Multifamily Seller/Servicer Guide

Chapter 31

Insurance Requirements

31.1 General insurance requirements and insurance terms (07/15/25)

This chapter states the Property and Liability Insurance requirements applicable to Multifamily loans purchased by Freddie Mac.

a. General requirements (06/30/16)

At all times during the term of the Mortgage, the Seller/Servicer must:

- Ensure that the Property is covered by all insurance policies required by the Loan Documents and the Purchase and Servicing Documents
- Ensure that the Borrower complies with all insurance requirements mandated by federal laws and by State and local laws of the jurisdiction where the Property is located
- Arrange for all insurance notices, policies, invoices and correspondence relating to any insurance policy to be delivered directly to the Seller/Servicer
- Comply with the stated insurance coverage and limit requirements in this Chapter 31 that are applicable to the Property
- Comply with all documentation, delivery and Servicing requirements of this Chapter 31

b. Form of coverage (05/22/25)

The required insurance coverage may be provided by one individual policy, separate individual policies, one or more Blanket Insurance Policies, a Master Insurance Policy, or any combination of these. Coverage may also be added to a policy through endorsements or riders. Regardless of the form, each policy, endorsement or rider must show the complete address of the Property.

c. Additional insurance terms (07/15/25)

The following insurance terms when used in this chapter have the following meanings:

1. Actual Cash Value (ACV)

Actual Cash Value is a method used to determine the amount an insurer will pay in the event of loss. The ACV is intended as a proxy for the value of the property at the time of loss. It is typically calculated by establishing the cost to repair or replace damaged property with material of like kind and quality, and deducting the physical depreciation at the time of the damage or loss.

2. Agreed Amount Provision or Agreed Value Endorsement

An Agreed Amount Provision or Agreed Value Endorsement is an endorsement in a commercial property insurance policy in which the Borrower and the insurance company agree on the insurable value of a specific property. The provision has the effect of suspending the policy's Coinsurance Clause until a specified expiration date.

3. Blanket Insurance Limit

A Blanket Insurance Limit provides one "per occurrence" limit as a shared limit for more than one property or more than one category of coverage, or both. Blanket Insurance Limits may be provided by an individual policy or a blanket policy.

4. **Blanket Insurance Policy**

   A Blanket Insurance Policy provides insurance coverage for multiple locations, properties, or assets under a single, shared limit.

5. **Captive Insurance Company or Captive Insurer**

   A Captive Insurance Company or Captive Insurer is wholly owned and controlled by its insureds, whose primary purpose is to insure the risks of its owners, and its insureds benefit from the captive insurer's underwriting profits. See Section 31.27.

6. **Claims Made Policy Form**

   A Claims Made Policy provides coverage that is triggered when a claim is made against the insured during the policy period.

7. **Coinsurance Clause**

   The Coinsurance Clause requires the Property to be insured for a specific percentage of the Property's Insurable Value (IV) (typically 80, 90 or 100 percent). If, at the time of loss, it is determined that the insurance purchased is less than the insurance required by the Coinsurance Clause, the loss recovery will be limited to the same percentage of loss as the ratio of the insurance amount carried to the insurance amount required.

8. **Insurable Value**

   Insurable Value is an estimate of the maximum amount to replace, repair, or reproduce a Property, but excluding any land value.

   The Seller/Servicer must use credible sources to determine Insurable Value. Below are examples of the most common resources:

   - **Insurance company –** the Insurable Value estimate provided by the insurance company that has underwritten or will underwrite the property damage insurance. Using the insurance company's estimate, where provided, will help reduce any disagreements about coverage if a claim is filed

   - **Appraisal –** a document prepared by a qualified commercial real estate appraiser experienced in the market

   - **Contractor –** a reputable commercial contractor with experience constructing and/or reconstructing properties in the area similar to the Property

   - **Third-party vendor –** a third-party vendor that specializes in Insurable Value calculations or publishes data used for this purpose

9. Joint Loss Agreement

A Joint Loss Agreement is a policy provision used when more than one insurer affords coverage to the same property to temporarily allocate losses to ensure prompt payment to the policyholder. When there is a loss that is covered by both policies, the joint loss agreement provides that the insurers pay any undisputed amounts to the policyholder. All remaining sums are then paid in equal shares to the policyholder. The insurers then resolve disputes among themselves to determine final responsibility for those sums.

10. Localized Peril or Regional Peril

A localized peril refers to unique geographical phenomena such as sinkholes, mine subsidence, volcanic eruptions, or avalanches.

11. Master Insurance Policy

A master insurance policy provides coverage for multiple properties and/or multiple perils through a single policy with Specific Insurance Limits scheduled for each property covered by the policy.

12. National Flood Insurance Program (NFIP)

The National Flood Insurance Program was established by the National Flood Insurance Act to offer primary flood insurance to properties with significant flood risk, and to reduce flood risk through the adoption of floodplain management standards.

13. Occurrence-based Policy Form

An occurrence-based policy is a policy covering claims that arise out of damage or injury that took place during the policy period, regardless of when claims are made.

14. Specific Insurance Limit

A Specific Insurance Limit provides one “per occurrence” (per peril) limit that applies to a single location. Specific Insurance Limits may be provided through an individual policy or through a Master Insurance Policy with scheduled limits for each location.

15. Total Insurable Value (TIV)

The Total Insurable Value is the sum of the full value of the insured’s covered property, business income values, and any other covered property.

16. Schedule of Values (SOV)

A Schedule of Values is a listing of insurable values (all elements of the TIV) provided to an insurance company for all properties for which an insured Borrower requires coverage under a property insurance policy.

31.2 General requirements for Borrower's property damage and general liability insurance (07/15/25)

As of the Freddie Mac Funding Date and throughout the term of the Mortgage, the Seller/Servicer must ensure that the Borrower has in force property damage and liability insurance coverage for the Property, including Cooperatives (Co-ops), that meets the requirements of the Purchase and Servicing Documents.

All property damage and general liability insurance forms and policies must provide coverage that is equivalent to the coverage contained in the Insurance Service Office (ISO) forms and policies.

a. Acceptable forms (06/30/16)

ISO's standard Special Causes of Loss Form (formerly referred to as "All Risk") and Commercial General Liability Form are acceptable forms of property damage and liability insurance, respectively.

b. Insurance policy term (07/15/25)

Insurance policies should be written for a term of at least 12 months. For a newly-originated Mortgage, a Property may be added mid-term to an existing 12-month policy. Policies of lesser terms may be accepted if, when the existing policy expires, the policy will be renewed for at least 12 months. Policies are to be in full force and effect on the Origination Date of the Mortgage and required coverage must be continuous throughout the term of the Mortgage.

See Section 31.22 for additional information on renewals.

c. Reserve (07/15/25)

Unless otherwise set forth in the Loan Documents or otherwise deferred by Freddie Mac, the Servicer must collect sufficient funds on the Origination Date and through subsequent monthly Reserve payments to pay the premiums for all insurance policies required in the Purchase and Servicing Documents. The Servicer must also collect Reserves for an additional amount of the estimated cost of such premiums, if required by the Loan Documents.

Unless Freddie Mac has deferred the collection of the Reserves for insurance premiums for Blanket Insurance Policies, Master Insurance Policies, and liability insurance policies covering multiple properties, the Seller/Servicer must either:

- Collect Reserves for the premium allocation obtained from the insurance agent or broker, for each Property securing a Freddie Mac Mortgage that is insured under the applicable policy and serviced by the Servicer to ensure that the Servicer will have sufficient funds in the Reserve to pay the allocated premium due on the applicable policy or policies, or

- Collect Reserves for an amount sufficient to purchase an individual insurance policy or policies providing Specific Insurance Limits

If the Servicer collects a Reserve for insurance premiums, the Servicer must pay the premiums for all required insurance when due.

If the Servicer does not maintain a Reserve for insurance premiums, the Seller/Servicer must ensure that the Borrower has made the payments as required in Section 31.2(g).

See Section 39.2 for additional information regarding Reserves and payments.

d. Named insured (05/22/25)

All insurance policies must list the Borrower as a named insured.

e. Mortgagee clause and additional insured (12/14/18)

Each property damage policy (including all perils within the scope of "Causes of Loss – Special Form" or "All Risk" policy, and any other cause for which Freddie Mac requires or may require property damage insurance) required by the Purchase and Servicing Documents must contain a standard mortgagee clause and a loss payable clause in favor of, and in a form acceptable to, Freddie Mac.

Each general liability policy (including commercial general liability (CGL), umbrella liability and excess liability) must name Freddie Mac as an additional insured. If umbrella or excess liability policies are "Follow Form" to the underlying CGL policy, verification of additional insured status on the umbrella or excess policies is not required.

Freddie Mac must not be named as an additional insured in any professional liability insurance policies, including a primary, excess and/or umbrella professional liability insurance policy for a Seniors Housing Mortgage with assisted living, Alzheimer's care, and/or skilled nursing units.

Except as noted above, the mortgagee (for a property damage policy) and additional insured (for a liability policy including commercial general liability (CGL), umbrella liability and excess liability) in the Borrower's insurance policies must be designated as shown in the following example:

FREDDIE MAC its successors and assigns
C/O NAME OF SELLER/SERVICER
100 MAIN STREET
HOMETOWN USA 12345

f. Cancellation clause (05/05/17)

Unless required otherwise by State law, each property damage insurance policy must provide that the insurer will notify the named mortgagee in writing at least 10 days before cancellation of the policy by the insurer for nonpayment of the premium or nonrenewal, and at least 30 days before cancellation by the insurer for any other reason.

General liability and umbrella or excess liability insurance policies must provide that the insurer will notify at least the named insured in writing at least 10 days before cancellation of the policy by the insurer for nonpayment of the premium or nonrenewal, and at least 30 days before cancellation by the insurer for any other reason, unless otherwise required by State law. Note that under the terms of the Loan Documents, the Borrower must promptly deliver to the lender a copy of any notices received by the Borrower with respect to the insurance policies.

g. Proof of payment (07/15/25)

The Seller/Servicer must ensure that the Borrower:

- Has paid all initial insurance policy premiums prior to final delivery of the Mortgage to Freddie Mac, and
- Pays all insurance policy premiums for all renewals or new policies, as applicable, when due throughout the term of the Mortgage, unless the Servicer collects Reserves for insurance in accordance with Section 31.2(c).

Premium installment/direct bill arrangements are allowed as long as the Seller/Servicer verifies receipt of payments. Third-party premium financing is permitted as long as the Seller/Servicer reviews the financing agreement and verifies:

- The financing agreement has no negative impact on the Seller/Servicer, Freddie Mac, or the Mortgage collateral, and
- Does not include any conditions that could prevent the Seller/Servicer or Freddie Mac from receiving the insurance proceeds associated with losses at the Property.

The Seller/Servicer also must retain a copy of the financing agreement in the loan file, as well as verification of receipt of payments when due.

31.3 Blanket or Master Insurance Policies (07/15/25)

Freddie Mac permits Blanket or Master Insurance Policies that insure multiple properties, including the Property and other properties that may or may not be encumbered by Mortgages purchased by Freddie Mac, provided that:

- The insurance documentation clearly identifies the complete street address of the Property;
- All properties insured on the Blanket Insurance Policy have common ownership by a single borrower, sponsor or parent company, or are managed by the same property management company on behalf of the Borrower; and
- The policy complies with all other applicable insurance requirements in this chapter.

The Seller/Servicer must, to its satisfaction, determine, support and document in the Mortgage File that any Blanket Insurance Limits, including sub-limits, provide adequate coverage relevant to the risks associated with the Property covered by the limits.

The Seller/Servicer must obtain and review sufficient information to evaluate the Borrower's Blanket Insurance Limits, including geographic concentrations of Insurable Value, covered by the same limits. The Seller/Servicer must collect appropriate documentation such as Statement of Values, evidence of insurance coverage or insurance policies, portfolio risk modeling results, and other relevant information the Seller/Servicer deems necessary to complete its analysis. Other relevant information may include property addresses, number of buildings and stories, building IV, business income/rental value, and business personal property, if any.

In its analysis, the Seller/Servicer must:

- Review and analyze the Statement of Values and Geographical concentration of properties/Total Insurable Values under the Blanket Insurance Policy.
- Confirm whether blanket limits reinstate.
- Confirm whether the blanket limit is sufficient to cover the largest TIV.

Note that the evaluation of whether the limit provides adequate coverage relevant to the associated risks must not rely solely on probable maximum loss results from risk modeling reports.

The coverage provided by a blanket "All-Risk" policy must be as good as, or better than, a single, stand-alone policy. The Seller/Servicer must provide a copy of its blanket-limit analysis in the ICT record as well as retain a copy in the loan file.

Freddie Mac recognizes that some Borrowers purchase property insurance through large programs that insure entities and properties that do not share a common ownership with the Borrower. Freddie Mac perceives additional risk in the Blanket Insurance Policies for these properties and encourages the Seller/Servicer to carefully analyze these policies to determine if the Property and other Properties encumbered by a Freddie Mac Mortgage are adequately insured.

31.4 Acceptable insurers (07/15/25)

Each insurance carrier providing property damage and/or liability insurance, whether admitted or non-admitted, must maintain a minimum AM Best Company rating of A- financial strength and a financial size category of VII or better. These rating requirements do not apply to policies issued through State-Sponsored Insurance programs or policies issued by insurers participating in National Flood Insurance Program (NFIP).

31.5 Property damage (All-Risk) insurance (07/15/25)

Property damage insurance is required for all Mortgages to ensure the improvements are protected against loss or damage from fire and other perils covered within the scope of an Insurance Services Office (ISO) Special Causes of Loss or "All Risk" policy form. Policies must be written on a replacement cost value basis rather than actual cash value basis; however, coverage for roof coverings may be written on an actual cash value basis. Property damage (All-Risk) insurance coverage must:

- For properties with a single residential building, be written in an amount not less than 100 percent of the Insurable Value (IV) of the improvements without any deduction for depreciation, and

- For properties with multiple residential buildings, be written in an amount not less than 90 percent of the IV, and

- Either not contain a Coinsurance Clause or contain a Coinsurance Clause that is offset by an Agreed Amount Provision. If an Agreed Amount Provision is used, the agreed amount must be no less than the estimated IV.

Additionally, Freddie Mac requires that the policy contain a Joint Loss Agreement if Boiler and Machinery or Equipment Breakdown Insurance is required and the insurance carrier providing the coverage is different from the carrier providing property damage insurance.

Freddie Mac also recommends that the policy contain an Inflation Guard endorsement, providing for an annual adjustment of the insurance amount based on that geographic area's inflation rate, or a similar option. (Inflation Guard may not always be available.)

a. Property damage (All-Risk) deductible (07/15/25)

The maximum deductible per occurrence for property damage (All-Risk) insurance policies providing Specific Insurance Limits is:

IV of the Property	Maximum Deductible
< $10 million	$50,000
≥ $10 million	$100,000

Policies that include aggregate deductibles are acceptable as long as the Seller/Servicer confirms:

- The aggregate deductible amount is fully funded and held by the Borrower in a segregated bank account, the Seller/Servicer in a tax and insurance escrow, or a third party on behalf of the Borrower

- Any claim checks are required to list Seller/Servicer as payee c/o Freddie Mac

- Any claim checks are considered insurance loss proceeds per the Loan Documents

b. Expanded deductible (07/15/25)

For existing Mortgages, if the Borrower is unable to obtain a policy that complies with the maximum deductibles required by the applicable sections of this chapter, the Servicer may approve the following expanded maximum deductibles for all property damage policies providing Specific Insurance Limits (other than NFIP, windstorm and earthquake insurance) if all of the conditions below have been met.

Expanded Deductibles	
IV of the Property	Maximum Deductible
< $10 million	$100,000
≥ $10 million	$150,000

- The Borrower is unable to obtain deductibles for the applicable property damage insurance in compliance with the other applicable sections of this chapter
- The Borrower or Borrower Principal demonstrates Liquidity at least four times the maximum deductible amount
- The Mortgage has a Risk Rating of six or less
- The Mortgage is not currently delinquent and has not been delinquent within the last 12 months
- The Property is in average or better condition according to the most recent inspection

The waiver of the maximum deductible is only valid for one policy term. At the end of that period, if the Borrower has been unable to obtain deductibles in compliance with the other applicable sections of this chapter, the Servicer may permit renewal of the waiver of the maximum deductibles in compliance with this sub-section.

c. Blanket All-Risk Insurance Limits (07/15/25)

For policies providing property damage (All-Risk) insurance coverage using Blanket Insurance Limits, the Seller/Servicer must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits, including any sub-limits, are adequate for the risks applicable to the Property as indicated in Section 31.3.

d. Deductible for All-Risk Blanket Insurance Limit (07/15/25)

The maximum per occurrence deductible when All-Risk coverage is provided by a Blanket Insurance Limit is $250,000.

31.6 Business Income/Rental Value Insurance (07/15/25)

Business Income/Rental Value Insurance is required for all applicable property damage perils within the scope of the “Special Causes of Loss” or “All Risk” policy form, regardless of whether the coverage is provided on an All-Risk or separate policy.

The coverage must be sufficient to cover the following:

- Income based on Actual Loss Sustained for 12 months; or
- 12 months of Effective Gross Income (EGI) based on the most recent annual EGI reported; or
- Annual NOI plus continuing expenses, with a completed business income worksheet provided by the Borrower’s agent or broker

The maximum deductible for business income/rental value coverage is:

- The maximum deductible for the property insurance coverage, or
- A waiting period (also known as the deductible) of three days or 72 hours

For a Mortgage Loan with a UPB of $35 million or more, coverage must include a 90-day extended period of indemnity option.

When considering Business Income/Rental Value Insurance for Cooperative Properties, the calculation of the required amount must include routine maintenance fees and special assessments for the Property.

31.7 Windstorm insurance (07/15/25)

Windstorm insurance refers to coverage for damages caused by high winds, hail, tornados, and hurricane-force winds. Windstorm coverage in this chapter is identified as either Wind/Hail or Named Storm. If windstorm coverage is excluded from the primary property insurance policy, separate windstorm coverage must be obtained, either through an endorsement or a separate policy.

a. Wind/Hail coverage (04/30/19)

Wind/Hail coverage must meet the requirements identified in Sections 31.5 and 31.6, with the exception of deductibles.

b. Wind/Hail deductibles (07/15/25)

The maximum per-occurrence deductible when Wind/Hail coverage is provided by a Specific Insurance Limit is as follows:

- When expressed as a percentage, five percent of the subject collateral's TIV
- When expressed as a dollar amount:

IV of the Property	Maximum deductible
< $10 million	$50,000
≥ $10 million	$100,000

The maximum per-occurrence deductible when Wind/Hail coverage is provided on a Blanket Insurance Limit is as follows:

- When expressed as a percentage, five percent of the subject collateral's TIV
- When expressed as a dollar amount, $250,000

The maximum deductible for Wind/Hail business income/rental value coverage is:

- When the deductible is expressed as number of days, the maximum allowed is 15 days
- When the deductible is expressed as a dollar amount, the maximum deductible is $100,000

c. Named Storm coverage (07/15/25)

For all properties located in Tier 1 Windstorm Risk counties, as defined by the insurer, Named Storm coverage for stand-alone policies must meet the requirements in Sections 31.5 and 31.6, with the exception of deductibles.

If the Named Storm coverage does not include flooding due to storm surge, then the Borrower is to maintain flood insurance for any buildings located in FEMA 500-year flood zones equal to or exceeding the maximum coverage available through NFIP policies or their equivalent.

If Named Storm coverage is provided as part of a Blanket Insurance Limit, the Seller/Servicer must determine, to its satisfaction, that the blanket Named Storm limits are adequate for the Property and any concentrations of Insurable Value associated with other properties covered per Section 31.5 (c).

The Blanket Insurance Limit for Named Storm may not be less than 90 percent of the largest individual TIV covered by the policy. The blanket limit must be per-occurrence and reinstate to the required limit after any losses.

d. Named Storm deductibles (07/15/25)

The maximum per-occurrence deductible when Named Storm coverage is provided by a Specific Insurance Limit is as follows:

- When expressed as a percentage, 7.5 percent of the subject collateral's TIV
- When expressed as a dollar amount:

IV of the Property	Maximum deductible
< $10 million	$50,000
≥ $10 million	$100,000

The maximum per-occurrence deductible when Named Storm coverage is provided on a Blanket Insurance Limit basis is as follows:

- When expressed as a percentage, 7.5 percent of the subject collateral's TIV
- When expressed as a dollar amount, $250,000

The maximum deductible for Named Storm business income/rental value coverage is:

- When the deductible is expressed as number of days, the maximum allowed is 15 days
- When the deductible is expressed as a dollar amount, the maximum deductible is $100,000

e. Windstorm insurance through a State Windpool (07/15/25)

If windstorm coverage is only available from a state-sponsored insurance program or State Windpool, the policy must:

- Be written in an amount no less than 100 percent of the TIV and meet the deductible requirements in Section 31.5.
- If the policy contains a Coinsurance Clause, it must:
  - Include an Agreed Amount Provision equal to no less than 100 percent of the IV of the improvements, or
  - Contain a Coinsurance Clause less than or equal to 80 percent.

If the Business Income/Rental Value Insurance required in Section 31.6 is not included in the State Windpool insurance policy, the Borrower must obtain separate Business Income/Rental Value Insurance relevant to Windstorm Coverage.

If Ordinance or Law coverage is required but not included in the State Windpool insurance policy, the Borrower must obtain the Ordinance and Law coverage separately. If Law coverage is required but not included in the State Windpool insurance policy, the Borrower must obtain the Ordinance and Law coverage separately.

31.8 Flood insurance (07/15/25)

Flood insurance is required for any income-producing building that is part of the Property that is fully or partially located in a SFHA Zone A or V, as defined by FEMA, or when located in a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA).

Specific coverage requirements are identified below; however, the Seller/Servicer must ensure the coverage meets the minimum mandatory purchase requirements identified in the following Federal flood insurance statutes, as well as any applicable Federal agency rulemaking and publication:

- National Flood Insurance Act of 1968 (1968 Act)
- Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert Waters)
- Flood Disaster Protection Act of 1973 (FDPA)
- Homeowner Flood Insurance Affordability Act of 2014

Freddie Mac may require flood insurance for buildings located outside of a SFHA Zone A or V, if it determines that flood insurance is warranted, such as for buildings with a history of prior flooding or subject to risk of storm surge flooding.

a. Flood zone determination (07/15/25)

For each Mortgage loan origination, Seller/Servicers must determine whether any buildings located at the Property are or will be fully or partially located in a SFHA, using the FEMA

Standard Flood Hazard Determination Form (SFHDF). Seller/Servicers must ensure that all structures at the Property will be evaluated when ordering the SFHDF. In addition to the Property address listed in the Collateral Description of the SFHDF, Seller/Servicers must provide to the vendor supplemental information such as the Property's legal description or parcel descriptions. The resulting SFHDF and any subsequent versions, must be effective for the life of the related loan. In addition, the SFHDF should include a map image overlay. A copy of the SFHDF along with a signed copy of the Notice to the Borrower of Special Flood Hazard and Federal Assistance must be included in the Mortgage File.

Any Property that has buildings located in a SFHA, but in a community that does not participate in the National Flood Insurance Program (NFIP), is not eligible for sale to Freddie Mac, regardless of whether private flood insurance is available.

b. Flood coverage requirements (07/15/25)

For each income-generating building that is fully or partially located in a SFHA, Freddie Mac requires flood insurance equal to at least the following:

- The IV of the first two floors of the building above grade, plus
- The IV of any floors below grade, plus
- 12 months of business income/rental value associated with the building, and
- The IV of Borrower-owned contents or business personal property within the building.

Seller/Servicers must provide a summary of the estimated building and business income/rental value coverage amounts required for each building located in a SFHA as an attachment within the ICT record. Business income/rental value coverage calculations should follow the guidelines in Section 31.6.

The above coverage requirements can be met by obtaining flood insurance from private flood insurers or from insurers providing policies under the NFIP, or any combination thereof. Policies issued by private flood insurers must meet the minimum requirements for Acceptable Insurers identified in Section 31.3. Policies issued by insurers participating in the NFIP, as well as those insurers authorized to participate in the NFIP's Write Your Own program, are acceptable.

Contents or business personal property generally includes equipment and inventory owned by the Borrower which are used in connection with the ownership, management or operation of the Property that do not otherwise constitute fixtures. Seller/Servicers are responsible for having a process in place to obtain inventory and the Insurable Value of Borrower-owned contents or business personal property within buildings located in SFHAs to determine the required coverage. Seller/Servicers must provide documentation of the presence or absence of Borrower-owned contents or business personal property in the Mortgage file.

Private flood insurance policies must:

- Be written on a IV basis without any deduction for depreciation,

- Provide coverage and terms at least as broad as or better than the coverage and terms provided under a standard flood insurance policy issued under the NFIP, and

- Either not contain a Coinsurance Clause or contain a Coinsurance Clause that is offset by an Agreed Amount Provision. If an Agreed Amount Provision is used, the agreed amount must be no less than the estimated IV.

When an NFIP policy is used, the Seller/Servicer must consider the extent of recovery allowed under the NFIP policy for the type of building being insured to avoid creating a situation in which a Borrower would pay for more coverage than a NFIP policy would pay out in the event of a loss.

Freddie Mac does not require flood insurance for low-value, non-residential structures located in a SFHA that meet the exemption provisions of HFIAA. Such structures include maintenance buildings, storage sheds, carports, laundry buildings, and gatehouses.

c. Flood coverage provided by Blanket Insurance Limit (07/15/25)

For policies providing flood insurance coverage using Blanket Insurance Limits, the Seller/Servicer must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits, including any sub-limits, are adequate for the risks applicable to the Property as indicated in Section 31.3.

The coverage provided by a Blanket Insurance Policy must be as good as, or better than, a single, stand-alone policy. The Seller/Servicer must provide a copy of its blanket-limit analysis in the ICT record as well as retain a copy in the loan file.

d. Maximum deductible for flood insurance (07/15/25)

The following are maximum deductibles allowed for flood insurance policies:

For first-layer building coverage:

- $50,000 per building for a Property with 10 buildings or less located in SFHAs

- $500,000 per occurrence for a Property with more than 10 buildings located in SFHAs

For Business Income/Rental Value coverage:

- 15 day waiting period when expressed as a time-based deductible

- $100,000 per occurrence when expressed as a monetary deductible

When NFIP policies are used as part of the coverage, the maximum deductible available under the NFIP for the type of building being insured is acceptable.

e. Seller/Servicer flood zone monitoring responsibilities (07/15/25)

The Seller/Servicer must have a process in place that allows it to:

- Identify any FEMA NFIP map changes, and
- Determine whether buildings that are part of any Property in a community affected by a map change are now located in, or are no longer located in, an SFHA as a result of the map change

If all or any of the buildings that are part of the Property were previously in an SFHA and remain in an SFHA, flood insurance must remain in force.

If all or any of the buildings that were not previously in an SFHA are now in an SFHA, Freddie Mac requires the Property to be covered by the required amount of flood insurance no later than 120 days after the effective date of the FEMA NFIP map change.

f. Documentation required for flood insurance coverage discontinuation (07/15/25)

Freddie Mac will not require flood insurance for buildings at a Property that are no longer in an SFHA. The Servicer may remove a building from a SFHA only if the Servicer receives an updated FEMA SFHD based on any one of the following:

- Letter of Map Amendment (LOMA), or
- Letter of Map Revision (LOMR), or
- Letter of Determination Review (LODR)

During the FEMA review of the above applications, the Borrower must maintain flood insurance on the SFHA buildings up to the maximum coverage available from an NFIP policy until FEMA issues a LOMA, LOMR or LODR. The Servicer must maintain a copy of the LOMA, LOMR or LODR in the Mortgage File.

Within 10 days of authorizing the Borrower to discontinue flood insurance coverage, the Servicer must give written notice to Freddie Mac by emailing MF_Insurance_Compliance@freddiemac.com noting the property name, loan number, and the changes. The Servicer must also complete and submit a Summary Update record in ICT along with a copy of the LODR, LOMA, or LOMR and any other applicable documentation.

31.9 Earthquake insurance (12/15/22)

a. Earthquake terms used in this chapter (12/15/22)

These terms, when used in this chapter, have the following meanings:

- **Seismic Risk Assessment (SRA)**

  The Seismic Risk Assessment (SRA) uses modeling techniques to assess the risk to a Property from seismic events. It takes into consideration proximity to known faults, construction type and quality, building configuration, soil condition and other factors. See Chapter 64 or Chapter 64SBL, as applicable, for Freddie Mac's requirements for an SRA.

- **Scenario Expected Loss-475 (SEL-475)**

The SEL-475 is defined as the SEL corresponding to the mean level loss resulting from the damage experienced due to a 475-year return period earthquake. For additional details regarding the determination of the SEL-475, see Section 64.8 or Section 64SBL.8, as applicable.

For the purposes of this chapter, the term SEL-475 is used instead of the older term Probable Maximum Loss (PML).

b. Earthquake insurance requirements (12/15/22)

In accordance with Chapter 64 or Chapter 64SBL, as applicable, Freddie Mac requires an SRA at the Borrower's expense for a Property located in an Elevated Seismic Hazard Region. For Properties where multiple building construction types are present (for example, Properties that have buildings with and without tuck-under parking), a SEL-475 estimate is required for each building construction type. If any single building has a SEL-475 greater than 20 percent, then earthquake insurance or seismic retrofit is required for that building.

1. Required earthquake coverage

Earthquake insurance is required per the table below:

SEL-475	Building Stability Concern*	
	No	Yes
≤ 20%	Insurance not required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 20% & ≤ 40%	Insurance required, and seismic retrofit optional; if the retrofit results in a SEL-475 ≤ 20% at completion, then insurance will no longer be required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 40%	The affected building(s) must have a seismic retrofit prior to the Mortgage being submitted to Freddie Mac for consideration	

***See Section 64.9 or Section 64SBL.9, as applicable, for Freddie Mac's requirements for the evaluation of building stability.**

For a Property or buildings for which Freddie Mac requires earthquake insurance, the coverage must be the greater of $1 million or 150 percent of the difference between the projected loss for the Property or buildings using the actual SEL-475 and the projected loss of the 20 percent SEL-475.

Business Income/Rental Value Insurance and Ordinance and Law coverage is required if the earthquake insurance does not provide that coverage for earthquake damage.

2. Maximum deductible

The maximum deductible for earthquake insurance is as follows:

Borrower Equity	Maximum Deductible (a reserve account is required for certain deductibles)	Reserve Account
≤ 30 percent	5 percent of coverage	Not required
≤ 30 percent	10 percent of coverage	Required for 5 percent of the coverage amount
≤ 30 percent	15 percent of coverage	Required for 10 percent of the coverage amount
> 30 percent	15 percent of coverage	Not required

3. Seismic risk changes subsequent to Freddie Mac's purchase of the Mortgage

The requirements of this section apply to Mortgages that have been purchased by Freddie Mac.

a. Updates to the National Seismic Hazard Maps

If the United States Geological Survey (USGS) updates the National Seismic Hazard Maps data on its website such that a Property previously not located in an Elevated Seismic Hazard Region subsequently has a PGA (as calculated via the USGS website) equal to or greater than 0.15g, the Seller/Servicer must, within 60 days of the USGS update

- Obtain an updated PGA calculation in accordance with Section 64.2(b) or Section 64SBL.2(b), as applicable
- Obtain an SRA in accordance with the requirements of Chapter 64 or Chapter 64SBL, as applicable
- Submit the seismic risk documentation described in Section 55.2 or Section 55SBL.2, as applicable, to *Multifamily Asset Management, Asset Performance and Compliance*

The Servicer must retain all such documentation in the Mortgage File. In addition, the engineer or firm completing the SRA must send a resume or statement of qualification with the completed SRA. Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* will determine if and/or how much earthquake insurance is required.

If the USGS updates the National Seismic Hazard Maps data on its website such that a Property previously located in an Elevated Seismic Hazard Region now has a PGA less than 0.15g, and earthquake coverage was required based on the results of the previous SRA, the Seller/Servicer may request Freddie Mac approval to discontinue or reduce that earthquake coverage.

The Seller/Servicer must document the updated PGA calculation described in Section 64.2(b) or Section 64SBL.2(b), as applicable, and submit the documentation to

Freddie Mac via the Property Reporting System (PRS) in order to request permission from Freddie Mac to discontinue or reduce earthquake insurance.

Closure of the Loan Item Tracking entry for the PGA calculation documentation will constitute Freddie Mac's notification to the Seller/Servicer that earthquake coverage may be discontinued or reduced.

The Servicer must retain all such evidence in the Mortgage File.

b. After a Property undergoes seismic retrofit

If a Property undergoes a seismic retrofit that results in a SEL-475 of less than or equal to 20 percent and addresses building stability concerns, if applicable, the Seller/Servicer may request Freddie Mac approval to discontinue or reduce the earthquake coverage.

The Seller/Servicer must:

- Obtain an SRA in accordance with the requirements of Chapter 64 or Chapter 64SBL, as applicable
- Upload the SRA documentation for the related Loan Item Tracking (LIT) entry via the Property Reporting System (PRS) and select "Send to Freddie Mac"
- Freddie Mac will review the SRA and close the Loan Item Tracking entry if the SRA confirms that the SEL -475 is less than or equal to 20 percent and there are no building stability concerns, if applicable
- Closure of the Loan Item Tracking entry for the SRA will constitute Freddie Mac's notification to the Seller/Servicer that earthquake coverage may be discontinued or reduced.

The Servicer must retain all such documentation in the Mortgage File.

31.10 Boiler and Machinery or Equipment Breakdown insurance (07/15/25)

Boiler and Machinery or Equipment Breakdown insurance is required for any high-pressure, centralized heating, ventilation and cooling (HVAC), boiler, water heater, or other vessel that is in operation and regulated by the state or municipality where the Property is located. The insurance must cover loss or damage from explosion of steam boilers, pressure vessels and/or other steam equipment currently in place or installed at a later date.

Boiler and Machinery coverage amount must be at least 100 percent of the IV of each building housing the central HVAC system, including the IV of the central HVAC system, plus business income/rental value per Section 31.6. If the Boiler and Machinery insurance is provided by a different insurance carrier than the primary insurance carrier providing the property damage policy, Freddie Mac requires that both policies include a Joint Loss Agreement.

The maximum per occurrence deductible for Boiler and Machinery or Equipment Breakdown Insurance must not exceed those identified in Section 31.5 and 31.6.

31.11 Builder's Risk insurance (07/15/25)

Builder's Risk insurance is required for any new construction, major renovation, or rehabilitation projects the Borrower undertakes at the Property. A Builder's Risk policy insures against loss to buildings, material, equipment and fixtures during construction, rehabilitation, addition, significant alteration or repair, including but not limited to: loss due to fire, theft vandalism, and weather related events. If insurance for such projects is not provided by the Borrower's primary property insurance policies, a separate Builder's Risk policy is required.

Coverage must equal at least 100 percent of the sum of the project contract or contracts and all materials to complete the work, as well as applicable soft costs.

Once construction is complete, Builder's Risk coverage may be discontinued.

The maximum per occurrence deductible for Builder's Risk insurance must not exceed those identified in Section 31.5.

31.12 Ordinance or Law insurance (07/15/25)

Ordinance or Law coverage is not required for any property that is legally conforming under current building, zoning or land use laws.

Ordinance or Law coverage is required for any property that is non-conforming under current building, zoning or land use laws or ordinances.

Ordinance or Law coverage must include the following:

a. **Coverage "A"** – **Loss to the undamaged portion of the Property**: Coverage no less than the IV of the Property less the damage threshold percentage specified in the zoning laws. If the damage threshold is not specified, then a 50 percent threshold is acceptable.

   For example:

   - If the IV of the Property is $20 million and the damage threshold percentage is 60 percent, the Coverage "A" limit must be at least $8 million

b. **Coverage "B"** – **Demolition cost**: The cost to demolish and clear the site of undamaged parts of the Property if such demolition is required. Coverage "B" must equal no less than 10 percent of the estimated IV of the Property.

c. **Coverage "C"** – **Construction cost**: Increased cost of construction to allow the Borrower to rebuild the Property to meet all applicable zoning laws. Coverage "C" must equal no less than 10 percent of the estimated IV of the Property.

d. **Coverage "D" – Increased Period of Restoration**: If the Property has buildings 5 stories or more, then an Increased Period of Restoration endorsement is required. The coverage extends business income and extra expense coverage and provides additional time to restore operations when delayed due to enforcement of building or zoning laws.

When Ordinance or Law limits are combined, the amount must equal or exceed the sum of the required amount of each type of coverage.

31.13 Terrorism insurance (07/15/25)

Terrorism insurance is required for all Mortgages, including those being refinanced, to ensure the improvements are protected against loss or damage due to acts of terrorism. If terrorism coverage is excluded from the primary property insurance policy, separate terrorism coverage must be obtained either through an endorsement or a separate policy.

a. Terrorism coverage (07/15/25)

Terrorism coverage must meet all of the following requirements:

- Property damage insurance in an amount and with maximum deductibles in accordance with Section 31.5 and 31.6, and
- Liability insurance in accordance with Section 31.15 (with the exception of Professional Liability Insurance).

b. Blanket terrorism insurance (07/15/25)

For policies providing terrorism insurance using Blanket Insurance Limits, the Seller/Servicer must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits for terrorism coverage are adequate for the applicable risks. In evaluating whether the terrorism limits provide adequate coverage for concentrations of Insurable Value, the Seller/Servicer must take into consideration the TIV of nearby properties that are covered by the same blanket limit. The Seller/Servicer must maintain a copy of its blanket-limit analysis in the associated loan file.

For policies providing terrorism insurance coverage using Blanket Insurance Limits, the Seller/Servicer must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits, including any sub-limits, are adequate for the risk as indicated in Section 31.3.

The coverage provided by a Blanket Insurance Policy must be as good as, or better than, a single, stand-alone policy. The Seller/Servicer must provide a copy of its blanket-limit analysis in the ICT record as well as retain a copy in the loan file.

31.14 Localized Perils insurance (07/15/25)

A Property located in an area prone to Localized Perils, such as sinkhole, mine subsidence, volcanic eruption, and avalanche, must have one or more insurance policies in place to cover these perils. Sinkholes are particularly common in Florida. Mine subsidence may occur in any location where there is, or has been, subterranean mining, but is particularly common in Pennsylvania, Ohio, Illinois and Colorado.

Coverage must meet the requirements in Sections 31.5 and 31.6 for the buildings affected by the Localized Peril.

31.15 Reserved (07/15/25)

31.16 General liability insurance (06/24/25)

Standard Commercial General Liability (CGL) insurance on an Occurrence-based Policy Form insuring against liability resulting from bodily injury, property damage, personal injury, advertising injury and contractual liability is required with no exclusions for claims related to assault and battery, molestation**,** sexual abuse, animal attacks, or firearms. The policy must cover all of the following on the Property:

- Buildings
- Common areas and elements
- Commercial spaces
- Public ways (roads, driveways, alleys, walks, paths, and other similar areas)
- Home Sites and any Borrower-owned structures at an MHC Property

If the Borrower changes from a Claims Made Policy Form to an Occurrence-based Policy Form, a Supplemental Extended Reporting Period (also known as a Tail) endorsement must be obtained to prevent a gap in coverage.

a. Required CGL and umbrella or excess coverage (05/22/25)

1. Borrower must maintain primary CGL coverage for:

   - $1 million per occurrence, and
   - $2 million in the general aggregate

   If the CGL policy covers multiple locations, Freddie Mac requires that the general aggregate limits apply per location.

2. In addition, the Borrower must maintain, at a minimum, the following umbrella or excess liability coverage:

Aggregate number of residential units covered	Minimum umbrella or excess liability limits
Up to 250	$1 million
251 to 500	$2 million
501 to 1,000	$3 million
1,001 to 2,000	$5 million
2,001 to 5,000	$10 million

Aggregate number of residential units covered	Minimum umbrella or excess liability limits
5,001 to 10,000	$15 million
10,001 to 20,000	$20 million
20,001 to 35,000	$25 million
More than 35,000	$50 million

The minimum coverage limits in this section are to be evaluated based upon the aggregate number of residential units covered by the umbrella and/or excess liability policy, and may be satisfied with any combination of primary CGL, umbrella and/or excess.

b. Maximum deductible and Self-Insured Retention (SIR) for liability insurance (06/24/25)

The following maximum deductible or SIR, or combined deductible and SIR, apply to all forms of general liability insurance on the Property, including CGL, umbrella and/or excess policies:

- $35,000 for policies with individual or combined mortgage balances less than or equal to $25 million
- $50,000 for policies with individual or combined mortgage balances greater than $25 million
- $250,000 for Blanket Insurance Limits
- $10,000 for umbrella/excess liability policies

Policies that include aggregate deductibles are acceptable if the Seller/Servicer confirms:

- The aggregate deductible amount is fully funded and held by the Borrower in a segregated bank account, by the Seller/Servicer in a tax and insurance escrow, or by a third party on behalf of the Borrower

c. Workers Compensation (05/22/25)

The Borrower must maintain Workers Compensation and Employer Liability insurance (including terrorism coverage) if required by the State where the Property is located. The coverage amounts must meet Statutory limits.

31.17 Professional liability insurance requirements for certain Seniors Housing Mortgages (07/15/25)

a. Professional liability (PL) insurance requirements (07/15/25)

If the Property has assisted living, Alzheimer's care, and/or skilled nursing units, the Borrower must obtain professional liability insurance.

The professional liability policy may be written on a Claims Made Policy Form or an Occurrence-based Policy Form. If the Borrower changes from a Claims Made Policy Form to an Occurrence-based Policy Form, a Supplemental Extended Reporting Period (also known as a Tail) endorsement must be obtained to prevent a gap in coverage. Terrorism insurance is not required for Professional Liability policies.

1. Borrower must maintain primary professional liability coverage of:

   - $1 million per occurrence
   - $2 million in the general aggregate

   If the professional liability policy covers multiple locations, Freddie Mac requires that the aggregate limits apply per location.

2. In addition, the Borrower must maintain the following minimum umbrella or excess professional liability coverage:

Total number of licensed beds covered by the policy	Minimum Umbrella/Excess Coverage
Less than or equal to 100	$1 million
101 to 500	$5 million
501 to 1,000	$10 million
Greater than 1,000	$25 million

The minimum coverage limits in this section may be satisfied with any combination of primary PL, umbrella and/or excess. If CGL and PL insurance coverages are combined, the required umbrella and/or excess liability limit is the higher of the two requirements.

b. Additional insured (01/01/13)

Freddie Mac may not be named as an additional insured on professional liability insurance policies.

c. Deductibles and self-insured retention (SIR) (06/24/25)

Freddie Mac allows the following maximum deductible or SIR, or combined deductible and SIR for Professional Liability:

- $100,000 for policies that insure 500 or fewer licensed beds
- $250,000 for policies that insure more than 500 licensed beds

Policies that include aggregate deductibles or SIRs are acceptable if the Seller/Servicer confirms:

- The aggregate deductible amount is fully funded and held by the Borrower in a segregated bank account, by the Seller/Servicer in a tax and insurance escrow, or by a third party on behalf of the Borrower.

31.18 Cooperative (Co-op) Requirements (01/01/13)

a. Fidelity bond/crime insurance coverage (01/01/13)

The Seller/Servicer must ensure that each Co-op Borrower maintains fidelity bond/crime insurance coverage for the Co-op's employees, officers and board members. The minimum coverage required is the greater of

- Two times the monthly gross association fees plus reserves, or six times the monthly gross association fees
- The maximum deductible is $25,000.

b. Co-op directors' and officers' liability insurance (01/01/13)

The Seller/Servicer must ensure that each Co-op maintains directors' and officers' liability insurance as follows:

- Minimum coverage of $1 million per occurrence
- Maximum deductible of $25,000

31.19 Insurance records for origination and Servicing (02/27/25)

The Seller/Servicer must evaluate the Borrower's property and liability insurance coverage at loan origination and at each policy renewal throughout the term of the Mortgage to determine compliance with the Guide. Seller/Servicers and their vendors must use the ICT to document their assessment of the Borrower's insurance compliance and any recommended waiver requests.

a. Documentation of Borrower insurance compliance at loan origination (02/17/22)

Seller/Servicers must complete the [Form 1133, *Certification of Borrower Insurance Compliance*], to document the insurance coverage that is or will be in place at loan closing. If any element of the Borrower's insurance coverage is not in compliance with the Guide and the Seller/Servicer recommends a waiver, the Seller/Servicer must indicate the noncompliance on the Form 1133 and submit a "New Origination Waiver Request" via the ICT for review and approval.

The Form 1133 and any waiver requests must be submitted via the ICT as follows:

- Form 1133 "Underwriting record". Seller/Servicers must submit the Form 1133 "Underwriting record" with the Full Underwriting Package. This version is a draft of the insurance compliance record that Seller/Servicers and their vendors may update throughout the underwriting process.

- New Origination Waiver Requests. Seller/Servicer must submit any recommended waiver requests with the Full Underwriting Package. All waiver requests must be reviewed and processed final prior to rate lock for Standard Delivery loans and prior to final Acceptance Letter or Modification Letter, as applicable, for Early Rate-Lock loans.

- Form 1133 "Delivery record". Seller/Servicers must submit the Form 1133 "Delivery record" when the final insurance compliance review is complete, but no later than the Origination Date. This version is the final Seller/Servicer record of insurance compliance.

The Form 1133 and waiver records must include Evidence of Insurance and supporting documentation, as appropriate, uploaded via the ICT. When the Form 1133 "Delivery record" is processed final by Freddie Mac, a PDF image of the form, along with any waiver requests, attached Evidence of Insurance, supporting documents, and Public Notes is automatically transferred to the Freddie Mac loan file in DMS.

b. Documentation of Borrower insurance compliance for Transfers of Ownership (02/27/25)

Seller/Servicers must complete the Seller/Servicer Certification of Insurance Coverage Form (Assumption Form 1133), Certification of Borrower Insurance Compliance, to document the insurance coverage that is or will be in place on the Transfer of Ownership closing date. If any element of the Borrower's insurance coverage is not in compliance with the Guide and the Seller/Servicer recommends a waiver, the Seller/Servicer must indicate the noncompliance on the Assumption 1133 and submit an "Assumption Waiver Request" via the ICT for review and approval.

The Assumption 1133 and any waiver requests must be submitted via the ICT as follows:

- Assumption 1133 "Underwriting record". Seller/Servicers must submit the Assumption 1133 "Underwriting record". The record should be submitted at least 10 Business Days prior to the Transfer closing date.

- Assumption Waiver Requests. Seller/Servicer must submit any recommended waiver requests at least 10 Business Days prior to the Transfer closing date.

- Assumption 1133 "Delivery record". Seller/Servicers must submit the Assumption 1133 "Delivery record" when the final insurance compliance review is complete, and any Assumption Waivers have been finalized but no later than the Transfer closing date. This version is the final Seller/Servicer record of insurance compliance.

- Records are to be submitted with MF Borrower Transactions selected as FM Underwriter.

The Assumption 1133 and waiver records must include Evidence of Insurance and supporting documentation, as appropriate, uploaded via the ICT. When the Assumption 1133 "Delivery record" is processed as final by Freddie Mac, a PDF image of the form, along with any waiver requests, attached evidence of insurance, supporting documents, and public notes is automatically transferred to the Freddie Mac loan file in DMS.

c. Post-purchase reporting of Borrower insurance compliance (12/14/23)

For all Mortgages serviced by Seller/Servicers on behalf of Freddie Mac, Seller/Servicers must evaluate the Borrower's insurance coverage as policies renew and provide updates to insurance records in ICT as set forth below.

- Update Summary Function. The Seller/Servicer must complete the Update Summary form to identify renewed or changed insurance coverage details, attach updated Evidence of Insurance and other supporting documentation, and submit the "Update Summary." Once the update has been submitted, a PDF image of the form, along with any attached Evidence of Insurance, supporting documents, and Public Notes is automatically transferred to the Freddie Mac loan file in DMS.

- Renewal Waivers. If any element of the Borrower's insurance coverage is not in compliance with the Guide and the Seller/Servicer recommends a waiver, the Seller/Servicer must submit a Renewal Waiver request in ICT for review and approval.

For Mortgages that have been securitized, Seller/Servicers are to evaluate coverage as policies renew and follow the processes established by the Master Servicer for updating coverage information and recommending waivers. Seller/Servicers are to use the ICT for processing updated records for loans for which Freddie Mac is Master Servicer.

31.20 Evidence of insurance (12/15/22)

The Seller/Servicer must obtain temporary or permanent evidence of Borrower's required property and liability insurance for the closing of new loans and for each renewal. This is applicable to all required insurance policies associated with the Property. After Freddie Mac loan purchase and after each insurance renewal, the Seller/Servicer must require the Borrower to provide copies of insurance policies in accordance with the Loan Agreement. The Seller/Servicer must maintain copies of all required evidence of insurance in its loan file.

a. Temporary evidence of insurance (12/15/22)

The following are acceptable forms of temporary evidence of property insurance:

- ACORD 28, Evidence of Commercial Property Insurance (most recent version)

- ACORD 27, Evidence of Property Insurance (most recent version)

- Mortgage Bankers Association (MBA) Evidence of Insurance – Commercial Property Form

- ACORD 75, Insurance Binder

- Declaration pages from Property insurance policy
- Property insurance policies, including all endorsements and exclusions
- Other equivalent documentation issued by an insurance company or agent/broker that does not use ACORD forms (such as a certificate of insurance or evidence of insurance) that is deemed acceptable by the lender
- For NFIP flood insurance, NFIP policy declaration page or completed and executed NFIP Flood Insurance Application plus a copy of the paid receipt for the Borrower's premium payment
- For private flood insurance, policy declaration page, copy of flood insurance policy including all endorsements and exclusions, copy of policy binder, or copy of quote of flood insurance that will be in place

The following are acceptable forms of temporary evidence of liability insurance:

- ACORD 25, Certificate of Liability Insurance (most recent version)
- ACORD 75, Insurance Binder
- Liability insurance policies, including all endorsements and exclusions
- Other equivalent documentation issued by an insurance company or agent/broker that does not use ACORD forms (such as a certificate of insurance or evidence of insurance) that is deemed acceptable by the lender

b. Permanent evidence of insurance (12/15/22)

The following are acceptable forms of permanent evidence of property and liability insurance:

- Copy of the insurance policy(ies), including all endorsements and exclusions
- For insurance programs using layered insurance policies, copy of the primary insurance policy(ies), including all endorsements and exclusions
- Mortgage Bankers Association (MBA) Evidence of Insurance – Commercial Property Form
- For NFIP flood insurance, NFIP policy declaration page
- For private flood insurance, copy of the flood insurance policy(ies)

31.21 General requirements applicable to all property and liability insurance documentation (07/15/25)

The Seller/Servicer must ensure that all of the following elements are included in the evidence of insurance documentation:

- Borrower, Borrower Principal, or affiliated management company as Named Insured
- Complete Property address
- Mortgagee and Additional Insured endorsements
- Policy effective dates evidencing current coverage
- Policy notice of cancellation provisions
- Coverage limits, sublimits, and deductibles
- Information clearly stating whether terrorism coverage is included
- If flood insurance is required, information indicating limits and deductibles specifically applicable to buildings located in SFHA

31.22 Verification of required and continuing property and liability insurance coverage (07/15/25)

a. Required coverage (07/15/25)

The Servicer must ensure that all insurance coverage required by the Purchase and Servicing Documents is in place for the life of the Mortgage. This may include:

- Adding coverage that is not currently in place (for example, FEMA has determined the Property is now in an SFHA and flood insurance is now required), and/or
- Increasing the coverage (for example, the IV of the improvements on the Property has increased and the insurance coverage must be updated).

In addition, if there is insurance coverage in force on the Property that is no longer required by Freddie Mac (for example, FEMA has determined the Property is no longer in an SFHA and flood insurance is not required) the Servicer must provide the appropriate documentation to notify Freddie Mac *MF_Insurance_Compliance@freddiemac.com* and explain that the insurance is no longer required.

b. Continuing coverage (12/17/19)

At least annually, and prior to the expiration of each required insurance policy, the Servicer must verify that the Borrower will renew the existing coverage and/or obtain new insurance coverage in compliance with the Purchase and Servicing Documents. The Servicer must retain in the Mortgage File a copy of the applicable renewal and/or new insurance documentation.

The Servicer must require the Borrower to provide evidence of renewed insurance prior to the expiration date of each policy. The documentation required by Freddie Mac at renewal is as follows:

- A legible copy of the current continuation certificate, provided that the Servicer has the original policy on file and the coverage is renewed with the same insurer and under the same policy number(s), coverage terms and conditions

- The documents listed in Sections 31.20(a) and 31.20(b), as applicable

31.23 Reserved (12/14/18)

31.24 Ensuring continuous insurance coverage (07/15/25)

a. General requirements for ensuring continuous insurance coverage (07/15/25)

If the Seller/Servicer determines that a Property's insurance has lapsed, is cancelled, is inadequate, or is not in force for any reason, the Seller/Servicer must prevent a gap in insurance by one or more of the following means:

- Contacting the Borrower and working with the Borrower to resolve the deficiency

- Having in place or obtaining a portfolio insurance policy and/or other insurance vehicle or vehicles designed to provide required coverage if one or more policies lapses, is cancelled, is inadequate or is not in force

- Implementing forced placed insurance

Any insurance policy intended to prevent a gap in insurance coverage, or to supplement inadequate coverage, must:

- Provide retroactive and/or automatic coverage

- Cover the Mortgages serviced for Freddie Mac

- Include deductibles no greater than those required by the Purchase and Servicing Documents

- Provide all property damage and liability insurance required by the Purchase and Servicing Documents

Be provided by an insurance carrier meeting the requirements of Section 31.4

b. Forced placed insurance (07/15/25)

Under certain circumstances, Freddie Mac requires the use of forced placed insurance to prevent a lapse in insurance coverage.

1. If one or more of the following conditions exists, the Seller/Servicer must force place insurance:

    - The required insurance has not yet lapsed or been cancelled, but will lapse within three days (or over an intervening weekend or holiday), and

    - The Servicer determines that the renewal of the existing insurance or new insurance is not forthcoming, or
    - The Servicer has not been able to determine that the renewal of the existing insurance or new insurance is forthcoming
  - Any insurance obtained by the Servicer to prevent a lapse in coverage is no longer in force or will no longer be in force within three days (or over an intervening weekend or holiday)

2. If both of the following conditions exist, the Seller/Servicer must contact the Borrower within two days of the Servicer's learning of the condition and must work with the Borrower to resolve the deficiency:

   - The insurance currently in force provides less than 80 percent of the required Property coverage (see Note below)
   - A lapse in coverage is not imminent

   If the issue is not resolved with 15 days, the Servicer must either:

   - Force place insurance to the limits required in Purchase and Servicing Documents, or
   - Request a waiver of the insurance coverage from Freddie Mac or recommend an alternative solution to the insurance issue.

   The waiver request or recommendation must be submitted to Freddie Mac via the ICT. The Servicer must provide justification for the recommendation. *Multifamily Asset Management, Borrower Transactions* may accept the Servicer's recommendation, recommend an alternative solution, or require the Servicer to force place increased insurance coverage to the limits required in this chapter.

   Note: The percentage of coverage refers to the actual dollar amount of insurance coverage in force for a Property and not the deductible amounts. For example, if a Property has property damage insurance of $7 million, but the IV is $10 million, the coverage is 70 percent of the required coverage.

3. If one or more of the following conditions exist, the Seller/Servicer must contact the Borrower within five days of the Servicer's learning of the condition and must work with the Borrower to resolve the deficiency:

   - The Property insurance coverage currently in force is greater than 80 percent, but less than 100 percent, of the required coverage (see Note above)
   - Any other failure of the insurance policy to comply with the requirements of the Purchase and Servicing Documents

   If the issue is not resolved with 30 days, the Servicer must either:

- Force place insurance to the limits required in the Purchase and Servicing Documents, or

- Request a waiver of the insurance coverage or recommend an alternative solution to the insurance issue.

The waiver request or recommendation must be submitted to Freddie Mac via the ICT. The Servicer must provide justification for the recommendation. Freddie Mac *Multifamily Asset Management, Borrower Transactions* may accept the Servicer's recommendation, recommend an alternative solution, or require the Servicer to force place increased insurance coverage to the limits required in this chapter.

If any deficiencies identified in an exception request are not resolved within 90 days of submittal, then the Servicer must force place required insurance. The Servicer may charge the Borrower for the cost of force placed insurance.

c. Notice to Freddie Mac of forced placed insurance (07/15/25)

If coverage is forced placed as described in 31.23(b), the Servicer must immediately send written notification to Freddie Mac *MF_Insurance_Compliance@freddiemac.com* detailing the insurance issues, the forced placed coverage amount and deductibles. The Servicer must retain in the Mortgage File a copy of the written notification regarding forced placed insurance.

d. Payment for forced placed insurance (04/30/19)

The Servicer must adjust the Borrower's insurance Reserve payments for the forced placed insurance if the Borrower is required to make periodic Reserve deposits for insurance premiums or bill the Borrower to recover the advance (if the Servicer does not maintain an insurance Reserve for the Borrower). If an insurance Reserve account is not currently required, Freddie Mac may require the Servicer to set up a Reserve. If the Borrower refuses to reimburse the Servicer for the forced placed insurance, the Servicer must submit a completed Legal Referral Form, Form 1101, to the Director of Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance*. Freddie Mac will reimburse the Servicer for any advances that the Servicer has made for premiums for such forced placed insurance to the same extent that Freddie Mac would reimburse the Servicer for advances to pay required insurance premiums.

31.25 Reserved (07/15/25)

31.26 Reserved (06/30/16)

31.27 Captive Insurance Companies (05/22/25)

For information regarding the use of Captive Insurance Companies, contact the following:

- Prior to the Origination Date: the *Applicable Regional Office* or the *Multifamily TAH Underwriter*, as applicable

- After the Freddie Mac Funding Date: Freddie Mac *Multifamily Asset Management, Borrower Transactions*

31.28 Manufactured Housing Communities (07/15/25)

All MHC Properties must meet the requirements of this Chapter 31.

Generally, any improvements owned by the Borrower must be insured against loss or damage from relevant perils including fire, wind, hail, flood, and other related perils within the scope of a "Special Causes of Loss" or "All Risk" policy, in an amount not less than the IV of the improvements, per Section 31.5. In addition, the Borrower must carry business income/rental value insurance for all relevant perils attributable to the Property per Section 31.6.

Properties located partially or fully in a FEMA SFHA must meet the insurance requirements in Section 31.8, especially with regard to full business income/rental value relevant to flood losses.

The Borrower must carry Commercial General Liability (CGL) insurance against legal liability resulting from personal and bodily injury, property damage, and contractual liability, per Section 31.16.