

FIDELITY, MORTGAGE E&O AND PROFESSIONAL SERVICES LIABILITY INSURANCE REQUIREMENTS

Mortgage bankers are typically required to purchase fidelity/employee dishonesty coverage, mortgagee's errors-and-omissions insurance (E&O) and professional-liability insurance by investors, some state agencies and warehouse lenders.

WarehouseOne requires mortgage banking clients to maintain E&O and Fidelity insurance. There are several types of insurance that may satisfy these requirements.

MORTGAGE BANKERS BOND

Mortgage Bankers may purchase a Mortgage Bankers Bond, sometimes called a Fidelity Bond or Theft/Crime Insurance and Mortgage Errors & Omissions Insurance.

Minimum Coverages - Coverage limit as shown in the table below with either a double aggregate or a reinstatement of the aggregate limit.

WarehouseOne's customer shall maintain, at its own expense, a blanket Fidelity Bond and Mortgage Errors and Omissions Insurance Policy, with loss payable to WarehouseOne. The insurance policies shall provide broad coverage from approved insurance carriers on all owners, officers, employees or other persons acting in any capacity with regard to a Mortgage Loan who handle funds, money, documents and papers relating to a Mortgage Loan. Any such Fidelity Bond and Mortgage Errors and Omissions insurance shall protect and insure Mortgage Banker against losses, including forgery, theft, embezzlement, mortgage errors and omissions and negligent acts of such persons.

No provision of this section requiring such fidelity bond and errors and omissions insurance shall diminish or relieve Mortgage Banker from its duties and obligations as set forth in the Warehouse Lending and Security Agreement.

Fidelity Bonds must include:

1. Principal fidelity (coverage for the owners/partners) for escrow funds or property of third parties
2. Definition of employee including independent contractors, temporary employees and leased employees.
3. WarehouseOne as loss payee in the event of a loss involving their interest
4. WarehouseOne will have direct right to file a claim
5. WarehouseOne will be notified by the insurer when a claim is filed

FINANCIAL INSTITUTION BOND (FORM #15)

A Mortgage Banker may purchase a Financial Institution Bond or Fidelity Bond/Crime Insurance in lieu of Mortgage Bankers Bond.

Minimum Coverages - Coverage limit as shown in the table below with either a double aggregate or a reinstatement of the aggregate limit

Basic Coverage: A Financial Institution Bond must include fidelity insurance on all employees, independent contractors, temporary employees + leased employees as well as owners/partners plus coverage for forged documents, premises and in transit, etc.

Coverage must also include:

1. Principal fidelity (coverage for the owners/partners) for escrow funds or property of third parties
2. Definition of employee including independent contractors, temporary employees and leased employees.
3. WarehouseOne as loss payee in the event of a loss involving their interest
4. WarehouseOne will have direct right to file a claim
5. WarehouseOne will be notified when a claim is filed

MORTGAGEE ERRORS & OMISSIONS/MORTGAGE INTEREST/MORTGAGE IMPAIRMENT

Coverage limit as shown in the table below:

Basic Coverage: If you purchase a Form #15 Financial Institution Bond, since it does not cover Mortgage E&O, you must purchase a separate Mortgage E&O policy.

The mortgage E&O policy must cover exposures such as:

1. Failure to obtain or maintain fire and extended coverage perils,
2. Failure to obtain or maintain flood insurance
3. Failure to determine that a property is in a flood zone
4. Failure to obtain PMI Insurance, FHA Insurance or VA Guaranty as well as follow their instructions in connection with the liquidation of a loan
5. Failure to pay real estate taxes.

PROFESSIONAL LIABILITY INSURANCE (optional)

Basic Coverage: Professional Services Liability should cover your negligent acts, errors and omissions arising out of your professional services as a mortgage banker or mortgage broker. It should protect your legal liability from mistakes arising out of loan originating activities including: lock-in disputes, incorrect quotes, lawsuits, etc. It should also extend to assumptions, payoffs, foreclosures, renegotiation of loan terms, etc.

A simple comparison would be that Professional Liability coverage is like malpractice insurance for your business.

ADDITIONAL REQUIREMENTS

Insurer must include a rider that such insurance policies shall in no event be terminated or materially modified without 30 days' prior written notice to WarehouseOne.

Renewals and Policy Expiration Notices: WarehouseOne's customers shall provide written evidence of renewal of such insurance policy ten days in advance of the expiration date of such policy. A binder or certificate of insurance shall be valid proof of insurance. A binder or certificate is only acceptable for a 45 day period. After that time, WarehouseOne requires a copy of the full policy including all riders/endorsements along with evidence of paid premium.

Approved Insurance Carriers: Each insurer must have and maintain at least the following rating by either Standard and Poors (S&P) or A.M. Best Co.: (a) Policyholder's rating of "A-" or better; provided that an insurer with a lesser rating shall be permitted if such insurer presents a reinsurance agreement, containing a direct access clause, with one or more insurers which hold a policyholder's rating of "A-" or better.

Loss Payee: All fidelity bonds and mortgage E&O policies must have a Loss Payee provision naming WarehouseOne as loss payee in the event of a loss involving their interest.

LOSS PAYEE INFORMATION

WarehouseOne, LLC
340 Scotch Road
West Trenton, NJ 08628

INSURANCE COVERAGE REQUIRED

WarehouseOne Line Size	Minimum Policy Face Amount	Maximum Deductible
\$1-5 million	\$300,000	\$25,000
\$6-\$10 million	\$500,000	\$50,000
\$10-15 million	\$1,000,000	\$50,000