Fannie Mae

Private Mortgage Insurer Eligibility Requirements Guidance 2024-01

Guidance Effective Date: 3/31/2025, with a transition schedule described herein for changes to *available assets*.

Under FHFA's oversight and in coordination with *Freddie Mac*, *Fannie Mae* is issuing this Guidance amending Section 703, Section 802, and Exhibit D of the *Private Mortgage Insurer Eligibility Requirements* dated September 27, 2018, as amended *(PMIERs)* and introducing Exhibit H. The purpose of this Guidance is to introduce enhancements to the *available assets* requirements. The current *PMIERs* framework sets financial strength standards, reflected through the *required assets*, for an *approved insurer* to have sufficient on-balance sheet assets to pay claims in a stress scenario based upon the risk profile of the loans insured by the *approved insurer*. However, the current *PMIERs* does not require an *approved insurer* to hold additional assets to cover the risk that the on-balance sheet assets themselves, i.e., the *available assets,* might lose value. This Guidance is intended to address the risk associated with an *approved insurer*'s on-balance sheet portfolio.

Pursuant to *PMIERs, Fannie Mae* may, in its sole discretion, modify, waive, or amend any provision of the *PMIERs*. Further, *Fannie Mae* may issue guidance to each *approved insurer* to amend the *PMIERs* or to provide updates to or clarifications of *PMIERs* provisions (Guidance). Italicized terms in this Guidance have the same meanings as in the *PMIERs*.

This Guidance supplements the *PMIERs*, and, unless expressly noted below, it is not intended to supersede existing requirements. To the extent there is a conflict between this Guidance and a previously issued Guidance or the *PMIERs*, this Guidance shall control. This Guidance will be incorporated into the next published version of the *PMIERs*.

I. *PMIERs* Section 703 (*Available* and *Minimum Required Assets):* Introduction

Section 703 is amended by deleting the section and replacing it with the following:

> Financial adequacy is measured and represented by each *approved insurer* quarterly using a risk-based evaluation comparing *available assets* to *minimum required assets*. As discussed in Section 100, an authorized *officer* of the *approved insurer's senior management team* must certify that the *approved insurer* meets the requirements set forth below.
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> An *approved insurer* must maintain sufficient capital resources such that its *available assets* meet or exceed its *minimum required assets*. *Available assets* are defined to include those that are readily available to pay claims and include the most liquid investments of an *approved insurer*. Consideration for future *mortgage guaranty insurance* premium revenue is not included in *available assets*.
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> *Available assets* for an *approved insurer* are calculated as the sum of the following elements as identified below:
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> 1) Cash (such as those currently listed as net admitted assets on an *approved insurer's* Statutory Statement of Assets, [line 5] in its *convention statement*);
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> 2) Bonds (such as those currently listed on an *approved insurer's* Statutory Statement of Assets, [line 1] in its *convention statement*), subject to the following conditions:
>
>   a. Any bond that is not rated by at least one of the eligible rating agencies below is not eligible for inclusion in *available assets*.

i. Bonds must be rated by S&P Global Ratings (S&P), Moody's Investor Services (Moody's), Fitch Ratings Inc. (Fitch), Morningstar DBRS (DBRS), Kroll Bond Rating Agency (KBRA), or A.M. Best and subject to (ii) below.

ii. The following table defines the ratings equivalents for use in determining haircuts and *available asset* eligibility, as described in this Section 703:

S&P	**Moody's**	**Fitch**	**A.M. Best**	**DBRS**	**KBRA**
AAA	Aaa	AAA	A++	AAA	AAA
AA+	Aa1	AA+	A++	AA (high)	AA+
AA	Aa2	AA	A+	AA	AA
AA-	Aa3	AA-	A+	AA (low)	AA-
A+	A1	A+	A	A (high)	A+
A	A2	A	A	A	A
A-	A3	A-	A-	A (low)	A-
BBB+	Baa1	BBB+	B++	BBB (high)	BBB+
BBB	Baa2	BBB	B++	BBB	BBB
BBB-	Baa3	BBB-	B+	BBB (low)	BBB-
BB+	Ba1	BB+	B	BB (high)	BB+
BB	Ba2	BB	B	BB	BB
BB-	Ba3	BB-	B-	BB (low)	BB-
B+	B1	B+	C++	B (high)	B+
B	B2	B	C++	B	B
B-	B3	B-	C+	B (low)	B-
CCC+	Caa1	CCC+	C	CCC (high)	CCC+
CCC	Caa2	CCC	C	CCC	CCC
CCC-	Caa3	CCC-	C-	CCC (low)	CCC-
CC+	Ca1	CC+	C-	CC (high)	CC
CC	Ca2	CC	C-	CC	CC
CC-	Ca3	CC-	C-	CC (low)	CC
C+	C1	C+	D	C (high)	C
C	C2	C	D	C	C
C-	C3	C-	D	C (low)	C

iii. An *approved insurer* must apply the following haircuts to all bonds eligible for inclusion in *available assets*. If a bond is rated by S&P, Moody's, or Fitch, then only those ratings should be used for determining the haircut as described in this section. If a bond is not rated by at least one of these three (S&P, Moody's, and Fitch), then ratings from DBRS, KBRA, or A.M. Best should be used to determine the haircut. For any bonds with two ratings, the lower of the two ratings must be used to determine the haircut. For any bonds with three ratings, the middle rating must be used to determine the haircut.

Bond Rating*	Haircut	Maximum Remaining Term
FFCUSG*	0.0%	None
AAA	0.20%	None
AA+ to AA-	0.60%	None
A+ to A-	1.30%	None
BBB+ to BBB-	2.10%	None
BB+ to BB-	10.00%	5-year
B+ to B-	25.00%	2-year
CCC & below	100.00%	NA

* FFCUSG - Securities explicitly backed by the full faith and credit of the U.S. Government regardless of the rating.

An *approved insurer* must apply the appropriate haircut at the related security level. For example, if a bond is rated AA and not backed by the full faith and credit of the U.S. Government, then the applicable haircut would be 0.60%. Assuming the value of the AA bond is $2 million, the corresponding haircut in dollars would be $12,000 ($2 million x 0.60%).

b. *Approved insurers* must establish and monitor their own concentration limits for debt obligations from any single, non-U.S. Government issuer and for ABS comprising a single securitization type (e.g., credit cards). Additionally, *approved insurers* must regularly disclose such concentration limits to Fannie Mae. The following is a list of examples of ABS securitization types:

Examples of Asset Backed Securitization Types	
Wireless Tower	Venture Loan
Utility Stranded Cost	Fleet Lease
Timeshares	Shipping Container
Franchise	Whole Business
Private Credit	Solar Panel Loans
Bank Loans	Royalties
Aircraft	Structured Settlement
Equipment	Student Loan
Auto Loan	Prime Loan
Floorplan	Rail Car
Consumer Loans	Credit Card
Land Lease	Collateralized Loan Obligation (CLO)

c. An *approved insurer* must exclude:

i. any mortgage insurance-linked note (MILN). MILN means any security that transfers mortgage credit risk to an investor including, but not limited to, those issued by *Fannie Mae*, *Freddie Mac*, or an *approved insurer*;

ii. all residential mortgage-backed securities (RMBS) that are not issued by *Fannie Mae*, *Freddie Mac*, or Ginnie Mae;

iii. all bonds with remaining terms greater than 5 years and rated between and inclusive of ‘BB+’ or equivalent and ‘BB-‘ or equivalent;

iv. all bonds with remaining terms greater than 2 years and rated between and inclusive of ‘B+’ or equivalent and ‘B-’ or equivalent;

v. all bonds rated at or below ’CCC+’ or equivalent using the lowest of all available ratings; and

vi. commercial mortgage-backed securities (CMBS) rated below ‘BBB-’ or equivalent that are not issued by *Fannie Mae, Freddie Mac,* or Ginnie Mae.

d. Total debt and MBS issued by *Fannie Mae* and *Freddie Mac* shall not exceed 25% of *available assets*.

e. ABS shall not exceed 20% of *available assets* after applying haircuts as described in element 2)a.iii., but before applying the adjustment described in element 18) of this Section 703. If ABS rated at least ‘BBB-’ do not comprise at least 10% of *available assets*, then no *available asset* credit will be granted for ABS rated below ‘BBB-’. Otherwise, ABS rated between, and inclusive of, ‘BB+’ or equivalent and ‘B-‘ or equivalent are limited to 1% of *available assets* after applying haircuts as described in 2)a.iii.

f. The aggregate of a) total common and preferred shares, b) securities rated between and inclusive of ‘BB+’ and ‘BB–’ or equivalent with a 5-year maximum remaining term, and c) securities rated between and inclusive of ‘B+’ and ‘B–’ or equivalent with a 2-year maximum remaining term may not exceed 5% of *available assets* after applying haircuts as described in elements 2)a.iii. and 3), but before applying the adjustment described in element 18) of this Section 703. Additionally, *available asset* credit for the sub-investment grade securities described in this section will be calculated using the lower of the current market value and the current accounting book value of such securities.

g. CMBS rated at least ‘BBB-’ or equivalent that are not issued by *Fannie Mae*, *Freddie Mac*, or Ginnie Mae (“non-agency CMBS”) may not exceed 5% of *available assets* after applying haircuts as described in element 2)a.iii., but before applying the adjustment described in element 18) of this Section 703.

h. With 30-days’ notice, *Fannie Mae* may in its sole discretion classify or reclassify securities as it deems appropriate to determine the applicability of the exclusions, limitations, and haircuts.

3) Common and preferred shares must be valued by multiplying the number of shares owned by the closing price of the shares on the last trading day of the reporting quarter, discounted by 50%. Such shares may only be included in *available assets* if:

a. The aggregate amount of eligible a) ‘BB’-rated and ‘B’-rated bonds, and b) common and preferred shares shall not exceed 5% of *available assets* after applying haircuts as described in elements 2)a.iii. and 3), but before applying the adjustment described in element 18) of this Section 703;

b. The common and preferred shares are publicly traded; and

c. The *approved insurer* has complete control and authority to sell the shares.

4) Investment income due and accrued (such as those currently listed as net admitted assets on an *approved insurer's* Statutory Statement of Assets, [line 14] in its *convention statement*).

5) Uncollected premiums and agent balances (such as those currently listed as net admitted assets on an *approved insurer's* Statutory Statement of Assets [line 15.1] in its *convention statement*), net of ceded *reinsurance* premium payable (such as those currently listed on an *approved insurer's* Statement of Liabilities, Surplus and other Funds, [line 12] in its *convention statement*).

6) Dividends of subsidiaries (with *Fannie Mae's* prior written approval) to be paid to the *approved insurer* over a time period that is no greater than:

   a. Two (2) years, if unconditionally guaranteed by a sufficiently capitalized company, as determined by *Fannie Mae*, with either i) an 'A-' rating or better from either S&P, A.M. Best or Fitch, or ii) an 'A3' rating or better from Moody's; or

   b. One (1) year, if unconditionally guaranteed by a sufficiently capitalized company, as determined by *Fannie Mae*, with at least an 'BBB-' rating from either S&P or Fitch, or 'Baa3' from Moody's, or 'B+' from A.M. Best; or

   c. Another period as approved by *Fannie Mae*.

7) The following liquid assets owned by an *exclusive affiliated reinsurer*, if the *exclusive affiliated reinsurer* is a U.S. domiciled corporation that is regulated as an insurance company:

   a. Cash (such as those currently listed as net admitted assets on an *approved insurer's* Statutory Statement of Assets, [line 5] in its *convention statement*);

   b. Bonds, subject to the conditions listed in element 2) above;

   c. Common and preferred shares, subject to the conditions listed in element 3) above.

8) For any individual *lender captive reinsurance* arrangement, the lesser of ceded *risk-in-force* or the trust balance for that *lender captive reinsurance* arrangement, related to loans insured by the *approved insurer*.

9) Surrender value of Corporate Owned Life Insurance policy (COLI), less any charges that would be due to the insurance carrier for liquidating the COLI, subject to the following conditions:

   a. The COLI must have a surrender value that contractually must be paid within 30 days of a written demand by the *approved insurer* to the life insurance carrier;

   b. The COLI is reported in the *approved insurer's convention statement* at least annually such that it can be identified as a separate line item in Schedule BA - Part 1; and

   c. The COLI is invested in assets that:

      i. Are held in a separate account outside the life insurance carrier's general account for the benefit of the policy owner, and are invested in cash, bonds or publicly traded securities; or

      ii. Are held in the life insurance carrier's general account under the condition that the life insurance carrier must be rated at least 'A-' by S&P, or 'A-' by A.M. Best or 'A3' by Moody's.

d. Any COLI assets that are held in a separate account outside the life insurance carrier's general account for the benefit of the policyholder are subject to the same exclusions, limitations, and haircuts to which they otherwise would be subject to if held directly by the *approved insurer*; and

e. Total eligible COLI assets may not exceed 10% of *approved insurer's risk-based required asset* amount.

10) Receivables for securities (such as those currently listed as net admitted assets on an *approved insurer's* Assets [line 9] in its *convention statement*), net of payables for securities (such as those currently listed on an *approved insurer's* Liabilities, Surplus and other Funds [line 21] in its *convention statement*).

11) Exchange Traded Funds (ETFs) will be assigned *available asset* credit by treating the assets backing the ETF as if they were held on the balance sheet of the *approved insurer*. The value of each underlying asset will be adjusted based on the percentage of the ETF owned by the *approved insurer*. The underlying assets are subject to the same exclusions, concentration limitations, and haircuts to which they otherwise would be subject to if held directly by the *approved insurer*.

Less,

12) The *approved insurer's unearned premium reserves* (such as currently listed on line 9 of an *approved insurer's* Statutory Statement of Liabilities, Surplus and Other Funds in its *convention statement*);

13) An *exclusive affiliated reinsurer's unearned premium reserves* (such as currently listed on line 9 of an *approved insurer's* Statutory Statement of Liabilities, Surplus and Other Funds in its *convention statement*), if the *exclusive affiliated reinsurer* is a U.S. domiciled corporation that is regulated as an insurance company;

14) For each outstanding debt obligation reported in Note 11 (Debt) of an *approved insurer's convention statement*, including borrowings from the Federal Home Loan Banks (FHLBs), the amount equal to the greater of (i) the outstanding debt obligation or (ii) the collateral pledged against the debt obligation, if any, as reported in Note 5 (Investments, Section L – Restricted Assets) of an *approved insurer's* annual *convention statement* or in Note 11 (Debt) of an *approved insurer's* quarterly *convention statement*;

15) Assets that are identified as "pledged as collateral" in Note 5, Investments, Section L – Restricted Assets of an *approved insurer's* annual *convention statement*, and in the Notes of the *approved insurer's* quarterly *convention statement* not already considered in number 12 above. An *approved insurer* is not required to deduct a) collateral pledged to *Fannie Mae* or *Freddie Mac*, or b) state deposits held for the exclusive benefit of policyholders;

16) Funds held by an *approved insurer* under *reinsurance* treaties, but for the benefit of a *reinsurer* (such as those currently listed as "Funds held by company under *reinsurance* treaties" on line 13 of an *approved insurer's* Statutory Statement of Liabilities, Surplus and Other Funds, in its *convention statement*);

17) Proceeds from: (i) ineligible surplus notes and (ii) eligible surplus notes that exceed 9% of an *approved insurer's minimum required assets*.

a. To be eligible, a surplus note must, at a minimum, meet the following requirements:

i. Be subordinate to policyholder's claims.

ii. Have an initial maturity of equal to or greater than 10 years, and

iii. Be subject to regulatory approval of interest payments and principal repayments.

b. Surplus note eligibility will be determined by *Fannie Mae* based upon its confirmation that the conditions listed in a) above have been met and based upon its review of other surplus note terms including, but not limited to, subordination, tenure, interest rate, interest payment and principal amortization schedules, and any call provisions or deferral options.

Adjustments,

18) To mitigate the duplication of *available asset* reductions based upon the exclusions, concentration limits, and haircuts described in element 2) and the exclusions described in elements 12), 13), 15), and 16), calculate the amount to add back to eligible *available assets* as follows:

a. Calculate the difference between a) the sum of the amount of cash and bonds listed on the *approved insurer*'s Statutory Statement of Assets, [line 5] and [line 1], respectively, in its *convention statement*, and b) the sum of element 1) and the net amount calculated in element 2) of this Section 703;

b. Calculate the ratio of 18)a. to the amount of cash and bonds on the *approved insurer*'s Statutory Statement of Assets, [line 5] and [line 1] in its *convention statement*;

c. Calculate the sum of elements 12), 13), 15), and 16);

d. Calculate the product of elements 18)b. and 18)c.;

e. Add the amount calculated in 18)d. back to eligible *available assets*.

For example, if:

- The amount of cash listed on the *approved insurer's* Statutory Statement of Assets, [line 5] in its convention statement, equals $500 million;
- The amount of bonds listed on the *approved insurer's* Statutory Statement of Assets, [line 1] in its convention statement, equals $2.0 billion;
- The amount calculated in element 1) plus the net amount calculated in element 2) of this Section 703 is $2.125 billion; and
- The sum of elements 12), 13), 15), and 16) is $100 million.

Then the amount to add back to eligible *available assets* is $15 million, calculated as:

(($500 million + $2.0 billion) - $2.125 billion) / $2.5 billion) x $100 million

= 15% x $100 million

= $15 million.

Minimum required assets

Minimum required assets are the greater of $400 million or the total *risk-based required asset amount* as determined in Exhibit A. All elements listed above will be included in *available assets* when determining whether the minimum requirement of $400 million has been met. In the event that *Fannie Mae* determines that an *approved insurer* has retained risk, provided a guaranty, or assumed any other obligation in addition to any risk beyond traditional primary or pool *mortgage guaranty insurance*, which is not already captured in that *approved insurer's risk-based required asset amount*, *Fannie Mae*, may in its sole discretion increase the *minimum required assets* for that *approved insurer* to offset that additional risk or obligation as determined by *Fannie Mae*.

Transition schedule for implementation of changes to *available asset* eligibility

To provide time for *approved insurers* to adjust to the changes to *available asset* eligibility, the impact will be gradually implemented as set forth below. Specifically:

(A) Calculate total eligible *available assets* as provided in the *PMIERs*, as written and effective March 31, 2019;

(B) Calculate total eligible *available assets* as provided in elements 1) through 18) of this Section 703;

(C) Calculate the difference between (A) and (B);

(D) Add back to the eligible *available assets* as described in elements 1) through 18) of this Section 703:

- For the *PMIERs* submissions reflecting the quarters ending 3/31/2025 and 6/30/2025: 75% of the amount calculated in (C);
- For the *PMIERs* submissions reflecting the quarters ending 9/30/2025 and 12/31/2025: 50% of the amount calculated in (C);
- For the *PMIERs* submissions reflecting the quarters ending 3/31/2026 and 6/30/2026: 25% of the amount calculated in (C);
- For all *PMIERs* submissions reflecting the quarter ending 9/30/2026 and thereafter: 0% of the amount calculated in (C). That is, all changes described in this Section 703 become fully applicable beginning with the quarter ending 9/30/2026.

II. Section 802 (Reporting) (Additional Quarterly Reports and Processes): New Elements 4) and 5)

Section 802 of the *PMIERs* is amended by adding the following as new elements 4) and 5) and renumbering elements appearing below 4) and 5) as 6) through 8):

4) If COLI is held in a separate account for the benefit of the policy owner, the *approved insurer* must provide a detailed quarterly COLI investment account statement.

5) Exhibit H, a security level reporting template, detailing securities owned by the *approved insurer*. If the *approved insurer* owns any ETFs, separate templates must be provided for each ETF.

III. Exhibit D Quarterly Portfolio and Financial Supplement

To implement this Guidance, Exhibit D of the *PMIERs* is amended by updating the existing *Available Assets*, Investment Portfolio, and *Reinsurance* Treaties tabs in their entirety. A copy of the amended Exhibit D, with updated *Available Assets*, Investment Portfolio and *Reinsurance* Treaties tabs is attached to and forms part of this Guidance.