

**NEW YORK STATE HOUSING FINANCE AGENCY**  
**641 Lexington Avenue**  
**New York, N.Y. 10022**  
**(212) 688-4000**

**INSURANCE REQUIREMENTS**  
**FOR SONYMA INSURED LOANS**

**GENERAL REQUIREMENTS**

Acceptable evidence of insurance coverage must be provided prior to loan closing in the form of binders, certificates of insurance or policies. If binders or certificates are used to evidence coverage, then, within three months of closing, certified copies of the Property, General Liability and Boiler and Machinery policies must be submitted to HFA; photocopies are sufficient for other coverages.

All coverages must be provided by carriers who are licensed or approved to do business in New York State and who have received a rating from Best's of at least A- VI or better. Property, Liability and Boiler and Machinery policies must contain a clause guaranteeing that thirty (30) days prior written notice by registered mail of cancellation or material change be provided to the Agency.

All Property and Boiler and Machinery policies must name the STATE OF NEW YORK MORTGAGE AGENCY (SONYMA) as their interest may appear (ATIMA). SONYMA must be shown as an additional insured for the General liability policy. Separate certificates of insurance evidencing SONYMA's interest must be provided to the HFA.

**Property Coverage**

HFA requires "all risk", "special causes of loss" coverage on a replacement cost basis with either an agreed amount clause or a waiver of coinsurance. The policy limits should be 100% of the replacement cost of the insurable improvements.

Flood insurance is required if the property is located in Flood Zones A or V. The amount of the flood insurance shall be at least the amount available through the National Flood Insurance Program ("NFIP") or such amounts as the Agency deems appropriate.

Loss of rental income on either an "Actual Loss Sustained" basis or for twelve months is also required.

Ordinance and Law coverage is required when the property is found to be legal non-conforming to locality's use and occupancy building code in amounts as may be reasonable in relation to loan property conditions.

Earthquake coverage is not typically required but may be required at the discretion of the HFA.

HFA must be listed as the mortgagee under a New York Standard Non-Contributory Mortgagee clause and as loss payee using the following wording:

New York State Housing Finance Agency, ISAOA, ATIMA  
As Mortgagee and Loss Payee  
Attention: Insurance Department  
641 Lexington Avenue  
New York, New York 10022

### **Boiler and Machinery Coverage**

Boiler and machinery coverage must be provided in an amount equal to 100% of the replacement cost of the improvements. Boiler and Machinery coverage is optional for garden style apartments, buildings with non-centralized HVAC systems, and buildings of less than four stories. The mortgagee and loss payee language cited above must also be included in the boiler and machinery insurance evidence and/or policy.

### **General Liability**

HFA requires that commercial general liability coverage with a per occurrence limit of \$1 million and minimum aggregate limit of \$2 million be provided. If this coverage is provided under a blanket policy, then a “per location aggregate” endorsement must be included. The following must be shown as additional insured on the binder, certificate and/or policy, when issued:

New York State Housing Finance Agency  
Attention: Insurance Department  
641 Lexington Ave.  
New York, New York 10022

### **Automobile/Hired, Non-Owned Auto**

HFA requires that the mortgagor obtain hired and non-owned automobile liability coverage plus, if there are owned vehicles, auto liability insurance in the amount of at least \$1 million per occurrence.

### **Workers Compensation and Disability**

HFA requires that statutory workers compensation, including employer’s liability, and disability coverage be carried.

## **Umbrella**

HFA requires that umbrella liability insurance with a minimum limit of \$10 million per occurrence and in the aggregate be carried. The umbrella coverage should reference as underlying the general liability, auto liability/hired, non-owned liability, and employers liability coverage required as stated above.

## **Fidelity (Employee Dishonesty)**

HFA requires that the mortgagor and/or the mortgagor's management company maintain a blanket position fidelity bond in an amount of at least two months gross rental income. HFA must be named as a joint loss payee.

## **OTHER REQUIREMENTS**

### **Prepayment of Insurance and Escrows for Insurance**

HFA requires that all insurance policies be paid in full by the mortgagor prior to the loan closing. Proof of payment may be submitted in the form of invoices marked "paid" or a letter confirming same on the insurance agent's or broker's letterhead.

The insurance agent or broker must also submit a schedule of insurance prior to closing showing the required coverages as outlined above, the policy term, the policy number and the annual premiums. This data will be used to establish the initial funding level to be deposited at closing and the monthly escrow deposit thereafter for the insurance portion of the Tax and Insurance Escrow account. This account must contain sufficient funds to pay the full year's premiums for all insurance coverages when the next annual premiums come due.

### **Annual Submission of Proof of Insurance**

The borrower must provide certificates of insurance each year upon the renewal of the various insurance policies that cover the subject property.

## **Checklists**

Owners and/or their insurance agents will be required to complete and sign checklists / questionnaires prepared by the HFA to facilitate the Agency's reviews of compliance with Agency requirements.