

Citibank performs in-depth trend analysis to identify common suspense conditions that can prevent the purchase of a loan in a timely manner. Best Practices and Quality Flashes are developed with the intent of providing information to assist in reducing suspense that can delay loan review or potentially result in a post-purchase defect. Each Correspondent is strongly encouraged to share the following with your appropriate staff.

## Hazard Insurance

### OVERVIEW

Citi requires that the borrower obtain hazard insurance on all property types (or for condominiums and co-ops, ensure a Master Insurance Policy is in place) as protection from loss should the property be damaged or destroyed in the event of a disaster. Hazard insurance protects the borrower and Citi from loss in the event of fire, theft, wind and/or other covered cause or insured event that might reduce the property's actual value. Both the coverage amount and the insurance premium are stated on the policy.

### COMMON HAZARD INSURANCE ISSUES

- [Insurance is expiring within 30 days of loan purchase \(refinance transactions\)](#)

Citi will accept an existing hazard insurance policy provided that it remains in force for at least 30 days past the date Citi purchases the loan, with the exception of a Condominium Master Policy. The Condominium Master Policy must be current but is not limited to a specific number of days beyond the date Citi purchases the loan.

- If the policy will NOT remain in force for at least 30 days, the total annual hazard insurance premium amount must be disclosed on the Closing Disclosure. The hazard insurance premium is required to be paid prior to Citi's purchase. In addition, a copy of the paid receipt and an updated declarations page are also required.

- [Missing acceptable Loss Payee clause or "Its Successors and/or Assigns" verbiage.](#)

Citi requires either a copy of the Notification Letter to the Insurer or for "Its Successors and/or Assigns" (ISAOA) verbiage to be present on the Hazard Insurance.

- [Hazard Insurance Declarations Page missing or incorrect property address.](#)

The property address on the declarations page should identically match the legal postal address. For condominium projects, the master insurance policy should reflect the subject property address.

- [Insufficient Coverage](#)

- The hazard insurance coverage amount must equal:
  - [1-4 family properties](#) (Agency Loans) - The lesser of 100% of the insurable value, as determined by the property insurer, which is replacement value, or the unpaid principal balance of the mortgage of at least equal to a minimum amount of 80% of the insured value of the improvements required to compensate for damage or loss on a replacement cost basis. The insured amount can never go below 80% of the insurable value or replacement cost.
  - [Condominium & co-op projects](#) - 100% of the insurable replacement cost of the project's improvements including the individual units, if applicable.

**For condominiums only:** If the master or blanket policy excludes "walls-in" coverage, the individual unit must have an HO-6 or equivalent policy for dwelling or building coverage (not for contents or personal property) with a coverage amount as determined by the insurer that is sufficient to repair the condo unit to its condition prior to a loss claim event (replacement cost). Confirmation of "walls-in" coverage under the master or blanket policy must be in

writing from the agent/carrier. “Walls-in” coverage is also known as coverage for additions/alterations or betterments and improvements coverage.

- Replacement Cost Verbiage

The hazard insurance coverage **must** be of the type that provides for claims to be settled on a replacement cost basis.

- Single Family: The proof of hazard insurance must indicate form HO-3 or include replacement cost verbiage. The HO-3 form and/or replacement cost verbiage relates to how the policy will settle a loss. Examples:
  - ✓ Policy shows extended replacement cost coverage with a percentage or dollar amount for the extended coverage.
  - ✓ The policy states the replacement value of the dwelling is \$XXX, XXX.
  - ✓ Dwelling replacement cost is subject to limit of XXX% of the above dwelling coverage.
  - ✓ Coverage A verbiage with an additional dollar amount or percentage.
  - ✓ Insurance endorsement list includes replacement cost verbiage with percentage or dollar amount
- Condo/Co-op – Replacement cost or “RC” verbiage is present on the proof of master insurance provided. An additional dollar amount or percentage is not required.

These requirements apply to all properties, regardless of occupancy. However, they can be evidenced on the policy in a variety of ways—the examples above are not all inclusive.

### Notes:

- The evidence of hazard insurance is used to establish insurable value and validate flood insurance requirements for coverage amount and replacement cost.
- If the replacement cost values on the evidence of hazard insurance and the flood insurance differ, this should be addressed and documented in the loan file, if applicable.
- If the evidence of hazard insurance does not clearly meet replacement cost value and/or replacement cost verbiage requirements, Correspondents can obtain this information verbally from the insurance agent and complete the Hazard Insurance Verbal Verification (Exhibit 53, Section 2400) or HO-6 Insurance Verbal Verification form (Exhibit 54, Section 2400).
  - To avoid delays in the loan review process, provide the completed form in the loan package.
  - Use of these forms is not required, but is highly encouraged. Another format that includes the same information is acceptable.

**For more detailed information regarding Hazard Insurance coverage and requirements, refer to the Correspondent Manual, Section 909.**

*Material contained in this document is intended only as tools for use by Correspondents to help mitigate risks with their loan originations. Use of any or all of these tools does not diminish in any way each Correspondent's representations and warranties as set forth in the Correspondent Loan Purchase Agreement and Correspondent Manual that contain further details and requirements.*