvements located in SFHA, Zone A or Zone V. • If the improved portions of the Property are not located in a SFHA as verified by the Flood Determination Certificate issued in conformance with the requirements specified in this Section 322.03.B, then flood insurance is not required, even if the unimproved portions of the Property are in a SFHA.

Minimum Amount of Coverage	• 100% of the insurable value of the Improvements, Fixtures, and Goods (as defined in the Security Instrument) located in a SFHA, on a "Replacement Cost" valuation.
	• Either (i) Business Income, including Rental Value, or (ii) Rental Value (if no other source of income applies), as follows:
	  • Coverage based on Actual Loss sustained for 12 months, or if not available, coverage based on annual Effective Gross Income for the most recent year-end financials;
	  and
	  For Mortgage Loans with a UPB above $25 million – 90 day Extended Period of Indemnity option.
	  • Rent Loss coverage is required even if written on a stand-alone basis

Maximum Deductible	• The greater of (i) 5% of the insurable value of the Mortgaged Property, or (ii) the maximum allowed for Property Damage in Section 322.02.A of this Chapter.

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For example (assuming 5% of the insurable value):

The Property has an insurable value of $10 million with a “Total Insurable Value” (“TIV”) of $50 million on the policy. The maximum deductible is 5% of $10 million or $500,000.

Note: The acceptable deductible for a “Difference in Conditions” (“DIC”) policy is the limit of underlying NFIP policy

• Business income, including rental value – maximum of two weeks or equivalent.
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2. Flood insurance must be in the form of the standard policy issued by members of the NFIP. Other policies that meet the NFIP's requirements, such as those issued by licensed property and casualty insurance companies that are authorized to participate in NFIP's “Write Your Own” program, are acceptable. Equivalent flood insurance policies written by insurance carriers are acceptable with an adequate AM Best rating (A-/VI).

3. Conditions may change over time and zones may be remapped, resulting in the reclassification of non-flood areas. After a Mortgage Loan is sold to Fannie Mae, the Lender must ensure that flood insurance is obtained if any Property Improvements are later determined to lie within a remapped SFHA Zone A or Zone V. Methods of compliance with request are discussed in subsections 4 and 5 below.

4. If conditions warrant, Fannie Mae or the Lender may require flood insurance for Property Improvements located outside of a SFHA Zone A or Zone V but within an area designated by FEMA as Zone X, such as a Property that is in an area subject to flooding due to storm water or within close proximity to a SFHA boundary.

5. If the insurance coverage available under the NFIP is not sufficient to meet the requirements set forth above, then the Borrower must obtain Excess Flood or Difference in Condition (“DIC”) insurance to provide the difference up to the total insurable value of the property, on a “Replacement Cost” valuation, including Business Income and Rental Value coverage.

The Lender is delegated the authority to waive compliance with the Excess Flood or Difference in Condition (“DIC”) coverage requirements when the coverage significantly impacts the Debt Service Coverage such that the coverage is not economically feasible. However, the Borrower must secure an excess flood insurance limit that is reasonable given the exposure subject to the Lender’s discretion. In this context, the statement “significantly impacts the Debt Service Coverage such that the coverage is not economically feasible,” means that the purchase of Difference in Condition (“DIC”) or Excess Flood coverage would cause a decrease in the Debt Service Coverage by a minimum of ten (10) basis points. Before waiving the coverage, the Lender must verify that the Borrower has made a good faith effort to obtain the coverage. The Borrower should provide a minimum of three (3) quotes and/or declination letters. The Lender must review them to ensure that the Borrower is not providing
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artificially high quotes or requesting flood insurance from companies not writing flood insurance in an attempt to avoid purchasing the coverage.

FHFC Guidance:

Servicing file must include Flood Determination for each building. Flood zones for different buildings at the same Property can be different. The minimum amount of Excess Flood required for each building is the estimated replacement cost of the first floor.

When flood coverage is required (Flood Zones A or V), if 100% of replacement cost value is not purchased (combined between an NFIP policy and an Excess Flood/DIC policy usually), waiver must be requested; see Exhibit A and Excess Flood/DIC Waiver Checklist, attached hereto.

The Servicer is not delegated the authority to waive compliance with the Excess Flood and DIC coverage requirements. The Servicer's waiver request, as further described in 322.01 I, must specifically address the requirements below:

> Florida Housing may waive compliance with the Excess Flood or Difference in Condition ("DIC") coverage requirements <u>when the coverage significantly impacts the Debt Service Coverage (DSC) such that the coverage is not economically feasible</u>. **However, the Borrower must secure an excess flood insurance limit that is reasonable given the exposure subject to Florida Housing's discretion. (The minimum amount of Excess Flood required for each building is the estimated replacement cost of the first floor of the property.)** In this context, the statement "significantly impacts the Debt Service Coverage such that the coverage is not economically feasible," means that <u>the purchase of Difference in Condition ("DIC") or Excess Flood coverage would cause a decrease in the Debt Service Coverage by a minimum of ten (10) basis points.</u> Before waiving the coverage, contracted servicer for Florida Housing must verify that the Borrower has made a good faith effort to obtain the coverage. <u>The Borrower should provide a minimum of three (3) quotes and/or declination letters. The servicer must review them to ensure that the Borrower is not providing artificially high quotes or requesting flood insurance from companies not writing flood insurance in an attempt to avoid purchasing the coverage.</u> To document, complete Exhibit A and Excess Flood/DIC Waiver Checklist.

Flood Determinations

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.03 Catastrophic Risk Insurance Minimum Requirements

322.03 D. Flood Insurance Determination

1. For every Mortgage Loan, the Lender must determine whether any of the Property Improvements are located in a SFHA and must document each determination on the most recent edition of the Standard Flood Hazard Determination form issued by FEMA. The Lender must obtain flood-zone determinations from a qualified third-party flood- zone determination firm. The Lender must place a completed copy of the Standard Flood Hazard Determination form in the Lender Servicing File for the Mortgage Loan. Fannie Mae expects the Lender to exercise care and sound judgment in its selection of a third- party flood-zone determination firm.

2. Because conditions may change over time, the status of a SFHA zone may change. As a result, the Lender must obtain from its flood zone determination firm "life- of loan" monitoring and coverage, which means that the monitoring company will notify the Lender if and when flood insurance is required for a monitored Property. The Lender must ensure that the monitoring company it selects agrees to continue monitoring all of the covered Properties in the event that the Lender sells or otherwise transfers its servicing rights to another Servicer.

3. Elevation Certificates are not valid to determine if Property Improvements are located in a SFHA. Only a Letter of Map Amendment or Letter of Map Revision issued by FEMA will remove an improvement from a SFHA.

FHFC Guidance:

Servicers must obtain the Flood Hazard Certification Determination from a third party vendor. The third party vendor must perform "life-of-loan" monitoring and provide notification to the servicer if/when flood insurance is required for the property.

At the closing of the loan, the cost of this service should be included in the closing statement.

Earthquake

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.03 Catastrophic Risk Insurance Minimum Requirements

322.03 E. Earthquake Insurance Minimum Requirements

What is Required?	Earthquake Insurance
When Applicable	When required by Fannie Mae.

Minimum Amount of Coverage	• 100% of the insurable value of the Property Improvements, on a "Replacement Cost" valuation.
	
	• Either (i) business income, including rental value, or (ii) rental value (if no other source of income applies), as follows:
	  • Coverage based on Actual Loss sustained for 12 months, or if not available, coverage based on annual Effective Gross Income for the most recent year-end financials;
	and
	For Mortgage Loans with a UPB above $25 million – 90 day Extended Period of Indemnity option.
	  • Rent Loss coverage is required even if written on a stand-alone basis.

Maximum Deductible	The greater of (i) 10% of the insurable value of the Mortgaged Property, or (ii) the maximum allowed for Property Damage in Section 322.02.A of the Chapter. For example (assuming 10% of the insurable value): The Property has an insurable value of $10 million with a "Total Insurable Value" ("TIV") of $50 million on the policy. The maximum deductible is 10% of $10 million or $1million. Business income, including rental value – maximum of two weeks or equivalent.

FHFC Guidance:

Earthquake coverage is not required for Properties in Florida.

Terrorism

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.03 Catastrophic Risk Insurance Minimum Requirements

322.03 F. Terrorism Insurance Minimum Requirements

What is Required?	Terrorism Insurance
When Applicable	• For any Mortgage Loan with a UPB less than $25 million, the Lender is delegated the authority to waive terrorism coverage provided that the Lender has completed an analysis that shows that the Property is not a significant terrorist risk; the analysis shall include the Property location in relation to a potential terrorist target such as, but not limited to, tourist attractions, mass transportation facilities, urban areas, government buildings, etc., concentrations of risk and overall exposures. • For any Mortgage Loan with a UPB that is greater than or equal to $25 million but less than $50 million, the decision to obtain terrorism coverage may be waived only by Fannie Mae. Any waiver request must include the above referenced analysis and cost to obtain compliant coverage. • For any Mortgage Loan greater than or equal to $50 million, terrorism coverage is required. • For both property and liability exposures.

Minimum Amount of Coverage	• 100% of the insurable value of the Property Improvements, on a "Replacement Cost" valuation.
	• Either (i) business income, including rental value, or (ii) rental value (if no other source of income applies), as follows:
	  ○ Coverage based on Actual Loss sustained for 12 months, or if not available, coverage based on annual Effective Gross Income for the most recent year-end financials; <u>and</u>
	  ○ For Mortgage Loans with a UPB above $25 million – 90 day Extended Period of Indemnity option.

	• Rent Loss coverage is required even if written on a stand-alone basis.
Maximum Deductible	Either: • Not more than the deductible of the Property Insurance policy; <u>or</u> • For a standalone policy; 20% of the insurable value of the Mortgaged Property. For example: The Property has an insurable value of $10 million with a Total Insurable Value of $50 million on the policy. The maximum deductible is 20% of $10 million or $2 million. Business income, including rental value – maximum of two weeks or equivalent.

<u>FHFC Guidance:</u>

Fannie Mae Guide applies with no modifications.

Commercial General Liability Insurance

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.04 Liability Insurance

This Section covers the guidelines and requirements for liability insurance. Fannie Mae requires that each Property and Borrower be covered by liability insurance for the life of the Mortgage Loan. If the liability insurance carrier cannot or will not provide notice of cancellation to the Lender for general liability, professional liability and excess/umbrella liability coverages, the Lender is required to advise the Borrower, in writing, that the Borrower must inform the Lender of any notice of policy cancellation for any reason within 24 hours of receipt of such notice of cancellation.

FHFC Guidance:

Fannie Mae considers it a "Best Practice" for Servicers to verify that the policies have cancellation provisions, notify the borrower in writing that the Borrower must inform FHFC/Servicer of policy cancellations within 24 hours, and have the Borrower acknowledge their intent to comply with the requirement by requiring the Borrower to sign and return the notice acknowledging that they will provide notice of cancellation within 24 hours.

This applies to general liability coverage only. For other types of insurance, notice of cancellation should be endorsed onto the policy.

Commercial General Liability Insurance

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.04 Liability Insurance

322.04 A. Commercial General Liability Minimum Requirements

What is Required?	Commercial General Liability Insurance for bodily injury, property damage and personal injury.
When Applicable	All Property types
Minimum Amount of Coverage	1. $1 million per occurrence/$2 million minimum general aggregate limit per location plus 2. Minimum Umbrella/Excess liability insurance (above the primary coverage) as follows: • Up through 4 stories $2 million • 5 –10 stories $5 million • 11 - 20 stories $10 million • Greater than 20 stories $25 million • The minimum required coverage limit may be satisfied by adding any combination of primary and umbrella/excess limits so that the sum of both equals the sum of the limits required in (1) plus (2) above. • For an Umbrella/Excess liability policy covering multiple locations, the minimum coverage limit may be satisfied when the limit meets the requirement for the location with the most stories.

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<td>Minimum Amount of Coverage (continued)</td>
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For Seniors’ Properties, if General Liability is combined with Professional Liability, policies written on a “claims made” basis are acceptable with the following conditions:

The Borrower must notify and seek the Lender’s approval upon the event of any the following:

the Borrower changes insurance carriers;
the “retroactive date” changes for any claims made policy;
the insurance coverage returns to an “occurrence” policy from a “claims made” policy; or
any other material change in insurance/risk financing such as forming a Captive insurer, forming or joining a risk retention group, etc.;

If any of the above changes are approved, the Borrower must purchase “Extended Reporting Period” coverage (“tail coverage”) for the “claims made” policy in a dollar amount and for the applicable time period assuring that there is no potential lapse in coverage.

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<td>Maximum Deductible/ “Self Insured Retention” (“SIR”)</td>
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General Liability:

$15,000 per occurrence for a Property securing the Mortgage Loan that is on a policy with less than $5 million in total insurable values.
$25,000 per occurrence for a Property securing the Mortgage Loan that is on a policy having greater than or equal to $5 million and less than $50 million in total insurable values.
$100,000 per occurrence for a Property securing the Mortgage Loan that is on a policy having greater than or equal to $50 million and less than $100 million in total insurable values.
$250,000 per occurrence for a Property securing the Mortgage Loan that is on a policy having greater than or equal to $100 million in total insurable values.

Excess/Umbrella Liability:

$25,000 deductible/self-insured retention

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FHFC Guidance:

Fannie Mae Guide applies with no modifications.

Professional Liability Insurance

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.04 Liability Insurance

322.04 B. Professional Liability Minimum Requirements

What is Required	Professional Liability Insurance which covers professional errors and omissions, medical malpractice and all types of abuse. **Fannie Mae must not be named an additional insured on Professional Liability Insurance policies.**
When Applicable	Assisted living facilities or other Seniors' Housing Properties where any level of healthcare is provided.
Minimum Amount of Coverage	1. $1 million per occurrence/$2 million minimum general aggregate limit per location plus 2. Minimum umbrella/excess liability insurance (above the primary) as follows: • Up to 100 licensed beds $2 million • 101 to 500 licensed beds $5 million • 501 to 1000 licensed beds $10 million • Over 1000 licensed beds $25 million • The minimum required coverage limit may be satisfied by adding any combination of primary and umbrella/excess limits so that the sum of both equals the sum of the limits required in (1) plus (2) above. • For an Umbrella/Excess liability policy covering multiple locations, the minimum required coverage may be satisfied when that limit meets the requirement for the location with the most licensed beds. • When there is a combination of independent and assisted living beds, only the number of assisted living beds should be used to determine the limit required. • When General Liability and Professional Liability are combined in an Umbrella policy and cover multiple locations, the higher limit of the two required coverages is the minimum acceptable (with the umbrella coverage being

	in addition to the applicable underlying coverages for General Liability and Professional Liability). For example, if the Mortgaged Property is an 11-story, 450 bed assisted living facility: • 11 stories require \$10 million of Umbrella coverage. • 450 licensed beds require \$5 million of Umbrella coverage. • If the coverages are combined, an Umbrella policy of \$10 million is required
Maximum Deductible/"Self Insured Retention" ("SIR")	Same as General Liability and Excess Liability
Captive Insurance Risk Retention Groups	Fannie Mae will accept Captive Insurance or Risk Retention Groups for Professional Liability insurance and General Liability insurance, when combined with Professional Liability insurance, for Seniors' Housing Properties only. The Captive or Risk Retention Group must have a Demotech or A.M. Best Financial Stability Rating as outlined below, or must be approved by Fannie Mae. For additional information, including the list of documents required for submission to Fannie Mae if a rating is not available, see below.

FHFC Guidance:

Fannie Mae Guide applies with no modifications.

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.04 Liability Insurance

322.04 C. Risk Retention Groups and Captive Insurances

Note: The following applies only to Seniors' Housing Properties and pertains to Borrower's General and/or Professional liability insurance provider(s) only.

Insurance coverage provided by Risk Retention Groups is not permitted unless the Risk Retention Group has obtained a rating of A-/VI from A.M. Best or A from Demotech. When an A.M. Best or Demotech rating is not available, Fannie Mae will accept an equivalent rating from Moody's, Standard & Poor's or Fitch on a case-by case basis. Acceptability of the rating will be determined by Fannie Mae. If no rating is available, the Risk Retention Group must be approved by Fannie Mae.

Captive Insurance and similar arrangements are generally not acceptable because they have lower capitalization requirements than traditional insurance companies and they usually are not rated by recognized rating agencies. However, due to coverage availability and prohibitive pricing in the standard and surplus lines markets, Fannie Mae will accept captive insurance for Professional Liability Insurance and General Liability Insurance when combined with Professional Liability Insurance for Seniors' Housing Properties, if the captive has a Demotech A rating or A.M. Best A-VI rating, or the captive is approved by Fannie Mae. To be approved by Fannie Mae, the Lender must first recommend acceptance and approval of the captive insurance and then provide the following documents to Fannie Mae via DUS Gateway for new Mortgage Loans, and the MAMP for Portfolio Mortgage Loans:

1. Detailed updated accrual runs;
2. Updated loss history (minimum 5 years/brief summary and detailed list);
3. Current updated audited financial statements from the captive and parent company for the last 2 years;
   - For the captive, audited financials should be on a stand-alone basis (if audited are not available, then unaudited financials are acceptable).
   - Parent company's financials should be on a consolidated basis.
4. Financials, audited or unaudited, for the most recent quarter for each entity;

5. Description of any changes from previous years with applicable updated resumes of all officer
6. Description of any reinsurance and/or fronting company, if applicable;
7. Description of internal claims management procedures;
8. Status of market update;
9. Description of funding sources;
10. Business Plan: projected volume over the next year;
11. Actuarial Memorandum / Reserve Analysis as provided by the captive,
12. State Insurance Examination Report, if possible, or
    a) Date of examination
    b) Description of any adverse findings
    c) Steps taken to remediate; and
13. Current exposure to the captive insurance or the Risk Retention Group - UPB on loans made to date

The Lender must perform a complete analysis and make a recommendation of the captive's acceptability. All waivers associated with the captive must also be submitted.

The Lender must obtain an annual, independent review of the captive insurance. This annual independent review shall be performed by an individual firm which is (i) familiar with captive insurance structures, captive domiciles and captive operations, including experience in the analysis of both actuarial studies and audited financial statements of captives, and (ii) unrelated to and unaffiliated with the Lender, the Borrower, or any sponsor or Key Principal of the Borrower or any captive entity of any of their agents.

The review and report to Fannie Mae must include, at a minimum:

- An analysis of the captive's annual independent actuarial study, even if one is not required by the captive domicile;
- Actuarial Memorandum / Reserve Analysis as provided by the captive;
- a review of the annual independent audited financial statements for the captive; and
- a conclusion regarding the operation and financial viability of the captive.

FHFC Guidance:

This provision is applicable only to Seniors Housing Properties. Waiver requests pertaining to Section 322.04 C (above) will not be entertained by Florida Housing.

Workers' Compensation

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.04 Liability Insurance

322.04 D. Workers' Compensation

What is Required	Workers' Compensation and Employer's Liability insurance (including Terrorism) as required by applicable state law.
When Applicable	Where direct employees of the Borrower are required to be covered by Workers' Compensation laws of the state where the Property is located.
Minimum Amount of Coverage	• Statistory limits for injured employees and • The greater of: • Employer's Liability limits of $1 million per occurrence for bodily injury, $1 million per occurrence for employee disease, and $1 million employee disease aggregate, or • any applicable underlying limit required by the insurer for excess liability coverage.

FHFC Guideline:

In the State of Florida, Workers' Compensation is required when the Borrower has 4 or more employees (not in the business of construction).

As of 4/21/16, state of Florida Division of Workers' Compensation website included:

> Coverage Requirements For Employers
>
> Chapter 440, F.S., establishes workers' compensation coverage requirements for employers.
>
> 2. **Non-Construction Industry:** An employer in the non-construction industry, who employs four or more part or full-time employees, must obtain workers' compensation coverage. Corporate officers and members of an LLC who own at least 10% of the business are considered employees, unless they

elect to exempt themselves from the coverage requirements of Chapter 440, F.S. Sole proprietors and partners in the non-construction industry are not considered to be employees unless they elect to be employees. The Notice of Election of Coverage, form DWC 251, must be submitted to the Division. Once approved the individual is considered an employee until a Revocation of Election of Coverage, form DWC 251-R is filed with, and accepted by the Division.

Directors' and Officers' Liability Insurance

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.04 Liability Insurance

322.04 E. Directors' and Officers' Liability Minimum Requirements

What is Required	Directors' and Officers' Liability Insurance
When Applicable	Cooperative Organizations only
Minimum Amount of Coverage	Minimum $1 million per occurrence
Maximum Deductible	Same as required for Commercial General Liability insurance.

FHFC Guidance:

Fannie Mae Guide applies with no modifications.

Commercial Auto Liability Insurance

Fannie Mae Guide Language:

Section 322. Property and Liability Insurance (02/22/16)

Section 322.04 Liability Insurance

322.04 F. Commercial Auto Liability Minimum Requirements

What is Required	Commercial Auto Liability insurance that covers owned, non-owned, hired and leased vehicles (whichever shall apply), including personal injury protection as required by state statute.
When Applicable	If the Borrower owns or hires any vehicles in its name, or if any individuals use their own vehicles for any type of business on behalf of the Borrower or the Property.
Minimum Amount of Coverage	The greater of: • limits of $1 million per occurrence or; • any applicable underlying limit required by the insurer for excess/umbrella liability coverage.

FHFC Guidance:

Fannie Mae Guide applies with no modifications.

Construction Period Insurance

Fannie Mae Guide Language:

The Fannie Mae Guide does not address coverage for Construction Period insurance.

Florida Housing Insurance Guide Language:

Although the Fannie Mae Guide does not address coverage for Construction Period insurance, FHFC requires the following coverages: General contractor's insurance, Architect E&O and Engineer E&O. (Please note that Builder's Risk insurance is addressed separately – see Section 322.02 E.)

General contractor's insurance:

General Liability

- Coverage Amount – minimum $1 million/occurrence $2 million/aggregate

Auto Liability

- Hired and Non-owned endorsement, same limits as General Liability
- If applicable, coverage for owned vehicles including Personal Injury Protection (PIP) as required by state statute

Excess Liability/Umbrella – Excess/Umbrella Liability – required above the primary General Liability and Auto Liability

- Up through 4 stories - $2 million
- 5-10 stories – $5 million
- 11-20 stories – $10 million
- Greater than 20 stories – $25 million

Workers' Compensation and Employers' Liability

- Workers' Compensation – statutory limits
- Employers' Liability – coverage amount – minimum $1 million/occurrence
- Required coverage for all on-site workers, contractors and sub-contractors

Additional Insured on both General Liability and Excess Liability policies

- FHFC c/o ACS
- Borrowing Entity

Coverage Period reflected on ACORD.

Architect E&O:

Must carry Errors and Omissions (E&O) insurance in an amount equal to the greater of $1 million or 10% of the Construction Contract amount.

Engineer E&O:

Must carry Errors and Omissions (E&O) insurance in an amount equal to the greater of $1 million or 10% of the Construction Contract amount.

Mold

Fannie Mae Guide Language:

The Fannie Mae Guide does not address coverage for Mold.

FHFC Guidance:

Some Borrower agreements specifically mention requirements that property insurance include coverage for Mold.

Since the Fannie Mae Guide does not address coverage for Mold, FHFC will not be imposing case by case Mold insurance coverage requirements on Borrowers. Mold-related risk is addressed in the Environmental Indemnity Guaranty/Agreement.

<u>Glossary</u>

<u>Affiliate</u> - Any Person that owns any direct ownership interest in Borrower or Key Principal; any Person that indirectly owns, with the power to vote, twenty percent (20%) or more of the ownership interests in Borrower or Key Principal; any Person controlled by, under common control with, or which controls, Borrower or Key Principal; any entity in which Borrower or Key Principal directly or indirectly owns, with the power to vote, twenty percent (20%) or more of the ownership interests in such entity, or any other individual that is related (to the third degree of consanguinity) by blood or marriage to Borrower or Key Principal.

<u>Borrower</u> - Any Person that is, or when a Mortgage Loan is made will become, the obligor under the Note.

<u>Builder's Risk Insurance</u> - Insurance that provides coverage for risks associated with construction and rehabilitation of properties.

<u>Debt Service Coverage Ratio (DSCR)</u> - The ratio of annual net income to annual debt service.

<u>FEMA</u> - Federal Emergency Management Agency and its successors and assigns

<u>Improvements</u> - All buildings, structures, improvements, and alterations, including the multifamily housing dwellings, now constructed or hereafter constructed or placed on the land upon which the Property is located, together with all fixtures (as defined in the Uniform Commercial Code) thereon.

<u>Key Principal</u> - The Person that controls and manages the Borrower, as identified by the Lender, that the Lender determines is critical to the successful operation and management of the Borrower and the Property, who may also be required to enter into a Guaranty.

<u>Lender</u> - As used in this Insurance Guide, a servicer that is under contract with Florida Housing for the purpose of servicing Mortgage Loans for Florida Housing.

NFIP - National Flood Insurance Program

Principal (or Principals) - Any Person that owns or controls the following interests in the Borrower:

Principal (or Principals)		
	Type of Borrower Entity	**Ownership Interest**
	General Partnership or Joint Venture	Any general partner or joint venturer.
	Limited Partnership	All general partners and any limited partner who owns a 25% or more interest in the partnership.
	Privately-Held Corporation	A stockholder who owns 25% or more of the voting stock of the corporation.
	Limited Liability Company	All non-member managers, member-managers, and any member who owns a 25% or more membership interest.
	Trust (other than a Land Trust)	The grantor (if the trust is a revocable trust or if the grantor or settlor has retained powers), any Person who has a 25% or more beneficial interest in the trust, and any trustee.
	Land Trust	A trust beneficiary who owns a 25% or more beneficial interest in the land trust.

Property - A multifamily residential property that consists of 5 or more dwelling units. The property includes the land (or, where applicable Leasehold interest in land) and the Improvements, together with personal property (as defined in the UCC) that secure the Mortgage Loan.

SFHA - Special Flood Hazard Area

Exhibit A

Waiver Request - Insurance

Please complete this Waiver Request in its entirety and send, along with supporting documentation, to: InsuranceGroup@floridahousing.org

Date:	Servicer:
Borrower	
Key Principle(s) /Sponsor(s)	
Property Name	
Property Address	
Fannie Mae Loan No.	
Other Fannie Mae Loans	

Current Unpaid Principal Balance		No. of Buildings	
Current Debt Service Coverage Ratio		No. of Units	
Current Liquidity: Year: _______		No. of Stories	
Current Net Worth: Year: _______		Year Built	
Replacement Cost Value			
Date of Replacement Cost Valuation			
Effective Gross Income			

WAIVER REQUEST: For more than one waiver request, please duplicate box

Policy Effective Dates	
Blanket Policy?	
Risk Retention Group or Risk Purchasing Group?	If yes, include name of Group.
Waiver Requested	
Guide Section	
Cost/Availability of Compliant Coverage	Please provide a minimum of 3 quotes/declinations
Change in DSCR with purchase of compliant coverage (every other year if repeat waiver)	(see attached Excess Flood/DIC Waiver Checklist)
Recommendations for Approval	

(Compelling Reasons Servicer Supports Waiver Approval)	

In addition to compelling reasons, Servicer supports the waiver request -

- For Ordinance or Law Waivers, please attach Zoning Report and Threshold Analysis (if applicable);
- For Blanket Waivers, please attach supporting documentation, including full analysis; and
- For All Waiver Requests, please include –
    - Acord 28, Acord 25, or MBA Evidence of Insurance form, as appropriate; and
    - Borrower's Written Waiver Request or Copy of Notice to Borrower that Waiver is being requested.

Recommended Approval (by Servicer):

____
Signature   Date

____
Printed Name

____
Title

Do not write below – for FHFC use only

Waiver request is: ☐ approved ☐ denied

If approved, waiver is effective for: ☐ 12 months or policy renewal, whichever is less
☐ Entire mortgage loan term

Comments:

Signature Date

Printed Name

Title

Excess Flood/DIC Waiver Checklist

Name of Property: ____

Location of Property: ____

Has the Property requested a Waiver in prior years? ___________________________

If so, please indicate the year(s): ____

UPB of Property: ____

Estimated First Floor Insurable Value, on a Replacement Cost valuation (see 322.02 A):___
____

If multiple buildings, please attach schedule of building value, number of stories, estimated first floor values.

Attach elevation certificate, if applicable.

The Borrower is required to obtain a minimum of three (3) quotes for Excess Flood coverage. Attach the three (3) quotes and/or declination letters to this waiver request. Please note that Florida Housing Finance Corporation may request additional documentation, if necessary. Please list any comments below:

____

____

____

Debt Service Coverage Factors:

- The Borrower must provide a detailed operating statement for the most recent preceding 12 months, along with the annual debt service for each mortgage (1^{st} mtg, 2^{nd} mtg, etc.) broken out individually.
- Documentation from the insurance broker indicating the added/incremental extra cost for excess flood coverage.
- The resulting debt service coverage should be below 1.0x.

NOTE: If the DSC is already below 1.0x before factoring in the insurance premium, then the waiver should not be considered.