

	<p><u>Homeowners Insurance</u></p> <p>Homeowners insurance must have the following on the declarations page:</p> <ul style="list-style-type: none"> • Property address to match appraisal address exactly • Deductible to be indicated on dec page – cannot exceed 1% of dwelling or \$1000 whichever is greater • Borrowers names to match 1003 and be spelled correctly • Mortgagee Clause to read exactly: Flanagan State Bank ISAOA 333 Chicago Road PO Box 302 Paw Paw, IL 61353 • Loan number to be on policy • Dwelling coverage to be indicated. Must cover loan amount. If a manufactured home, exceptions may apply • Effective date and expiration date to be on or before closing date • Must show policy is effective for 1 year if a purchase • If a refinance and policy will expire before first payment is made, FSB will need proof of what the new premium will be upon renewal • Must have invoice or paid receipt for premium in file prior to closing • Condo must have HO-6 insurance to cover 20% of appraised value • Condo insurance must show unit owner name and unit. Must have \$1,000,000 in building coverage and liability coverage <p>Coverage must be bound prior to closing. A quote can be used for initial underwriting but will not be accepted for final approval.</p> <p><u>Flood Insurance</u></p> <p>Dwelling to cover loan amount. Unless loan amount is over \$250,000. \$250,000 is the max FEMA allows. USDA requires total estimated cost new on cost approach section of appraisal.</p> <ul style="list-style-type: none"> ➤ Flood zone to be indicated and must match flood zone on appraisal and flood cert. ➤ Unless a higher maximum amount is required by state law, the maximum allowable deductible is \$1000 or 1% of the face amount of the policy ➤ All the other homeowner's insurance requirements apply to flood insurance as well, see above.
Escrow Repair	<p>Allowed per HB-1-3555</p> <p><u>Escrow for Interior Development (7 CFR 3555.202(c)1)</u></p> <p>When the dwelling is complete with the exception of minor interior development work, the Agency may issue the loan note guarantee on the loan if the following conditions are met:</p> <ul style="list-style-type: none"> ➤ The cost of any remaining interior work is not greater than 10 percent of the final loan amount not to exceed \$5000 ➤ The livability of the dwelling is not affected;

- A signed contract between the borrower and the contractor is in effect for the proposed work and the funds to be escrowed are not less than the contractor's contract;
- The CD reflects the holdback;
- FSB will require the amount to be held for escrow of the repairs to include 150% of the bid(s). Funds can come from the buyer, seller or financed in the loan. If the funds will be financed into the loan, the borrower or seller must bring the difference between the 150% required and the invoice amount to the closing table as USDA will not allow the extra to be financed.
- The repairs will be completed within 30 days of closing; and
- The escrow account is established in a federally supervised financial institution.
- FSB requires an Escrow Repair Agreement to be executed outlining all repairs and amounts to be signed by the Borrower and Seller as applicable. Form is available at www.fsbtpo.com
- The only repairs that can be included are repairs noted by the appraisal to meet HUD requirements.
 - Essential household equipment such as wall to wall carpet, ovens, ranges, refrigerators, washers, dryers, and HVAC equipment may be included in escrow repair holdback
 - The household equipment and carpet must be noted to be needed and may not replace new items that do not require replacing. Replacement of these items should be needed due to age or disrepair. Appraiser to mention or note the current condition of the items that are being requested for replacement.
 - The household equipment must be considered as normally sold with a home in the area
 - Bids for the appliances must be provided and the checks at closing will be made payable to the company on the bid. Once the file is CTC, no new bids will be accepted.

Certification of completion/Final Inspection is required to verify the work was completed and must:

- Be completed by the appraiser,
- State that the improvements were completed in accordance with the requirements and conditions in the original appraisal report, and
- Be accompanied by photographs of the completed improvements.
- The individual performing the final inspection of the property must sign the completion report.

Escrow for Exterior Development (7 CFR 3555.202(c))

When exterior development work is planned and cannot be completed because of inclement weather, material shortages, or other acceptable reasons, an escrow account may be established. The Agency may issue a Loan Note Guarantee prior to the completion of repairs provided the following conditions are met:

- The cost of any remaining work, exterior or interior, is not greater than 25 percent of the final loan amount;
- The livability of the dwelling is not affected;
- A signed contract between the borrower and the contractor is in effect for the proposed work and the funds to be escrowed are not less than the contract;

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	<ul style="list-style-type: none"> ➤ The CD reflects the holdback; ➤ The work will be completed within 30 days of closing; and ➤ The escrow account is established in a federally supervised financial institution. <p>Certification of completion/Final Inspection is required to verify the work was completed and must:</p> <ul style="list-style-type: none"> ➤ Be completed by the appraiser; ➤ State that the improvements were completed in accordance with the requirements and conditions in the original appraisal report; ➤ Be accompanied by photographs of the completed improvements; and ➤ The individual performing the final inspection of the property must sign the completion report. <p><u>Weather related repairs will be acceptable but must be completed at the first available opportunity or a penalty may be incurred.</u></p> <ul style="list-style-type: none"> ➤ Weather related repairs will require 2 bids from licensed contractors. If licensing is not required in a state, the bids must be from a professional contractor. Valid insurance may be requested from the contractor. ➤ The higher bid will be used for the holdback. ➤ 150% of the higher bid will be used, regardless of who is providing the funds at closing. ➤ A Final Inspection for the repairs will be required to release funds ➤ Final Inspection with Final Invoices to be sent to rebeccamoorehead@flanaganstatebank.com for approval to release funds ➤ Escrow Repair Holdback Agreement must be fully executed by all parties providing funds toward repairs to be completed after closing. Form is available at www.fsbtpo.com.
Flood Hazards/Flood Insurance	<p>Existing dwellings are eligible under the SFHBLP only if flood insurance through FEMA's National Flood Insurance (NFIP) is available for the community and flood insurance whether NFIP, "write your own", or private flood insurance, as approved by the lender, is purchase by the borrower.</p> <p>Lenders are required to accept private flood insurance policies that meet the requirements of 42 USC 4012a(b)(1)(A).</p> <p>Insurance must be obtained as a condition of closing and maintained for the life of the loan for existing residential structures when any portion of the structure is determined to be located in a SFHA, including decks and carports, etc.</p> <p>However, according to the Homeowner Flood Insurance Affordability Act (HFIAA) of 2014, flood insurance is not required for any additional structures that are located on the property but are detached from the primary residential structure and do not serve as a residence, such as sheds, garages or other ancillary structures.</p> <p>New or proposed construction in an SFHA is ineligible for a loan guarantee unless:</p> <ul style="list-style-type: none"> • A final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) removes the property for the SFHA is obtained from FEMA. • Note: FEMA NFIP flood elevation certificates are ineligible documentation

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