U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
PROPERTY INSURANCE REQUIREMENTS

TO:

(Mortgagee) (FHA Project No.)

(Street Address) (Project Name)

(City) (Project Location)

1. Reference is made to the applicable Administrative Regulations of the National Housing Act under which the mortgage on the above property (a) is insured by the Federal Housing Commissioner in accordance with a Commitment For Insurance or (b) will be insured by the Federal Housing Commissioner in accordance with a previously issued Commitment To Insure Upon Completion.

2. This notice is for the purpose of advising the Mortgagee of the Requirements of the Federal Housing Commissioner as to the types of Property Insurance necessary to be maintained upon the subject property and of the estimate of the Commissioner of the Total 100% Insurable Value of the property. The attention of the Mortgagee is directed to the fact that these Requirements, with respect to the types of Property Insurance to be maintained, are continuous Requirements, as long as any mortgage upon the property is insured by the Federal Housing Commissioner. It is the duty of the Mortgagee to require of the Mortgagor maintenance of insurance in types and amounts necessary to comply with the Requirements hereinafter stated and as stated in the insured mortgage. The attention of the Mortgagee is also directed to the pertaining Administrative Regulations wherein the Mortgagor is obligated to provide Property Insurance coverage on the property in accordance with the terms of the insured mortgage upon failure of the Mortgagor to do so.

3. (a) Attached hereto and made a part hereof is Property Insurance Schedule, FHA Form No. 3399, dated ., constituting the estimate of the Federal Housing Commissioner of the Total 100% Insurable Value of the property. The Property Insurance Schedule of Insurable Values is for the purpose of estimating the amount of Permanent Insurance, as well as the amount of Builders Risk Insurance.

(b) The Total 100% Insurable Value reflected upon the attached Property Insurance Schedule includes the cost of excavations, foundations, piers, or other supports which are below the surface of the lowest basement floor or where there is no basement, which are below the surface of the ground, underground tanks, pipes, and drains. These items are generally described in the Property Insurance Schedule as items subject to the provisions of the Construction Clause or similar clauses. If the Builders Risk Insurance or the Permanent Fire and Extended Coverage Insurance does not cover these items, then an amount acceptable to the Mortgagee may be deducted from the Federal Housing Commissioner's estimate of the Total 100% Insurable Value for the purpose of estimating the amount of Builders Risk Insurance or the amount of Permanent Insurance.

4. INSURANCE DURING CONSTRUCTION.

The Requirements for this type of insurance are inapplicable when a Commitment To Insure Upon Completion is issued.

(a) Concurrently with or prior to the issuance of mortgage insurance by the Federal Housing Commissioner of any advance of mortgage proceeds for construction of the property, the Mortgagee shall have in its possession or control and in full force and effect, the standard form of Builders Risk Insurance policy or policies. It shall be written upon the standard Builders Risk Completed Value form, for Fire, Extended Coverage and Vandalism and Malicious Mischief Insurance, in an aggregate amount equal to 100% of the Insurable Value of the completed building or buildings.

(b) The Builders Risk Insurance policy or policies shall show the Mortgage as the insured and may also show an additional insured, the general contractor, and other contractors and subcontractors, as their interests may appear. Each policy shall carry the standard form of Non-Contributory Mortgage or Mortgagee Clause covering loss, if any, payable to the Mortgagee (name and address) and the Federal Housing Commissioner, Federal Housing Administration, Washington, D.C., his successors or assigns, as interests may appear. The original of such policy or policies shall be retained in the possession or control of the Mortgagee and shall be maintained in full force and effect.

(c) Upon cancellation of the Builders Risk Insurance or any portion thereof, Permanent Insurance shall be effected as hereinafter stipulated.

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5. PERMANENT INSURANCE.

(a) Fire and Extended Coverage Insurance shall be provided for the subject property and may be either blanket coverage or by specific allocations to individual structures. Such insurance shall be evidenced by standard Fire and Extended Coverage Insurance policy or policies, in amounts not less than necessary to comply with the applicable Co-insurance Clauses percentage, but in no event shall the amount of coverage be less than 80% of the Insurable Value or not less than the unpaid balance of the insured mortgage, whichever is the lesser.

(b) The Permanent Insurance policy or policies shall show the Mortgagor as the Insured and shall carry the standard form of Non-Participation Mortgage or Mortgage Clause, showing loss, if any, payable to the Mortgagor (name and address) and the Federal Housing Commissioner, Federal Housing Administration, Washington, D.C., his successors or assigns, an interest may appear. The original of such policy or policies shall be retained in the possession or control of the Mortgagor and shall be maintained in full force and effect.

(c) BOILER EXPLOSION INSURANCE - If the boiler or boilers located in the subject property are other than steam boilers, specific Boiler Explosion Insurance generally is not required. If there is a steam boiler or boiler in operation in connection with the subject property, specific Boiler Explosion Insurance is required. In determining the adequacy of the amount or amounts of this coverage there must be careful consideration of the facts and exposures for the purpose of estimating the maximum possible amount of a single loss by steam boiler explosion. The minimum limit of Boiler Explosion Insurance, when required, is $50,000 per accident per location. After due examination of all the related information in any given case, it may be determined this required minimum limit of $50,000 is inadequate. In that event a greater amount of coverage should be provided. Determination of such amount is the responsibility of the Mortgagor.

(d) Boiler Explosion Insurance, as hereinafter required, shall be evidenced by standard form of Boiler and Machinery policy or policies showing the Mortgagor as the Insured and shall have attached standard Mortgage Clause endorsement, showing loss, if any, payable to the Insured and the Mortgagor (name and address) and the Federal Housing Commissioner, Federal Housing Administration, Washington, D.C., his successors or assigns, as their interests may appear. The original of such policy or policies shall be retained in the possession or control of the Mortgagor and shall be maintained in full force and effect.

6. FLOOD INSURANCE. (Required whenever the property is located in an area of special flood hazards in which flood insurance is available under the National Flood Insurance Act.)

[ ] Required [ ] Not Required

Flood insurance shall be provided for the subject property during the term of the mortgage loan. The insurance shall be in an amount at least equal to the outstanding principal balance of the loan, or the maximum amount of insurance available with respect to the property under the National Flood Insurance Act, whichever is less. The policy shall show the mortgagor as insured and shall show loss, if any, payable to the mortgagor (name and address) and the Federal Housing Commissioner, Washington, D.C., his successors or assigns, as their interests may appear. The original of such policy or policies shall be retained in the possession or control of the mortgagor and shall be maintained in full force and effect.

7. INSURANCE CARRIERS.

The acceptability of insurance carriers, types of coverage and the forms, conditions, amounts and scope of insurance policies are responsibilities of the Mortgagor. The Federal Housing Commissioner does not require that any duplicate policies, certificates or endorsements of insurance or other evidence of the foregoing insurance coverages be submitted to him or to any of his field offices or authorized agents.

8. LOSS SETTLEMENT DRAFTS AND CHECKS.

(a) Loss settlement drafts and checks in settlement of losses sustained under any of the aforementioned types of insurance coverages shall always include the Mortgagor and the Federal Housing Commissioner as payees.

(b) Loss settlement drafts and checks shall be forwarded to the Federal Housing Administration Field Office Director having jurisdiction over the area in which the property sustaining the loss is located, and he is responsible for the endorsement and release of such instruments on behalf of the Federal Housing Commissioner.