



Lender Letter (LL-2022-08)

Dec. 7, 2022

To: All Fannie Mae Single-Family Sellers/Servicers Florida's Temporary Market Stabilization Arrangement

This Lender Letter contains temporary guidance on the provisional acceptance of property insurance policies in Florida in conjunction with the Florida Office of Insurance Regulation's (FLOIR) establishment of a temporary reinsurance arrangement through Citizens Property Insurance Corporation (Citizens).

Effective: Our provisional acceptance of the Temporary Market Stabilization Arrangement (TMSA), subject to the provisions of this Lender Letter, shall continue until May 31, 2023, the date FLOIR terminates the TMSA, or we provide further guidance on its acceptability, whichever occurs first.

On Jul. 27, 2022, FLOIR announced its intent to establish a temporary reinsurance arrangement through Citizens. In the event certain insurers doing business in Florida suffer a financial rating downgrade that would place them below our current rating requirement for property insurers found in *Selling Guide B7-3-01*, Property Insurance Requirements for Insurers, the insurer may qualify for participation in the arrangement. On Aug. 2, 2022, in an Order directed to Citizens, FLOIR implemented the TMSA, which requires Citizens to provide reinsurance to specifically identified insurers in accordance with its terms.

Due to challenging circumstances in the Florida insurance market, servicers may accept on a provisional basis a property insurance policy covering a property securing a mortgage loan in Florida provided by an insurer that is participating in the TMSA. Acceptance of a property insurance policy written by an insurer participating in the TMSA must be in accordance with the limited terms in this Lender Letter.

While we evaluate the implications of the TMSA, when Citizens is acting as a reinsurer under the TMSA, Citizens is not required to have an acceptable Financial Strength Rating as described for acceptable reinsurance arrangements in *Selling Guide B7-3-01*. Property insurance policies issued by an insurer participating in the TMSA are acceptable for properties securing mortgage loans in Florida being serviced, provided that the following conditions are met:

- the property insurance policy is renewing, endorsing, updating, or otherwise altering an existing insurance policy issued by the same insurer;
- the property insurance policy is subject to an assumption of liability endorsement issued by Citizens in a form consistent with Exhibit A of the Order, which will be deemed acceptable in lieu of the *Assumption of Liability Endorsement (Form 858)*, or equivalent, required for acceptable reinsurance arrangements in *Selling Guide B7-3-01*; and
- all other requirements in *Selling Guide Chapter B7-3*, Property and Flood Insurance are met.

This Lender Letter does not authorize lenders to sell a loan to us if the property insurance is provided by a TMSA-participating insurer as of the note date, nor does it authorize servicers to accept a policy provided by a TMSA-participating insurer except in compliance with conditions described above. Property insurance provided by a TMSA-participating insurer does not meet the insurance requirements applicable upon sale of a loan to Fannie Mae.

In conclusion, the issuance of this Lender Letter should not be viewed in any sense as precedential. We are responding to unique and challenging circumstances prevailing in Florida, and there is no assurance that we will respond similarly in other contexts, whether in Florida or elsewhere.



Servicers who have questions about this Lender Letter should contact their Fannie Mae Account Team, Portfolio Manager, or Fannie Mae's Single-Family Servicer Support Center at 1-800-2FANNIE (1-800-232-6643). Have Guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli](#).

Let your voice be heard! We want your feedback on our policy communications to help us improve the clarity of new and updated policy and understand any implications to borrowers. Click below to take a short survey regarding this Lender Letter.

