

Announcement # 23-45

Date: June 20, 2023

## Property Insurance Requirements and Coverage Amounts for Condominium Projects

Based on recent GSE feedback, PennyMac would like to provide a reminder regarding Fannie Mae and Freddie Mac's condominium project insurance requirements and the importance of ensuring the insurance coverage is adequate to meet GSE requirements as well as protect the project from damage and loss.

The property insurance requirements include:

- The condominium homeowner's association (HOA) must insure the building and structures in the condominium project as well as common elements, which may include but are not limited to fixtures, machinery and equipment.
- The condominium HOA must insure the buildings, structures, project improvements, including common areas and residential structures in an **amount at least equal to 100% of their replacement cost value**, under the ISO's Condominium Association Coverage Form or equivalent commercial package policy that covers, at a minimum, loss from causes identified in the ISO's Commercial Property Causes of Loss – Special Form endorsement. The insurance coverage must provide for loss or damage settlement at full (100%) replacement cost.

A policy with one of the following is also acceptable to reach full replacement cost:

- Guaranteed Replacement Cost
- Extended Replacement Cost

Note: Policies written on an actual cash value basis are not acceptable

- To the extent the condominium HOA's policy does not cover the interior of the condominium unit or the improvements to the condominium unit, the borrower must maintain a HO-6 unit owner policy with sufficient coverage to repair the condominium unit to at least its condition prior to the claim.

Please refer to Fannie Mae chapter B7-3 or Freddie Mac chapter 8202 for complete details.

Please contact your Sales Representative with any questions.