



Mortgage Impairment

Impairment Errors & Omissions

Product Overview

The Mortgage Impairment program provides a safety net for unknown or unexpected losses by protecting the lender's interest in the property from errors and omissions that may occur in the day-to-day origination and servicing of residential and commercial mortgage loans. Coverage includes physical damage and errors & omissions and complies with requirements of guaranty organizations like Fannie Mae, Freddie Mac, and Ginnie Mae.

Coverage Summary

- **Errors & Omissions** – liability in handling hazard insurance, real estate tax payments, processing of life/disability payments, flood zone determination, loss of secondary market guarantees, title errors/omissions, VA/FHA/SBA/PMI loss coverage
- **Impairment** – coverage to the lender's security interest when the borrower fails to comply with insurance requirements, in addition to property damage of a covered peril, and borrower default. Broader coverage and optional endorsements are available, including coverage for perils not required by the lender

Coverage Advantages

Proctor Financial's Mortgage Impairment policy is one of the broadest forms available in today's market. When compared to other Mortgage Impairment policies, our policy:

- Provides coverage above that required by Fannie Mae and Freddie Mac
- Eliminates many of the requirements by other insurance companies such as
 - » No requirement of the lender to maintain borrower's original insurance policy
 - » Lender can determine their own process for keeping records of borrower's insurance
 - » Lender determines tracking process to suit their business needs
- Includes coverage for flood whether a required peril or not, water back up, collapse, and earthquake (prior submission required for CA)
- Includes liability coverage on escrowed loans if borrower's insurance included it
- Covers physical damage for REOs 90 days after foreclosure

Customizable Options

Since each lender is unique, coverage can be tailored accordingly. Generally, both the impairment and E&O coverages are included. Proctor's Mortgage Impairment policy can be written on a checking basis where the lender verifies borrower's insurance at loan closing and annually for all first mortgage loans in the portfolio. This option keeps the lender in compliance with investor requirements. An Ex-checking option is available should the lender wish to verify insurance at loan closing but only respond to cancellation or non-renewal notices thereafter. A blanket impairment option is also available for those lenders who choose to only verify insurance is in place at loan closing.

The policy can be bound for a one or three-year term. Discounts are offered on the three-year prepaid option, which may result in significant savings.