

Each borrower has the right to select an insurance carrier to provide hazard insurance for the subject property. Western Bancorp requires that the carrier of the policy maintains a [Standard and Poor's](#) rating of BBB, [A.M. Best Rating Services](#) of B, or [Demotech, Inc.](#) rating of A and that coverage meets the requirements specified in this policy.

A. HAZARD INSURANCE

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.

Western Bancorp may accept more than the minimum required coverage but only at the borrower's discretion. A policy that provides for guaranteed replacement cost, extended replacement cost or replacement cost will always cover the required minimum insurance coverage amount.

Insurable Value

Insurable Value, as established by the property insurer, is the construction cost to build the improvements new (includes square footage, type of improvement(s), amenities, land area, etc.). The Dwelling plus Other Structures coverage will be used as insurable value.

It is the insurance company's responsibility to research data in order to make this determination. Western Bancorp cannot provide information to make this determination.

The following table describes how to calculate the amount of required property insurance coverage:

Step	Description
1	Compare the insurable value of the improvements as established by the property insurer to the unpaid principal balance of the mortgage loan.
1A	If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required
1B	If the unpaid principal balance of the mortgage loan is less than the insurable value of the improvements, go to Step 2.
2	Calculate 80% of the insurable value of the improvements..
2A	If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required.
2B	If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure is the amount of coverage required.

Deductible

A maximum deductible of up to 5% of the face amount of the policy is allowed.

Wind-Loss Deductibles Only

When a policy provides for a separate wind-loss deductible (either in the policy itself or in an endorsement to it), a deductible of up to 5% of the face amount of the policy is allowed.

Effective and Expiration Dates

Purchase Transactions—the policy must provide for ALL of the following:

- In effect as of the funding date
- Extend and be paid for minimum 12 months from the date of closing
- Monthly Payment plans are ineligible when an impound account is required

Refinance Transactions—New or Existing policy is acceptable and must provide for ALL of the following:

- In effect as of loan funding date
- Expiration date of the policy is clearly stated
- Sufficient impounds are collected by Western Bancorp to renew coverage at the due date (*if applicable*)
- Existing coverage extends a minimum of 90 calendar days beyond the closing date by Western Bancorp
 - if there is less than 90 days but greater than 60 days remaining, a 30 day binder must be provided

B. EARTHQUAKE INSURANCE

Western Bancorp does not require Earthquake Insurance

C. CONDO/PUDs

Follow [FannieMae Property Insurance Coverage](#) unless otherwise stated in the [Program Guideline](#) associated with the transaction

D. LENDER'S LOSS PAYEE

Western Bancorp, its successors and/or assigns
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