

**Lender Letter LL-2010-14****November 22, 2010****TO: All Fannie Mae Single-Family Sellers and Servicers****State Farm Florida Insurance****Introduction**

As noted in both the *Selling Guide* (B7-3-02, Hazard Insurance Policy Requirements) and the *Servicing Guide* (Part II, Section 202.01: Rated Insurance Underwriters), the hazard insurance policy for a property securing any first mortgage must be written by a carrier that meets specific rating requirements. For example, carriers rated by the A.M. Best Company, Inc. must have a rating of "B" or better.

On August 3, 2010, A.M. Best downgraded State Farm Florida Insurance Company's financial strength rating to "B-" from "B". Based upon discussions with State Farm Florida Insurance Company's parent, State Farm Mutual Automobile Insurance Company, Fannie Mae will continue to accept hazard insurance coverage from State Farm Florida Insurance Company on properties securing mortgage loans owned or securitized by Fannie Mae, retroactive to August 3, 2010.

Fannie Mae reserves the right to withdraw this exception at any time. Fannie Mae will continue to monitor the situation and provide additional instructions to sellers and servicers as circumstances warrant.

As a reminder, this exception is not required for those servicers covered by a mortgage impairment (or mortgage interest) insurance policy. As noted in the *Servicing Guide*, Part II, Section 202.03: Mortgage Impairment Coverage, Fannie Mae does not require a servicer covered by a mortgage impairment (or mortgagee interest) insurance policy to confirm that the borrower's hazard insurance coverage is with a firm that meets the rating requirements. Instead, the servicer may rely on its impairment policy as a type of reinsurance arrangement. However, the issuer of the mortgage impairment (or mortgagee interest) policy must meet either the A. M. Best's Financial Strength Rating or Standard and Poor's Insurer Financial Strength Rating specified in Section 202.01.

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Lenders who have questions should contact their Customer Account Team or Servicing Consultant, Portfolio Manager, or the National Servicing Organization's Servicer Support Center at 1-888-FANNIE5 (1-888-326-6435).

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