



REAL ESTATE INVESTOR PROTECT: Mortgage Impairment Coverage

MORTGAGEHOLDER'S PROTECTION POLICY

The **Mortgageholder's Protection Policy** (MPP), also referred to as Mortgage Impairment Coverage (MI), is a hybrid insurance product that is designed to provide both first-party property coverage and third-party errors and omissions liability coverage. Financial institutions that originate, sell, securitize or service mortgages should consider MPP coverage. Most secondary markets specifically require mortgage E&O coverage, which is commonly included in the MPP for lenders who sell mortgages to these markets.

COVERAGES

Mortgageholder's Interest (Coverage A)

Coverage designed to help protect the insured against loss of financial interest due to uninsured physical damage to mortgaged property, if:

- The borrower defaults on the mortgage; and
- The market value of the damaged property is less than the outstanding mortgage balance.

Coverage typically applies to causes of loss for which the insured requires the borrower to insure the mortgaged property, including flood.

Limits of Insurance can be provided up to \$25,000,000 per mortgage, subject to underwriting. Higher limits may be available.

Limits of Insurance for flood coverage are equal to those available under the National Flood Insurance Program.

Coverage Extensions:

- Includes all mortgages that the insured services for others under a written contract; and
- Includes loss of mortgageholder's interest due to a failure to maintain public or private mortgage insurance.

Foreclosed Property (Coverage B)

Designed to provide automatic temporary coverage for properties acquired through foreclosure. Coverage expires at the earliest of

- 90 days after acquisition;
- Effective date of other insurance; or
- Expiration date of the policy.

Mortgageholder's Liability (Coverage C)

Designed to provide coverage for the insured's legal liability resulting from their failure to:

- Maintain property insurance on the mortgaged property for the benefit of the borrower;
- Maintain other insurance for the benefit of the borrower;
- Pay real estate taxes on behalf of the borrower; and
- Identify mortgaged property that is located in a Special Flood Hazard Area.

Coverage for defense costs is typically provided in addition to the limits of liability.

Coverage is typically provided on an "Occurrence" basis. Retroactive coverage can be provided for compatibility with previous "Claims made" coverage.



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COVERAGES

Optional Coverages

Coverage can be broadened to include the following:

- Balance of Perils Coverage – broadens coverage to include losses resulting from physical damage caused by causes of loss that the mortgage documents do not require the borrower to obtain insurance
- Government Confiscation – broadens coverage to include loss from seizure and sale of mortgaged property by a governmental agency
- Secured Business Property – broadens coverage to include losses to loans collateralized by business property
- Manufactured Homes, Condominiums, Security Interest E&O and Recordation E&O
- E&O coverage for properties held in trust, mortgage life or mortgage disability insurance, mortgage document custodial services and failing to require or obtain Title Insurance

Secondary Mortgage Requirements

Mortgage E&O coverage, which is commonly included in the MPP, is specifically required by most secondary mortgage markets, for those who originate and service mortgages.

Specifically designed Fannie Mae, Freddie Mac and Ginnie Mae Endorsements can be added to policies to assist with compliance with notification and coverage requirements of these entities.



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GET A QUOTE



SUBMISSION REQUIREMENTS

- Completed application
- Current schedule of assets
- Premium and loss history for current program



SUBMIT A RISK

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