

# HAZARD AND FLOOD INSURANCE REQUIREMENTS

Bank of America has minimum requirements for hazard and flood insurance, as described below. An insurance policy may take several weeks to procure and, accordingly, you should not delay contacting the appropriate providers. **THE FAILURE TO PROCURE A POLICY THAT MEETS THE REQUIREMENTS BELOW AND PROVIDE IT TO BANK OF AMERICA MAY DELAY YOUR LOAN CLOSING.**

## PART I - HAZARD INSURANCE

1. **Scope of Coverage.** The policy must provide at least fire and extended coverage. The insurance must not limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that are normally included under an extended coverage endorsement. If the Property is located in a U.S. Geological Survey-Designated Lava Zone 2, then you must obtain Volcanic Eruption Insurance in an amount at least equal to the loan amount.
2. **Condominium, Cooperative, or Planned Unit Development.** If the property is a condominium, Cooperative, or Planned Unit Development property, Bank of America will accept coverage included in the homeowners association master insurance policy. If that policy does not: (a) cover interior walls, floors, ceilings, built-ins, fixtures, equipment, and other affixed property inside your unit; and (b) include replacement of improvements and betterment coverage to cover any improvements that you make to the unit, Bank of America may require that you obtain a "Walls-in" HO6 insurance policy with coverage.
3. **Notice to Lender.** The policy must include a standard mortgagee's clause with the stipulation that coverage will not be cancelled or diminished without a minimum of 30 days prior written notice to Lender, and without disclaimer of the insurer's liability for failure to give the notice.
4. **Deductibles.** The deductible may be up to 5% of the face amount of the insurance policy, unless a higher amount is required by state law. If there are individual deductibles for loss from any named perils (fire, water not caused by flooding, or wind/hurricane) then each deductible may not exceed 5% of the dwelling coverage.
5. **Proof of Coverage.** Acceptable proof of insurance coverage; the Declaration page, Evidence/Certificates of Insurance, Binders or Policies, from your current insurance policy may be required prior to closing. You will be notified of the specific hazard insurance closing requirements for your loan during the processing of your request.

**Note:** You are responsible for paying any fees charged by the insurance company in order to obtain the evidence of insurance and/or update the mortgagee clause.

6. **Changes to Hazard Insurance Requirements.** Changes in federal or state laws or regulations, or other changed circumstances, may require Bank of America to modify its hazard insurance requirements to include additional types or amounts of coverage. In such an event Bank of America will notify you prior to the effective date of any additional coverage so that you may purchase such required coverage. If you fail to purchase such required coverage, Bank of America may do so on your behalf and, in such event, Bank of America will bill you for the insurance premium for such coverage.
7. **Coverage Amount - All States:** The amount of hazard insurance coverage must equal 100% of the insurable value of the improvements on the Property as established by the property insurer (i.e. replacement cost value of the building(s) on the Property).

## PART II - FLOOD INSURANCE

1. **Federal Law.** The Federal Flood Disaster Protection Act of 1973, as amended, and/or the terms of your mortgage/deed of trust, require that flood insurance be purchased and maintained for the entire term of your loan if any of the improvements to your Property (buildings, homes, condominiums and manufactured homes) are located in a Special Flood Hazard Area (SFHA or Flood Area), as shown on a map published by the Federal Emergency Management Agency (FEMA), and the community in which your Property is located participates in the National Flood Insurance Program (NFIP).
2. **Properties Located in Non-Participating Communities.** Under Bank of America's requirements, a Property located in a Flood Area that does not participate in the NFIP is ineligible for financing.

3. Flood Insurance Policy Requirements. If your Property is located in a SFHA and in a community that participates in the NFIP, you must purchase a flood insurance policy that:
  - a. is issued by the NFIP, a Write Your Own insurer authorized to write NFIP policies and properly licensed to do business where the Property is located, or a private insurer properly licensed to do business where the Property is located;
  - b. meets the FEMA minimum deductible requirements and has a deductible no greater than \$10,000, unless a higher maximum deductible is required by state law (The deductible amount may not be above the insurable value of the building or so high as to avoid mandatory purchase requirements for flood insurance.);
  - c. identifies as the named insured on the policy at least one borrower who will have an ownership interest in the Property and will be a mortgagor/trustor on the mortgage or deed of trust as applicable
  - d. includes a standard mortgagee clause naming Bank of America as an additional insured; and
  - e. provides for notice to Bank of America at least 45 days prior to cancellation or non-renewal of the policy.
  
4. Minimum Coverage Amount for Single Family Residences. As long as your property is located in a SFHA, Bank of America requires, at a minimum, that you purchase and maintain for the life of the loan flood insurance coverage in an amount equal to the lesser of:
  - The outstanding principal balance of all loans on the Property (for home equity line(s) of credit, the full value of the credit line(s)); or
  - The full insurable value of the buildings on the Property (as described below); or
  - The maximum amount of coverage available under the NFIP for the type of building or collateral.
  - a. The full insurable value of the building(s) on the Property depends on the type of collateral securing the loan(s) and the payout conditions under the insurance policy. For example, under a NFIP flood insurance policy, if the building is your principal residence, the insurable value is typically the replacement cost value of the building, subject to a limit of \$250,000. If the building is a vacation or second home where you reside less than 80% of the time, the insurable value is typically the actual cash value of the building, subject to a limit of \$250,000. Actual cash value is the replacement cost value of the building less depreciation.
  - b. If you purchase and maintain flood insurance coverage that only meets Bank of America's minimum requirements, and the amount or payout of the coverage is less than the full replacement cost value of the building(s) on your Property, then, your coverage amount may be insufficient to fully replace or repair the building(s) on your Property after a flood loss and may not otherwise fully compensate you for your losses due to flood damage.
  - c. The choice remains with you to elect to purchase and maintain more flood insurance coverage than Bank of America's minimum requirements. You should discuss your flood insurance needs with a licensed insurance professional to decide whether Bank of America's minimum requirements are appropriate for your circumstances, or whether additional coverage through the NFIP and/or an acceptable private flood insurance policy is needed to fully protect the building(s) on your Property in case of a significant flood event.
  
5. Multiple Buildings on the Property (Single Family Residences). In addition to the main dwelling building, the flood insurance coverage on your Property must include coverage for any other buildings on the Property. A building is defined as a structure located within a SFHA, with two or more outside rigid walls and a fully secured roof which is affixed to a permanent site, or manufactured home (a "manufactured home," also known as a mobile home, is a structure built on a permanent chassis, transported to its site in 1 or more sections, and affixed to a permanent foundation); or a travel trailer without wheels, built on a chassis and affixed to a permanent foundation, that is regulated under the community's floodplain management and building ordinances or laws. When there are multiple buildings that require flood insurance coverage, all buildings must have some coverage and the total amount of required flood insurance coverage will be allocated among the buildings. The allocation of coverage will be determined using the value of each respective building as compared to the overall insurable value of the buildings.
  
6. Condominiums and Planned Unit Developments (PUD).
  - a. For a unit in a condominium or PUD where the homeowner's association maintains a Residential Condominium Building Association Policy (RCBAP), the replacement cost value and number of units on the RCBAP declaration page will be used in determining insurable value of the individual unit. The following flood coverage requirements apply:
    - 1) Bank of America will accept an RCBAP that covers at least 80% of the replacement cost value provided that the total coverage (including supplemental, if applicable) meets the lesser of the outstanding principal balance of the loan(s) and/or full value of the credit line(s), the full insurable value of the

individual unit or the NFIP maximum for the individual unit. In the event that the RCBAP coverage provided meets at least 80% of the replacement cost value but does not provide coverage at least equal to these minimum coverage requirements, an individual flood policy must be obtained, which, when added to the coverage of the RCBAP, at least equals these minimum requirements.

- 2) Under Bank of America's requirements, an RCBAP with coverage less than 80% of the replacement cost value is not acceptable. Further, an individual supplemental flood policy will not meet Bank of America's requirements. (Note: If the RCBAP coverage does not meet at least 80% of the building's replacement cost value as of the time of any loss, an individual supplemental flood policy may contain claim limitations that prevent the individual flood policy from covering the individual unit owner's share of the co-insurance penalty created by insufficiencies in the RCBAP coverage amount.)
- b. If there is no RCBAP, the condominium or PUD project must be covered by a private master or blanket flood insurance policy, or an individual flood insurance policy for the unit must be provided, which at least meets the Bank's minimum requirements.
7. Private Policies. Flood insurance that provides the same level of coverage as an NFIP policy may be obtained from a private insurance company. You are encouraged to compare the NFIP and private policies. If you provide a private flood insurance policy, it must satisfy the following criteria:
  - a. The insurer must be properly licensed to do business in the jurisdiction where the Property is located, by the insurance regulator of that jurisdiction.
  - b. The policy must include a requirement for the insurer to mail a 45-day, but no less than 30 days, written notice of cancellation or non-renewal to you and Bank of America, and must include information about the availability of flood insurance coverage under the NFIP. The policy must be as restrictive in its cancellation provisions as the Standard Flood Insurance Policy (SFIP).
  - c. The policy must guarantee that the coverage, considering deductibles, exclusions, and conditions offered by the insurer, is at least as broad as the coverage under the SFIP.
  - d. The policy must contain a mortgage interest clause similar to that contained in the General Conditions section of the SFIP.
  - e. The policy must contain a provision that the insured must file suit within one year after the date of written denial of all or part of a claim.
8. Proof of Coverage. If any structure on the Property is in a Special Flood Hazard Area that requires flood insurance, proof of coverage must be delivered to Bank of America before scheduling your loan closing. Acceptable proof of insurance coverage for new flood policies include a copy of the flood insurance application with appropriate mortgagee/loss payee clause and receipt of payment for the policy, or a copy of the declaration page. Acceptable proof of insurance coverage for existing policies include an updated copy of the declaration page or a copy of an existing declaration page along with a Change Endorsement or appropriate ACORD form showing a change in the mortgagee/loss payee clause.

**Note:** You are responsible for paying any fees charged by the insurance company in order to obtain the evidence of insurance and/or update the mortgagee clause.
9. Massachusetts. If you are applying for a loan that will be secured by Property located in the state of Massachusetts, Bank of America has or will provide you a separate disclosure regarding additional flood insurance requirements.
10. New York. In accordance with notice requirements under NY Real Property Law § 283, the flood insurance we are requiring you to purchase may not be sufficient to pay for many needed repairs after a flood and may not compensate you for your losses in the property due to the flood. If you wish to protect your home or investment, you may wish to purchase more flood insurance than the amount we are requiring you to buy.
11. Property Mapping into a Flood Area. Bank of America can require you to purchase, or increase the amount of, flood insurance at any time during the term of the loan if Bank of America determines that the Property is in a SFHA and is not covered by flood insurance that meets Bank of America's minimum requirements. If the Property is not currently covered by flood insurance and Bank of America later determines that the Property is in a SFHA, and you fail to purchase flood insurance coverage that meets Bank of America's minimum requirements after receiving notice that such coverage is required, Bank of America may purchase flood insurance coverage for the Property on your behalf and charge you for the insurance premium plus any related fees.
12. Availability of Flood Insurance. Even if your Property is not in a SFHA and flood insurance is not required for your Property, you may want to consider obtaining flood insurance coverage, depending on your circumstances.

Flood insurance coverage may still be available through the NFIP or private insurance companies. Check with your insurance agent for more information.

13. No Duty By Complying with Federal Law. No right or obligation of Bank of America under The Federal Flood Disaster Protection Act of 1973, as amended, and/or the terms of your mortgage/deed of trust with respect to requiring flood insurance on Properties located in a Flood Area creates a duty owed by Bank of America to you as a borrower. Bank of America expressly disclaims any implication of a duty under a breach of contract, fiduciary relationship or any other legal theory by its compliance with federal law and/or the terms of your mortgage/deed of trust.
14. Policy Renewal or Changes. Evidence that your flood insurance policy(ies) complies with Bank of America's requirements and your loan agreement and that such policy(ies) has been in place continuously must be provided to Bank of America upon policy renewal or changes or upon Bank of America's request. If you do not provide this evidence within the time frame required after receiving written notices requesting the same, Bank of America may purchase an insurance policy on your behalf and charge you for the insurance premium paid plus any related fees.

### **PART III - GENERAL**

1. Bank of America will accept multi-year and/or continuous policies.
2. Mortgagee Clause. The mortgagee/loss payee clause must read:  
Bank of America, N.A.  
Its successors and/or assigns (I.S.A.O.A.) as their interest may appear (A.T.I.M.A.)  
P.O. Box 7265  
Springfield, Ohio 45501-7265  
Mortgage Loan or Reference #

NOTE: In the event this loan does not close, you are responsible for working with your insurance company to ensure the policy reflects the correct mortgagee/loss payee clause.

3. Changes to Types and/or Amounts of Coverage. Changes in federal or state laws or regulations, changes in property value, construction of additional improvements or other changed circumstances, may require Bank of America to modify its insurance requirements to include additional types or amount of coverage.
4. Loan Number on Insurance Policies and Related Correspondence. Your loan reference/account number must be included on all policies, billings and correspondence to or from your insurer or insurance agent. You should provide your insurer or insurance agent with this information.
5. If you fail to purchase adequate insurance coverage that meets Bank of America's minimum requirements after receiving notice that the coverage is required, Bank of America may purchase the necessary coverage for the Property and bill you for the cost of the premium.
6. Amounts Advanced to Pay for Insurance Premiums. Any amounts advanced by Bank of America to obtain or renew any insurance policy will become an additional obligation secured under your loan. A new insurance policy obtained by Bank of America, typically referred to as lender placed insurance, may be more expensive and may provide less coverage than a policy that you could obtain personally. For example, the policy obtained by Bank of America typically will not include coverage for your personal property.
7. IF YOU HAVE QUESTIONS ABOUT THIS NOTICE OR NEED TO FIND OUT ABOUT FLOOD INSURANCE, CALL

### **PART IV - AGREEMENT, AUTHORIZATION AND ACKNOWLEDGMENT**

**BY SIGNING BELOW, I ACKNOWLEDGE THAT I HAVE READ, UNDERSTOOD AND AUTHORIZE THE FOLLOWING, AND I ACKNOWLEDGE RECEIPT OF A COPY OF THIS FORM:**

#### **FLOOD INSURANCE CERTIFICATION**

If none of the buildings on the Property you are financing are in a SFHA, flood insurance is not required by Bank of America. You are aware that the possibility of flood damage may still exist and in the event of damage from flood there may be no government, lender or servicer assistance. If the Property is not in a SFHA, flood insurance coverage may be available from a private property insurance agent.

**You are also aware that the purchase of flood insurance may be required by law at a later date if FEMA later determines that any structure on the Property is in a SFHA.** If you are notified of a change of status, you must obtain flood insurance coverage on the Property, that meets Bank of America's minimum requirements. If you do not obtain adequate flood insurance that meets Bank of America's minimum requirements, Bank of America may obtain flood insurance at your expense, as explained above.

### **BORROWER'S RIGHT TO CHOOSE INSURANCE COMPANY AND AGENT**

Federal and state law provide that you have the right to select the insurance company and insurance agent of your choice to provide the required property insurance, including selecting an insurer or agent with which you have an existing policy. The lender may not require you to purchase insurance through any particular insurance company or insurance agent as a condition to obtaining a loan, provided the insurance company meets the lender's reasonable requirements as to the financial standing of the insurance company and the adequacy of the coverage. You understand your rights to select the insurance company and insurance agent of your choice and that this will not affect the decision made by the lender or terms of the loan. You have made your selection freely and without coercion by the lender.

**NOTICE TO THE BORROWER-YOU MAY BE REQUIRED TO PURCHASE PROPERTY INSURANCE AS A CONDITION OF RECEIVING THE LOAN. IF PROPERTY INSURANCE IS REQUIRED, YOU MAY SECURE INSURANCE FROM A COMPANY OR AGENT OF YOUR OWN CHOOSING.**

The insurance laws of your state may or may not prohibit the lender from using or disclosing information relative to a contract of insurance, unless the lender obtains your prior written consent to use or disclose the information, including but not limited to your name and Property address; the name of your insurer; the terms of your policy, including coverage limits and deductibles, premium amounts, and the date the policy expires (this is called "Insurance Information").

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