▸ Future Revision 07/01/26

4703.2: Minimum property insurance types and amounts (05/06/26)

(a) 1- to 4-unit properties
(i) Peril requirements At a minimum, the insurable improvements on the Mortgaged Premises must be insured for loss or damage from:

- Fire
- Lightning
- Windstorm (including named storms designated by the U.S. National Weather Service or the National Oceanic and Atmospheric Administration by a name or number)
- Hail
- Explosion
- Riot
- Civil commotion
- Aircraft
- Vehicles
- Smoke

If any of the preceding perils is excluded from the primary insurance policy, coverage of the excluded peril must be provided through a secondary insurance policy.

(ii) Deductible requirements The deductible(s) for the above perils may not exceed 5 percent of the limit maintained for dwelling coverage.
(iii) Coverage sufficiency requirements The property securing the Mortgage must be covered by an insurance policy that provides for coverage on a replacement cost basis, excluding roofs. Note: Roofs must be insured but do not have to be covered on a replacement cost basis. Note: Freddie Mac recognizes that some insurers may issue policies that provide coverage on an actual cash value basis for personal property and structures that are not buildings. In the event that the Seller or Servicer sees such terms in a property insurance policy covering a 1- to 4-unit property, this is acceptable. The Seller/Servicer must ensure that adequate insurance coverage is in force even when the improvements are vacant or unoccupied and must notify all insurers of any such change in occupancy in order to preserve its rights as mortgagee under the applicable insurance policy.
(b) Planned Unit Developments (PUDs) and ground lease communities Unit owners within a PUD and leasehold lessees within a ground lease community with residential properties similar to 1- to 4- unit properties can insure their units individually, provided that the requirements in Section 4703.2(a) are met. If the individual units are covered by insurance purchased by their respective owners or leasehold lessees, the PUD homeowners association or the fee simple landowner/lessor of the ground lease community, the Seller is not required to verify insurance for its Common Elements. Freddie Mac will also accept a master insurance policy covering all units in the PUD or ground lease community if called for in the PUD's governing documents or in the ground lease. The master policy must meet all of the following requirements. See Section 4703.2(e) for HO-6 policy requirements.
(i) Coverage sufficiency requirements The master property insurance policy limit must be at least equal to 100% of the units' replacement cost value (RCV) estimate. Seller/Servicers are not required to verify if a master insurance policy for a PUD or ground lease community provides insurance for Common Elements. Seller/Servicers may rely on one of the following options to evidence 100% RCV coverage for the units:

- The insurance policy includes a guaranteed replacement cost (GRC), or equivalent endorsement, or
- The insurance policy includes an extended replacement cost (ERC), or equivalent endorsement, or
- The RCV estimate amount utilized by the insurance carrier to determine coverage limits, or
- The project's insurance risk appraisal, or
- A statement from a property insurer, an independent insurance risk specialist, or other professional with appropriate expertise to make such a determination

(ii) Loss settlement requirements The master property insurance policy must provide for coverage on a replacement cost basis, excluding roofs. Note: Roofs must be insured but do not have to be covered on a replacement cost basis. Note: Freddie Mac recognizes that some insurers may issue policies that provide coverage on an actual cash value basis for personal property and certain property elements. In the event that the Seller or Servicer sees such terms in a master property insurance policy covering a Condominium Project, Cooperative Project or PUD, this is acceptable.
(iii) Peril requirements The master property insurance policy must be written on a special coverage form or equivalent.
(iv) Additional coverage requirements The PUD homeowners association or fee simple landowner/lessor must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use, including the following:

- Building ordinance or law endorsement – this endorsement is not required if the building is legally conforming under current building, zoning or land use laws, or is not available; however, it is required if the enforcement of any law or ordinance results in increased costs such as demolition or loss to the undamaged portions of the building and the coverage is available in the insurance market
- Steam boiler and machinery or equipment breakdown endorsement – this endorsement is required if a building in the project has a central heating ventilation and cooling (HVAC) system and the coverage is available in the insurance market The insurance limit per covered mechanical breakdown or equipment failure must equal the lesser of:
  - 100% of the replacement cost of the building housing the equipment, or
  - $2 million

(v) Deductible requirements The master property insurance policy deductible(s) for all perils required by Section 4703.2 may not exceed 5% of the limit maintained for building(s) coverage per occurrence. If a master insurance policy deductible exceeds the 5% maximum due to a per unit deductible for named perils specific to a geographic area, the Mortgage is eligible for sale to Freddie Mac if the Borrower's unit is covered by an owner's HO-6 policy. The Borrower's owners policy must include the same perils as the master policy, cover master policy assessments levied on the unit owner and carry a sufficient coverage amount to cover the per unit amount over the permissible 5% limit. See Section 4703.2(c) below for an example of how to calculate sufficient coverage to meet the 5% maximum deductible requirement. The PUD homeowners association or fee simple landowner/lessor may purchase a deductible buy-back insurance policy to meet Freddie Mac's deductible requirements, provided the policy meets all other applicable property insurance requirements in Chapter 4703.

(vi) Named insured requirements The insurance policy of the PUD homeowners association or fee simple landowner/lessor of the ground lease community must name the insured in substantially the same language indicated below: For PUDs: Association of Owners of the [Name of PUD] Planned Unit Development for the use and benefit of the individual owners (designated by name, if required by law or the governing documents). For ground lease communities: [Name of the lessor] of the [Name of the ground lease community] for the use and benefit of the individual lessees (designated by name, if required by law or by the lease).
(vii) Master or blanket insurance policy for multiple unaffiliated projects Mortgages secured by units in a PUD with a master or blanket insurance policy that combines insurance coverage for multiple unaffiliated PUDs are eligible for sale to Freddie Mac provided that each covered PUD has a dedicated policy limit and a specific dedicated deductible that does not exceed the requirements above. Also, the policy must clearly state that each association is a named insured. The policy limit needs to cover the full replacement cost required for the Common Elements, and to the extent required, the units. Additionally, the insurance policy must meet all requirements of the Guide and other Purchase Documents applicable to master insurance policies covering PUDs such as:

- The insurance company underwriting the master policy must meet Freddie Mac insurance ratings requirements
- The protected perils must include those normally covered in policies for similar types of PUDs; and
- If applicable, the building ordinance or law endorsement and/or equipment breakdown endorsement

Projects that are under the same master association and/or share the use of common facilities, whether those facilities are individually owned or owned as part of a master association or development, are considered to be affiliated projects. Multiple projects that do not meet one of these criteria, even if they are under the management of the same management company, are not considered to be affiliated projects.

(c) Condominiums The Project Documents will define the insurance requirements for the homeowners association and the individual unit owner in a Condominium Project, including a Detached Condominium Project and a 2- to 4-Unit Condominium Project. The insurance requirements will define the extent to which the homeowners association will insure the individual units and the unit owner responsibility for individual insurance. There are two acceptable options for unit coverage depending on what the governing documents indicate:

- The condominium homeowners association must insure the building and structures in the Condominium Project as well as fixtures, machinery, equipment and supplies maintained for the service of the Condominium Project. To the extent required the homeowners association must also insure fixtures, improvements, alterations and equipment within the individual Condominium Units, regardless of ownership. To the extent the condominium homeowners association's policy does not cover the interior of the Condominium Unit or the improvements to the Condominium Unit, the Borrower must maintain an HO-6 unit owner policy. See Section 4703.2(e) for HO-6 policy requirements. Coverage for the HO-6 unit owner policy must be sufficient to repair the Condominium Unit to at least its condition prior to the claim.
- If the Project Documents allow Condominium Unit owners to insure their Condominium Units individually, in lieu of a master policy, the Mortgages secured by the Condominium Units are eligible for sale to Freddie Mac provided the requirements in Section 4703.2(a) are met. Common Elements must be covered through the condominium homeowners association policy and the homeowners association must maintain all other applicable insurance coverages required in Chapter 4703.
  (i) Coverage sufficiency requirements The master property insurance policy coverage limit must be at least equal to 100% of the RCV estimate of the project's improvements, including Common Elements and residential structures. Seller/Servicers may rely on one of the following options to evidence 100% RCV coverage for the project's improvements:
    - The insurance policy includes a GRC, or equivalent endorsement, or
    - The insurance policy includes an ERC, or equivalent endorsement, or
    - The RCV estimate amount utilized by the insurance carrier to determine coverage limits, or
    - The project's insurance risk appraisal, or
    - A statement from a property insurer, an independent insurance risk specialist, or other professional with appropriate expertise to make such a determination
  (ii) Loss settlement requirements The master property insurance policy must provide for coverage on a replacement cost basis, excluding roofs. Note: Roofs must be insured but do not have to be covered on a replacement cost basis. Note: Freddie Mac recognizes that some insurers may issue policies that provide coverage on an actual cash value basis for personal property and certain property elements. In the event that the Seller or Servicer sees such terms in a master property insurance policy covering a Condominium Project, Cooperative Project or PUD, this is acceptable.
  (iii) Peril requirements The master property insurance policy must be written on a special coverage form or equivalent.
  (iv) Additional coverage requirements The condominium homeowners association must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use, including the following:
    - Building ordinance or law endorsement – this endorsement is not required if the building is legally conforming under current building, zoning or land use laws, or is not available; however, it is required if the enforcement of any law or ordinance results in increased costs such as demolition or loss to the undamaged portions of the building and the coverage is available in the insurance market
    - Steam boiler and machinery or equipment breakdown endorsement – this endorsement is required if a building in the project has an HVAC system and the coverage is available in the insurance market The insurance limit per covered mechanical breakdown or equipment failure must equal the lesser of:
      - 100% of the replacement cost of the building housing the equipment, or
      - $2 million
    - Condominium Association Coverage Form or its equivalent, including the following provisions or comparable language:
      - Recognition of an Insurance Trustee (e.g., "If you name an insurance trustee, we will adjust losses with you, but we will pay the insurance trustee. If we pay the trustee, the payments will satisfy your claims against us.")
      - Waiver of Rights of Recovery (e.g., "We waive our rights to recover payment from any unit-owner of the condominium that is shown in the declarations.")
      - Unit-owner's Insurance (e.g., "A unit-owner may have other insurance covering the same property as this insurance. This insurance is intended to be primary, and not to contribute with such other insurance.")
  (v) Deductible requirements The master property insurance policy deductible(s) for all perils required by Section 4703.2 may not exceed 5% of the limit maintained for building(s) coverage per occurrence. If the deductible exceeds the 5% maximum due to a per unit deductible for named perils specific to a geographic area, the Mortgage is eligible for sale to Freddie Mac if the Borrower's unit is covered by an owner's HO-6 policy. The Borrower's owner's policy must include the same perils as the condominium association's master policy, cover master policy assessments levied on the unit owner and carry a sufficient coverage amount to cover the per unit amount over the permissible 5% limit. For example:
    - Condominium association policy limit: $6,000,000
    - Number of units: 20

- Condominium association policy deductible: $80,000
- Condominium association separate per unit deductible for ice dam coverage: $40,000

The master deductible of $80,000 is 1.33% of the building coverage ($80,000/$6,000,000) and does not exceed the 5% deductible requirement. However, the per unit deductible is 13.3% (($40,000 x 20 units)/$6,000,000) which is above the 5% maximum requirement and the policy is not acceptable.

The maximum per unit deductible needed to meet the 5% deductible requirement is $15,000 (($6,000,000/20) x .05). To be eligible, the unit owner needs an HO-6 policy that would cover the $25,000 per unit coverage ($40,000 − $15,000 = $25,000).

The condominium homeowners association may purchase a deductible buy-back insurance policy to meet Freddie Mac's deductible requirements, provided the policy meets all other applicable property insurance requirements in Chapter 4703.

(vi) Named insured requirements The insurance policy of the condominium homeowners association must name the insured in substantially the same language indicated below:
Association of Owners of the [Name of Condominium Project] Condominium for the use and benefit of the individual owners (designated by name, if required by law or the governing documents).

In the event the HO-6 unit owner policy is required, the policy must include the standard Mortgage clause required in Section 4703.6.

(vii) Master or blanket insurance policy for multiple unaffiliated projects Mortgages secured by a Condominium Unit in a Condominium Project with a master insurance policy that combines insurance coverage for multiple unaffiliated Condominium Projects are eligible for sale to Freddie Mac provided that each covered Condominium Project has a dedicated policy limit and a specific dedicated deductible that does not exceed the requirements above. Also, the policy must clearly state that each association is a named insured. The policy limit must cover the full replacement cost of the Common Elements, and to the extent required, the Condominium Units, as of the current insurance policy effective date. Additionally, the insurance policy must meet all requirements of Chapter 4703 of the Guide and other Purchase Documents applicable to master insurance policies covering Condominium Projects such as:

- The insurance company underwriting the master policy must meet Freddie Mac insurance ratings requirements;
- The protected perils must include those normally covered in policies for similar types of Condominium Projects; and
- If applicable, the building ordinance or law endorsement and/or equipment breakdown endorsement.

Condominium Projects that are under the same master association and/or share the use of common facilities, whether those facilities are individually owned or owned as part of a master association or development, are considered to be affiliated projects. Multiple Condominium Projects that do not meet one of these criteria, even if they are under the management of the same management company, are not considered to be affiliated projects.

(d) Cooperative Corporations The Cooperative Corporation must insure the building and structures in the Cooperative Project as well as fixtures, machinery, equipment and supplies maintained for the service of the project. To the extent required by the Cooperative Project Documents, the Cooperative Corporation must also insure fixtures, improvements, alterations and equipment within the individual Cooperative Units, regardless of ownership. To the extent the Cooperative Corporation policy does not cover the interior of the Cooperative Unit or the improvements to the Cooperative Unit (the fixtures, improvements, alterations and equipment within the individual Cooperative Units), the Borrower must maintain an HO-6 unit owner's policy. See Section 4703.2(e) for HO-6 policy requirements. Coverage for the H0-6 unit owner policy must be sufficient to repair the Cooperative Unit to at least its condition prior to the claim. If the Cooperative Corporation policy fully covers the interior or the improvements to the Cooperate Unit, an H0-6 unit owner policy is not required. Shareholders within a Cooperative Project of detached Cooperative Units can insure their units individually, provided that the requirements in Section 4703.2(a) are met and the Cooperative Corporation's governing documents permit it.
(i) Coverage sufficiency requirements The master property insurance policy coverage limit must be at least equal to 100% of the RCV estimate of the project's improvements, including common elements and residential structures. Seller/Servicers may rely on one of the following options to evidence 100% RCV coverage for the project's improvements:

- The insurance policy includes a GRC, or equivalent endorsement, or
- The insurance policy includes an ERC, or equivalent endorsement, or
- The RCV estimate amount utilized by the insurance carrier to determine coverage limits, or
- The project's insurance risk appraisal, or
- A statement from a property insurer, an independent insurance risk specialist, or other professional with appropriate expertise to make such a determination

(ii) Loss settlement requirements The master property insurance policy must provide for coverage on a replacement cost basis, excluding roofs. Note: Roofs must be insured but do not have to be covered on a replacement cost basis. Note: Freddie Mac recognizes that some insurers may issue policies that provide coverage on an actual cash value basis for personal property and certain property elements. In the event that the Seller or Servicer sees such terms in a master property insurance policy covering a Condominium Project, Cooperative Project or PUD, this is acceptable.
(iii) Peril requirements The master property insurance policy must be written on a special coverage form or equivalent.
(iv) Additional coverage requirements The Cooperative Corporation must also obtain any additional coverage commonly required by private mortgage investors for Cooperative Projects similar in construction, location, and use, including the following:

- Building ordinance or law endorsement – not required if the building is legally conforming under current building, zoning or land use laws or is not available; however, it is required if the enforcement of any law or ordinance results in increased costs such as demolition or loss to the undamaged portions of the building and the coverage is available in the insurance market
- Steam boiler and machinery or equipment breakdown endorsement – required if a building in the Cooperative Project has a central heating ventilation and cooling system and the coverage is available in the insurance market.

The insurance limit per covered mechanical breakdown or equipment failure must equal the lesser of:

- 100% of the replacement cost of the building housing the equipment, or
- $2 million

(v) Deductible requirements The master property insurance policy deductible(s) for all perils required by Section 4703.2 may not exceed 5% of the limit maintained for building(s) coverage per occurrence. If the deductible exceeds the 5% maximum due to a per unit deductible for named perils specific to a geographic area, the

Cooperative Share Loan is eligible for sale to Freddie Mac if the Borrower's unit is covered by an owner's HO-6 policy. The Borrower's owner's policy must include the same perils as the Cooperative Corporation's master policy, cover master policy assessments levied on the Shareholder and carry a sufficient coverage amount to cover the per unit amount over the permissible 5% limit. See Section 4703.2(c) above for an example of how to calculate sufficient coverage to meet the 5% maximum deductible requirement for Cooperative Corporation Units. The cooperative corporation may purchase a deductible buy-back insurance policy to meet Freddie Mac's deductible requirements, provided the policy meets all other applicable property insurance requirements in Chapter 4703.

(e) HO-6 policy requirements

(i) Peril requirements At a minimum, the insurable improvements on the Mortgaged Premises must be insured for loss or damage from:

- Fire
- Lightning
- Windstorm (including named storms designated by the U.S. National Weather Service or the National Oceanic and Atmospheric Administration by a name or number)
- Hail
- Explosion
- Riot
- Civil commotion
- Aircraft
- Vehicles
- Smoke

If any of the preceding perils is excluded from the primary insurance policy, coverage of the excluded peril must be provided through a secondary insurance policy.

(ii) Loss settlement requirements HO-6 policies must provide for coverage on a replacement cost basis.

(iii) Deductible requirements The HO-6 policy deductible(s) cannot exceed the greater of 5% of the coverage limit or $2,500.

(iv) Mortgagee clause requirements In the event the HO-6 unit owner policy is required, the policy must include the standard Mortgage clause required in Section 4703.6.

Related Guide Bulletins	**Issue Date**
Bulletin 2026-6	May 6, 2026
Bulletin 2024-1	February 7, 2024
Bulletin 2022-20	October 5, 2022
Bulletin 2022-5	March 2, 2022
Bulletin 2020-43	November 4, 2020