



January 13, 2012

BULLETIN: 01132012UW

TO: ALL CUSTOMERS

FROM: UNDERWRITING DEPARTMENT

RE: INSURANCE REQUIREMENTS ON FHA LOANS (ATTACHED PUDS)

Effective for loans submitted February 1 2012 and after, FHA loans submitted to Crescent that are in attached planned unit development (PUD) projects must have 100% of the insurable replacement cost of the unit's exterior **and interior** improvements, whether originally installed or later upgraded.

When the HOA Master Policy (Blanket Policy) does not provide coverage for the interior (or "walls in" coverage) of the unit, then the borrower is responsible for obtaining a walls in policy for the individual unit. The walls-in policy must be sufficient to repair the interior of the unit, including any additions and improvements (such as kitchen cabinets, lighting, flooring, plumbing fixtures, etc.) in the event of a loss.

A couple of things to remember:

- This does not impact *detached* PUDs
- Walls-in coverage IS homeowners/hazard insurance therefore standard insurance escrow requirements will apply. All hazard insurance payments must be included in the mortgage payment and escrowed for future premium payments.
- If the master policy does have the required interior coverage, be sure it can be transferred to subsequent owners.
- If the master policy specifies "bare walls" coverage, this is insufficient since it would not include installations and fixtures. A separate policy would be required.
- HOA master policies that provide interior coverage based on "original specifications" are not providing coverage for additions and improvements and therefore would not include sufficient coverage. A separate policy would be required.

As always, we appreciate your business. Have a Happy and SAFE Holiday Season! We look forward to a successful 2012!