700 N. Pearl St., Suite N1500
Dallas, TX 75201

External Fannie Mae Insurance Requirements

07.01.26

General Policy Requirements

- List the Borrower as a Named Insured or an Additional Named Insured on the applicable policies if the policy is provided by, or in the name of, a Property Manager.
- Cancellation provision must be afforded to the Lender at least 10 days before cancellation for non-payment of premium or non-renewal and 30 days before cancellation for any other reason.
- Policy should be for a term of no less than one year; unless coverages are provided on existing policy(ies) that has less than 12 months remaining in its current term.
- ACORD 28 forms for Property and ACORD 25 for General Liability will be considered acceptable evidence of temporary insurance at closing and upon each subsequent renewal, with full policies due to lender within 90 days of renewal.
- Coverage must be provided by insurance companies that carry an AM Best rating of A- or better except for State-sponsored insurance programs and insurers participating in NFIP.
- Property address must be clearly identified on all evidence; with the Borrower listed as a Named Insured on all policies.
- If the property is on a blanket policy, a Schedule of Values (SOV) is required to analyze the geographical concentration and/or aggregated values of properties/Total Insurable Values (TIV) under the Blanket Policy.
    - Blanket Limits must reinstate to the pre-loss limits after a casualty except for earthquake, flood and terrorism.
    - The Blanket Limit must cover the largest Total Insurable Value (TIV) covered by the policy for all required coverages.
- Insurance policy premiums covering the first full year, or remainder of the policy term must be paid in full at closing. Premiums are required to be paid in full at each renewal, with copies of paid in full receipts provided to lender.
- Risk Retention Groups and Captive Insurers are only accepted for: Professional Liability, General Liability, Excess/Umbrella Liability, Property layer that does not afford majority of blanket coverage, Terrorism when backed by TRIA, and for funding property and liability deductibles.
    - Risk Retention Groups and Captive insurers must be rated at least A- by AM Best.
- Lender is required to be listed as Mortgagee and Loss Payee on property coverage and Additional Insured – Mortgagee, Assignee, or Receiver on liability coverage as follows:

    Fannie Mae, ISAOA/ATIMA
    c/o Lument Real Estate Capital, LLC, ISAOA/ATIMA
    700 N. Pearl St., Suite N1500
    Dallas, TX 75201

Property

- Must be written using Special Peril/All-Risk Coverage (without exclusions for Wind/Hail and Named Storm).
- Limit of coverage must be at least 100% of the insurable value for single building properties, or 90% of the insurable value for properties with multiple buildings. **Insurable Value is determined by the most current Appraisal Insurable Value estimate and an industry standard 3% yearly property cost increase.*
- No coinsurance, or a coinsurance clause that is offset by an Agreed Value/Amount endorsement.
- Property form must be Replacement Cost; Actual Cash Value is only acceptable for roofs.

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- Deductibles may not exceed:
  Specific Limit Insurance Policy
  - Policies less than $10 million, maximum per occurrence based on TIV is $50,000
  - Policies $10 million or more, maximum per occurrence based on TIV is $100,000

  Blanket Insurance Policy
  - $250,000 if a true blanket with a shared occurrence limit is available to each covered property.
  - Specific limits apply - $50,000 for collateral Insurable Values less than $10 million; or $100,000 for collateral Insurable Values $10 million or more.

Business Income
- Coverage for business income must be included for all required coverages including Ordinance or Law (Coverage D), Windstorm, Flood, Earthquake, Terrorism, etc.
- Required in an amount equal to Actual Loss Sustained for 12 months, Effective Gross Income from most recent annual reporting, or Net Operating Income plus continuing expenses.
- The business income waiting period must not exceed 3 days (72 hours) or the maximum deductible listed above in the Property section.
- For loans with an Unpaid Principal Balance of $35M or more, coverage must include 90-day Extended Period of Indemnity.

Ordinance or Law
- If the property is non-conforming under any current land use law or ordinance, ordinance or law insurance is required and must be included for all perils, even if insured via a standalone policy.
  - Coverage A (Loss to Undamaged Portion) must equal:
    • 100% of the Insurable Value, minus the damage threshold specified by the local building or;
    • 50% of the Insurable Value, if a threshold is not specified
  - Coverage B (Demolition Cost) & Coverage C (Increased Cost of Construction) must equal 10% of the insurable value each for coverage B&C or 20% when combined.
  - For properties with any buildings 5 stories or taller, Coverage D (Increased Period of Restoration) must be included.

Equipment Breakdown or Boiler & Machinery
- Required for any buildings with high-pressure, centralized HVACS boilers, water heater or other vessels in operation and regulated by the Property's state or municipality.
- Coverage must be equal to 100% of the Insurable Value of the building(s) housing the equipment.
- If the insurance is provided by a carrier other than the carrier providing the property damage policy, both policies must include a Joint Loss Agreement.
- Deductibles are subject to maximums outlined in Property section above.

Terrorism
- Coverage is required at 100% of the estimated IV for a single-building Property; and 90% of the estimated IV for a multiple building property.
- Deductibles may not exceed the maximum deductibles outlined in the above Property section
  - Business Income/Rental Value deductibles cannot exceed
    - 15 day waiting period, when expressed as number of days
    - $100,000 per occurrence when expressed as a dollar amount
- If Ordinance or Law coverage is required, the coverage must be included if Terrorism is provided on a stand-alone policy.

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Flood

- Coverage is required for any income-producing Improvements or any non-income producing Improvements that support amenities are in a Special Flood Hazard Area (SFHA) Zone starting with the letter A or V; or the Property is located within a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA), regardless of if the Property is located in an SFHA.
- Required coverage should equal at least 100% of the insurable value for the first 2 floors above grade, in addition to any improvements below grade.
- Contents coverage must be provided for any borrower-owned contents or business personal property.
- Business Income required in an amount equal to at least 12 months of effective gross income or rental values for buildings located in SFHA.
- **Private/Excess Flood**
- Must be written on a Replacement Cost Valuation basis without any deduction for depreciation and provides coverage and terms as broad as or better than the coverage and terms provided under a standard flood insurance policy issued under the National Flood Insurance Program (NFIP).
- Maximum deductibles:
    - $50,000 **per building** for properties with 10 or less buildings located in SFHA
    - $500,000 **per occurrence** for properties with more than 10 buildings located in SFHA
- Business Income/Rental Value deductibles cannot exceed
    - 15 day waiting period, when expressed as number of days
    - $100,000 per occurrence when expressed as a dollar amount

Note – Excess Flood policies with underlying NFIP policies cannot have a building deductible in excess of the underlying NFIP limit.

Earthquake

- If coverage is deemed required by Fannie Mae, the amount must be equal to at least 100% of the insurable value
- Business Income/Rental Value deductibles cannot exceed
    - 15 day waiting period, when expressed as number of days; or
    - $100,000 per occurrence when expressed as a dollar amount
- Deductible cannot exceed the greater of 7.5% of the subject collateral TIV or the maximum deductibles outlined in the property section above.
- If a stated minimum deductible is listed, it must not exceed: $100,000 for a specific limit, and $250,000 for a shared blanket limit.
- Earthquake insurance may be required while the Property is being retrofitted.

Wind/Hail (unrelated to a catastrophic peril)

- If coverage is excluded from the Property policy, a stand-alone policy is required.
- Coverage is required for all Fannie Mae loans in an amount equal to at least 100% of TIV.
- Deductible cannot exceed 5% of the subject collateral TIV or the maximum deductibles outlined in the property section above if expressed as a dollar figure.
- If a stated minimum deductible is listed, it must not exceed: $100,000 for a specific limit, and $250,000 for a shared blanket limit.

Named Storm

- The property must have separate windstorm insurance if the Special Causes of Loss Form excludes any type of wind related catastrophic event and is located in a Tier 1 named storm county (as defined by the insurer).
- The coverage must be equal to at least 90% of the Total Insurable Value on a standalone policy, and of the largest individual property on a Blanket Policy.

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- If the Named Storm policy does not cover costs due to flooding from storm surge, the Borrower must maintain flood insurance for any buildings located in the 500-year flood zone equal to the maximum coverage available through NFIP policies or their equivalent.
- Deductible cannot exceed the greater of 7.5% of the subject collateral TIV; or the maximum deductibles outlined in the property section above if expressed as a dollar figure.
- If a stated minimum deductible is listed, it must not exceed: $100,000 for a specific limit, and $250,000 for a shared blanket limit.

Regional Perils Insurance

- Required if the Property is in an area prone to geological phenomena including sinkholes, mine subsidence, volcanic eruption, and avalanche. States with known sinkhole/mine subsidence risk and insurance programs include IL, KS, WY, PA, CO, IN, KY, and WV.

Liability

- All liability policies must provide coverage outlined below without sub limits or exclusions for bodily injury, property damage and personal injury
    - This includes, but is not limited to, exclusions for Assault & Battery, Abuse & Molestation, Animal Attacks, and Firearms
- General Liability coverage must provide at least $1 million per occurrence & $2 million aggregate limit
- Aggregate limits must apply per location if the policy covers multiple locations.
- Excess/Umbrella liability is required in amounts listed below, based on aggregate units covered by the policy:
    - $1M for policies that cover up to 250 units
    - $2M for policies that cover 251 - 500 units
    - $3M for policies that cover 501 – 1,000 units
    - $5M for policies that cover 1,001 – 2,000 units
    - $10M for policies that cover 2,001 – 5,000 units
    - $15M for policies that cover 5,001 – 10,000 units
    - $20M for policies that cover more than 10,000 units
- Maximum deductibles allowances for General and Excess policies are as follows:
    - Specific Limit Insurance Policy: $50,000 per occurrence
    - Blanket Limit Insurance Policy: $250,000 per occurrence

Professional Liability

- Required for Senior Housing Properties providing any level of healthcare, at limits of at least $1M per claim or per occurrence & $2M aggregate limit
- Aggregate limits must apply per location if the policy covers multiple locations.
- If coverage is switched from a claims-made policy to an occurrence-based policy, consider adding retroactive or tail coverage to ensure past exposure remains protected.
- Excess/Umbrella required as follows:
    - $2M for properties housing 1-100 licensed beds
    - $5M for properties housing 101-500 licensed beds
    - $10M for properties housing 501-1,000 licensed beds
    - $20M for properties housing over 1,000 licensed beds

Fidelity Bond/Crime Coverage

- Coverage is required for properties owned by a cooperative organization, in an amount sufficient to cover cooperative maintenance fees for at least 3 months with a maximum deductible not exceeding $25,000.

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Directors and Officers Liability

- Required for Cooperative organization in an amount not less than $1 million per claim or per occurrence, with a maximum deductible not exceeding $50,000.

The requirements referenced above are a summary and should not be interpreted as an exhaustive list of Fannie Mae requirements. Please reach out to your insurance contact at Lument for additional details regarding any of the Fannie Mae requirements.

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