

March 19, 2026

Freddie Mac Update

Effective Date:

Effective immediately unless otherwise noted.

Fannie Mae Updates:

CONDOMINIUM PROJECTS

In response to industry feedback and an evolving market, Freddie Mac is implementing updates to property insurance requirements and Condominium Project review requirements. These changes, in consultation with FHFA and in alignment with Fannie Mae, reflect Freddie Mac's commitment to supporting homeownership and reducing operational complexity for Sellers and Servicers. Freddie Mac is issuing Condominium Project review updates and property insurance updates simultaneously to ease the transition and address the interests of Borrowers, Condominium Unit owners, Condominium Projects and Freddie Mac.

Freddie Mac recognizes that in certain areas, premiums and limited insurance availability are creating challenges for Borrowers and homeowners associations (HOAs). At the same time, Freddie Mac remains focused on mitigating risks of protection against property loss, including underinsurance and underfunded Condominium Projects.

Freddie Mac is introducing targeted policy updates that provide Sellers and Servicers with greater flexibility and operational simplicity. These updates will help ensure Borrowers and HOAs have access to insurance that is compliant with the requirements. The updates also balance the strengthened Condominium Project review requirements designed to promote the financial resilience and long-term sustainability of Condominium Projects.

Financial condition of Condominium Projects

In Bulletin 2023-15, Freddie Mac announced the incorporation of the updated Critical Repair requirements for Condominium Projects from Bulletin 2021-38 into the Guide. Since then, Freddie Mac has seen a correlation between Condominium Projects with underfunded reserves for capital expenditures and those in need of Critical Repair. Condominium Projects with inadequate reserves typically do not have the requisite resources to maintain the physical condition of the project or to fund unexpected operating expenses. As a result, unit owners can experience substantial financial hardship through unexpected special assessments or higher HOA assessments, leading to Mortgage default or foreclosure.

The revised requirements are intended to improve the financial health of Condominium Projects and promote long-term sustainable homeownership.

Expansion of Exempt from Review

Freddie Mac has expanded "Exempt from Review" requirement to apply to New and Established Condominium Projects that consist of 2 to 10 units. For Condominium Projects consisting of 5 to 10 units, the project must not be part of a Master

Association for Sellers to use this project underwriting option. Sellers using "Exempt From Review" for 5- to 10-Unit Condominium Projects that are not part of a Master Association must comply with the requirements below. The Condominium Project must:

March 19, 2026

Freddie Mac Update

- Not be a Condominium Hotel or similar type of transient housing, a houseboat project, a timeshare project or a project with segmented ownership (all as described in Guide Section 5701.3)
- Not include Manufactured Homes unless the Condominium Unit Mortgage is a Refi Possible® Mortgage
- Not be in need of Critical Repairs and not have an evacuation order. (See Sections 5701.3(n) and 5701.3(o) for details.)
- Not be the subject of any action that would cause the Condominium Project to cease to exist and not be the subject of an insolvency proceeding. (See Section 5701.3(p) for details.)
- Be composed of at least five but no more than 10 units that are each separately deeded with separate legal descriptions
- Meet the general project eligibility requirements in Section 5701.2(b)

Sellers must deliver the valid value “Exempt From Review” for ULDD Data Point Project Classification Identifier (Sort ID 42) for any Condominium Project that complies with the requirements described above for this project underwriting option.

Review requirements for Condominium Projects with attached units in Florida

For new Condominium Projects with attached units in Florida, the project is no longer required to have an “Approved by Fannie Mae” status designation in Fannie Mae’s Condo Project Manager™ (CPMTM). Sellers may review these projects under the New Condominium Projects project review type in Section 5701.6.

For Established Condominium Projects with attached units in Florida, the loan-to-value limits in Section 5701.9(a)(ii)(A) for projects with a “Certified by Lender” status designation in CPM have been retired.

Retirement of owner occupancy requirements for Established Condominium Projects

Freddie Mac has retired the 50% owner occupancy requirement in Section 5701.5(b) for investment properties. Sellers are no longer required to determine if the project complies with the owner occupancy requirement when reviewing an Established Condominium Project.

The presale requirements in Section 5701.6(b) will continue to apply to New Condominium Projects.

Retirement of the Streamlined Review project review type

Effective for Mortgages with Application Received Dates on or after August 3, 2026, but Sellers may implement immediately

The Streamlined Review project review type is being retired. Established Condominium Projects must be reviewed using the Established Condominium Projects project review type in Section 5701.5 or Reciprocal Review in Section 5701.9. If eligible, they may also be delivered as “Exempt From Review”. References to the Streamlined Review project review type in the liability insurance and fidelity insurance requirements in Sections 4703.4. and 4703.5 are being removed.

Enhanced reserve study requirements

Effective for Mortgages with Application Received Dates on or after August 3, 2026, but Sellers may implement immediately

Freddie Mac is updating the reserve study requirements to require the following:

- The project’s budget must include the highest recommended reserve allocation amount in the reserve

Freddie Mac Update 3.2026

March 19, 2026

Freddie Mac Update

study, and

- The highest recommended reserve allocation amount must not be based on a baseline funding method—where the reserve cash balance approaches but never falls below zero

Increase replacement reserve requirements

Effective for Mortgages with Application Received Dates on or after January 4, 2027

The reserve allocation for capital expenditures and deferred maintenance is being increased from a minimum of 10% to a minimum of 15% of the annual budgeted assessment income. All other requirements related to replacement reserves and the review of budget adequacy remained unchanged.

Reminder

If a Seller has an unexpired project review completed prior to the effective dates listed above, the Seller must still confirm that the project complies with these new Guide requirements for applications received on or after the effective date of such requirements.

Condo Project Advisor (CPASM)

Due to the retirement of the owner occupancy requirement for Established Condominium Projects, Freddie Mac will be retiring the Project Waiver Request (PWR) owner occupancy category on a future date. Sellers no longer need to submit a PWR for Established Condominium Projects that do not comply with the owner occupancy requirements in Section 5701.5(b).

Feedback messages

Messages related to the owner occupancy requirement in CPA and Loan Product Advisor will be retired on a future date. Until then, Sellers may disregard messages relating to owner occupancy requirements in Section 5701.5(b).

Guide updates

The Guide will be updated at a later date to reflect the updated Condominium Project requirements.

PROPERTY INSURANCE

In consultation with FHFA and in alignment with Fannie Mae, Freddie Mac is updating the Guide to address concerns related to insurance market trends and operational challenges. Freddie Mac is providing additional specificity for certain property insurance requirements.

1- to 4-unit property insurance requirements

Coverage sufficiency requirement, including roofs

Seller/Service providers are no longer required to verify the replacement cost value (RCV) to ensure coverage sufficiency for 1- to 4-unit properties. The minimum coverage limit calculation involving the UPB and 80% of the RCV, along with the corresponding examples and RCV verification requirements, have been retired. Also, the requirement for roofs to be covered on a replacement cost basis has been retired. Requirements are now as follows.



WHOLESALE ANNOUNCEMENT 2026-35

March 19, 2026

Freddie Mac Update

The property securing the Mortgage must be covered by an insurance policy that provides 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 policy, this is acceptable.

Peril and deductible requirements

Freddie Mac has also added additional specificity to their peril and deductible requirements. With this Bulletin, the updated requirements are below.

Peril requirements

Named storms designated by the U.S. National Weather Service or the National Oceanic and Atmospheric Administration by a name or number are a required component of windstorm coverage.

Deductible requirements

The deductible(s) for all perils required by Section 4703.2(a) may not exceed 5% of the limit maintained for dwelling coverage.

Master property insurance (Planned Unit Developments (PUDs) and ground lease communities, Condominium Projects and Cooperative Corporations)

Coverage sufficiency requirements

Coverage sufficiency requirements have been updated to permit the inclusion of a guaranteed replacement cost or extended replacement cost endorsement, or equivalents, to evidence 100% RCV coverage. All other coverage sufficiency requirements not described in this Bulletin remain unchanged.

Loss settlement requirements, including roofs

The requirement to ensure roofs on a replacement cost basis has been retired. The master property insurance policy must now provide for coverage on a replacement cost basis, excluding roofs. (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.

Inflation guard endorsement requirement

The inflation guard requirement has been retired in its entirety.



WHOLESALE ANNOUNCEMENT 2026-35

March 19, 2026

Freddie Mac Update

Per unit deductible requirements

Effective for Mortgages with Application Received Dates on or after July 1, 2026, but Sellers are encouraged to implement immediately

The maximum deductible requirement of 5% per unit, associated calculation examples and limitation to use the HO-6 coverage "cure" only when the per unit deductible peril is specific to a geographic area is being retired. If the master property insurance policy includes a per unit deductible, the deductible now may not exceed \$50,000 per unit.

Note: See the associated HO-6 policy updates below when the master policy includes a per unit deductible.

Per occurrence deductible requirements and equipment breakdown requirements

Freddie Mac has also added additional specificity to their per occurrence deductible requirements and equipment breakdown requirements. With this Bulletin, the updated requirements are below.

Per occurrence 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.

Deductible buy-back policies

PUDs, ground lease communities, condominium HOAs and Cooperative Corporations may purchase a deductible buy-back insurance policy to meet their deductible requirements, provided the policy meets all other applicable property insurance requirements in Guide Chapter 4703.

Steam boiler and machinery or equipment breakdown

The requirement that a PUD or condominium HOA must maintain a higher insurance limit if private mortgage investors require a higher limit has been retired.

HO-6 property insurance requirements

Associated with the master policy per unit deductible change, with this Bulletin, the HO-6 coverage requirements are being updated as outlined below.

Determining when a unit owner property insurance policy in a project is required

Effective for Mortgages with Application Received Dates on or after July 1, 2026, but Sellers are encouraged to implement immediately

Seller/Servicers must document that the Borrower has an HO-6 unit owners policy when the master property insurance policy:

- Does not cover all or any portion of the interior of the unit or the improvements to the unit; or
- Includes a per unit deductible

Coverage sufficiency requirements

Effective for Mortgages with Application Received Dates on or after July 1, 2026, but Sellers are encouraged to implement immediately

Freddie Mac Update 3.2026



NMLS# 629700

March 19, 2026

Freddie Mac Update

The HO-6 coverage limit amount must be at least equal to the greater of:

- The amount sufficient to repair the Unit to at least its condition prior to the loss; or
- The amount of the per unit deductible, if the master property insurance policy includes a per unit deductible

Peril requirements

Effective for Mortgages with Application Received Dates on or after July 1, 2026, but Sellers are encouraged to implement immediately

If a master property insurance policy includes a per unit deductible, then the HO-6 policy must include coverage for all applicable perils to which the per unit deductible applies.

Deductible requirements

Freddie Mac has updated the HO-6 deductible requirements to state that the HO-6 policy deductible(s) cannot exceed the greater of 5% of the coverage limit or \$2,500.

Additional specificity for peril requirements

Freddie Mac has also added additional specificity to the peril requirements. With this Bulletin, the updated requirements are as follows.

Named storms designated by the U.S. National Weather Service or the National Oceanic and Atmospheric Administration by a name or number are a required component of windstorm coverage.

Note for Servicers

The changes to Condominium Project, Cooperative Corporation and PUD insurance requirements outlined in this Bulletin are not intended to impact Servicers' current processes to monitor project master insurance policies or HO-6 policies.

Servicing requirements

Effective January 1, 2027, but Servicers are encouraged to implement immediately

Minimum insurance monitoring requirements

Freddie Mac is updating the minimum insurance monitoring requirements. For each Freddie Mac-owned Mortgage it services, the Servicer must:

- Confirm, at least annually (or upon policy renewal or replacement), that the Mortgaged Premises is insured and the coverage meets or exceeds the minimum insurance requirements outlined in Chapter 4703; and
- Have reasonable policies, procedures and controls in place to:
 - Confirm insurance policies meet the minimum requirements in Chapter 4703
 - If an initial insurance review cannot determine whether an insurance policy meets the minimum requirements in Chapter 4703, obtain additional evidence of insurance.

If the Servicer must obtain additional evidence of 1- to 4-unit property insurance coverage sufficiency, it may, as an alternative or supplement to other methods of evidencing replacement cost, monitor the dwelling coverage limit for renewal policies. If the dwelling coverage limit

March 19, 2026

Freddie Mac Update

compared to the prior year's policy has decreased, then the Servicer may not consider this as additional evidence of coverage sufficiency.

In instances where reasonable efforts to obtain additional evidence that the insurance policy meets the minimum requirements of Chapter 4703 have been exhausted and failed, the Servicer must document these efforts in the Mortgage file.

- Notify the Borrower when the Servicer identifies a 1- to 4-unit property insurance policy that does not meet one or more of the following minimum requirements outlined in Sections 4703.1 and 4703.2:
 - Carrier licensing, assessment and rating
 - Coverage sufficiency
 - Perils
 - Deductibles

General property insurance requirements and evidence of insurance requirements

General property insurance requirements

Freddie Mac is updating their general property insurance requirements to state that for as long as Freddie Mac owns a Mortgage, the Servicer must:

1. Ensure that the Mortgaged Premises is covered by insurance meeting the requirements of Chapters 4703 and 8202; and
2. Ensure property and flood, when applicable, insurance premiums are paid; and
3. Obtain Lender-Placed Insurance (LPI) when required in accordance with applicable law, the Security Instrument and the Guide. See Section 8202.6 for LPI requirements.

Refer to:

- Section 4703.1 for requirements related to insurer licensing, assessments and ratings; and
- Section 4703.2 for minimum property insurance requirements; and
- Section 4703.3 for flood insurance requirements

Evidence of insurance coverage requirements

Freddie Mac is updating their requirements to specify that electronic data files are an acceptable form of evidence of insurance as follows:

- Electronic data files must provide sufficient information to determine if a policy meets the minimum requirements outlined in Chapter 4703
- Servicers that rely on electronic data files to determine if a policy meets the minimum requirements outlined in Chapter 4703 must have reasonable procedures in place to mitigate risks associated with not maintaining a specimen of each policy and endorsement, certificate, evidence or declarations of insurance. Servicers must provide legible hard copies of the complete insurance policies and proof of premium payments to Freddie Mac upon request.

Annual insurance reminder for Borrowers

Freddie Mac is adding the following requirements related to annual insurance reminders:

- At least annually, Servicers must provide a reminder to Borrowers of their responsibility to maintain insurance on the Mortgaged Premises and recommend they contact their insurance provider to review their coverage
- Servicers may include this reminder in any existing Borrower communication, refer the Borrower to



WHOLESALE ANNOUNCEMENT 2026-35

March 19, 2026

Freddie Mac Update

applicable insurance information on the Servicer's website or direct the Borrower to insurance resources on Freddie Mac's website

- Servicers may deliver this notice via any method as permitted by applicable law, including, but not limited to, e-mail, text messaging, voice response unit technology or a Servicer's web portal

Representations and warranty reminder

Despite the minimum insurance monitoring requirements outlined in Chapter 8202, Servicers are reminded of their duty (see Section 3601.1) to indemnify Freddie Mac and hold it harmless for any loss, damage or expense that it may sustain due to the Servicer's failure to ensure the Mortgaged Premises is insured and the insurance coverage meets or exceeds the minimum requirements set forth in Chapter 4703.

Guide updates

The Guide will be updated at a later date to reflect the updated requirements in this Bulletin.

Should you have any questions, please reach out to your Account Executive or Client Manager