



Selling and Servicing Notice

May 8, 2024

Regarding Recent Clarifications of Lender and Servicer Responsibilities Related to Property Insurance

In February 2024, we issued *Selling Guide* Announcement [SEL-2024-01](#) and *Servicing Guide* Announcement [SVC-2024-01](#) to clarify various existing lender and servicer responsibilities related to monitoring and verifying property insurance coverage. The clarifications were made to long-standing policies in our Guides that are intended to ensure the borrower has sufficient property insurance coverage in the event of a loss, and the February announcements did not change these policies. Among other things, we removed coinsurance requirements and reinforced the requirement to obtain the replacement cost value and confirm the policy provides for replacement cost coverage. The June 1, 2024 effective date was intended to provide advance notice to accommodate lenders' and servicers' internal governance processes.

Following these announcements, we have heard concerns from industry partners about lenders' and servicers' ability to comply with our long-standing policy to obtain the replacement cost value, which is necessary to confirm the minimum required coverage amount in our Guides is met. In light of the unique nature of these concerns, in coordination with Freddie Mac and FHFA and until further notice, we have decided not to cite findings for noncompliance related to obtaining property insurance replacement cost values for the purposes of determining coverage amount sufficiency, including any failure to obtain lender-placed insurance for a coverage shortage due to failure to utilize replacement cost value. During this period, we will conduct additional research and industry engagement to evaluate the reported obstacles to lenders' and servicers' compliance with our requirements related to replacement cost value.

We are taking this extraordinary step because of the critical role played by replacement cost value in determining the amount of property insurance coverage that protects both the borrower and the owner of the related mortgage loan. To that end, we look forward to engaging productively with stakeholders over the coming weeks.

Lenders' and servicers' obligations under *Selling Guide* [A2-1-03, Indemnification for Losses](#) with respect to a loss resulting from insufficient insurance coverage remain unchanged. Also, servicers must still obtain lender-placed insurance when the borrower does not maintain an active property insurance policy. Additionally, citation of findings related to noncompliance with our flood insurance requirements is not impacted by this Notice.

We will communicate any applicable updates at a future date.