

Guidance on Bond, Insurance and Letter of Credit Requirements

24 CFR 3286.205 states that an installer can hold either a surety bond or maintain insurance coverage. HUD has determined that installers can choose to have any one of the following options to meet this requirement:

1. Surety Bond Only
2. Irrevocable Letter of Credit Only
3. Combination of Surety Bond and Insurance
4. Combination of Irrevocable Letter of Credit and Insurance
5. Insurance Only

The requirements for each of the different coverage options are noted below. It is recommended that applicants choose option #3 or #4 for coverage as it provides that easiest and most affordable option. Before choosing option #5, please contact SEBA Professional Services (SEBA).

1. **Surety Bond Only Coverage:** If an installer chooses to have bond-only coverage, the bond must be sufficient to replace the home. The minimum amount of coverage required is \$100,000.
 - A bond form template is available that should be used for creating this bond. It can be found on www.manufacturedhousinginstallation.com or by request to SEBA.
2. **Irrevocable Letter of Credit:** If an installer chooses to have an irrevocable letter of credit only, the amount of credit must be sufficient to replace the home. The minimum amount required is \$100,000.
 - See requirements for the Irrevocable Letter of Credit on page 2. You are encouraged to contact SEBA with any questions about this process.
3. **Combination of Surety Bond and Insurance:** Installers choosing this coverage must have both a minimum \$250,000 general liability insurance policy and a \$10,000 bond.
 - Insurance policies must list HUD as an additional insured. See information on page 2.
4. **Combination of Irrevocable Letter of Credit and Insurance:** Installers choosing this coverage must have both a minimum \$250,000 general liability insurance policy and a \$10,000 irrevocable letter of credit.
5. **Insurance Only:** If the installer chooses to have insurance-only coverage, the insurance requirements are listed below.
 - A \$250,000 general liability insurance policy that will cover all warranty issues with no deductible for one year after any installations.
 - The insurance policy must be paid in full for a minimum of one year.
 - The policy must stay in force the entire time the installer's license is valid.
 - The insurance will need to be renewed 60 days before the policy expires to ensure that there is continuous coverage.

- The insurance will have to cover damages in small amounts with no deductible for warranty items and general liability items.
- Determination of liability will be at the discretion of the Office of Manufactured Housing Programs.

Insurance Information

All insurance policies must have the U.S. Department of Housing and Urban Development listed as an additional insured. See Department information below:

HUD
 Administrator, Office of Manufactured Housing Programs
 451 7th Street SW, Room 9168
 Washington, DC 20410

Letter of Credit (LOC) Information

Below are the requirements for Letters of Credit (LOC) that are used to qualify for the U.S. Department of Housing and Urban Development (HUD) Installer License.

1. The LOC must be irrevocable.
2. The Obligee of all LOCs must be:
 U.S. Department of Housing and Urban Development
 Administrator, Office of Manufactured Housing Programs
 451 7th Street SW, Room 9168
 Washington, DC 20410
3. LOCs must not have an assignment restriction. The Administrator of the Office of Manufactured Housing Programs for HUD will be responsible for assigning payment to the injured third party.
4. The bank issuing the LOC must be located within the United States.
5. The LOC can be drawn on more than once, up to its value.
6. LOCs are not required to have an expiration date. If an LOC has an expiration date, it must be no less than twenty-six (26) months from date of issue. This allows for two (2) months to process the application and send in all forms, twelve (12) months for the license, and one (1) year of warranty. If an expiration date is present the LOC will need to be renewed for twenty-six (26) months each year to keep the license in force.
 - a. It is recommended that LOCs should be valid for fifty (50) months prior to expiration, allowing two (2) months for processing, thirty-six (36) months for the license, and twelve (12) months of warranty. This should result in the lowest possible cost to the installer.