



MFM Bulletin: 004-2024

Date: March 12, 2024

Subject: Fannie and Freddie Hazard Insurance updates

At the direction of the FHFA and to ensure that properties are covered by adequate insurance, Fannie Mae and Freddie Mac have recently issued bulletins with new requirements regarding property hazard insurance. This policy is effective immediately. To maintain consistency with our requirements, Member First Mortgage will apply these Fannie/Freddie requirements to ALL loan types.

Adequacy and Availability of Insurance

The following will now be required on all Homeowners Insurance policies:

- **The policy must specifically state that all claims must be settled on a replacement cost basis.** Insurance policies that provide for claims to be settled at actual cash value or limit, depreciate, reduce or otherwise settle losses for less than a replacement cost basis are not eligible.
- **The policy must verify the actual replacement cost value (RCV) of the property as of the current insurance policy.** If the agent cannot provide this information on the policy itself, then an e-mail from the insurance agent providing the replacement cost information or a Replacement Cost Estimator would be acceptable.

Determining the Required Hazard Insurance Coverage Amount

Property insurance coverage amount for a first mortgage secured by a one- to four-unit property is at least equal to **the lesser of:**

- 100% of the **replacement cost value** of the improvements as of the current property insurance policy effective date, or;
- the unpaid principal balance of the loan, provided it equals no less than 80% of the replacement cost value of the improvements as of the current property insurance policy effective date.

Condominium Master Insurance Policies

- Specifying that all policy limits must be at least equal to 100% of the replacement cost value of the project's improvements, including Common Elements and residential structures, as of the current insurance policy effective date.
- Updating flood insurance requirements for Condominium Projects to reflect the maximum coverage amount available from the National Flood Insurance Program per unit, consistent with Planned Unit Development (PUD) and Cooperative Project requirements.

Please contact our VP of Credit Policy, Pam Trudeau (pam.trudeau@memberfirstmortgage.com) with any questions or concerns.

Thank you