5% of the property insurance coverage amount.

If the property insurance policy includes separate deductibles for different required perils, such as windstorm or wildfire, each individual deductible must not exceed 5% of the property insurance coverage amount.

Additional Requirements

Additional requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement. See B2-3-04, Special Property Eligibility Considerations for additional requirements.

See B7-3-08, Mortgagee Clause, Named Insured, and Notice of Cancellation Requirements for additional requirements applicable to a one- to four-unit property.

Recent Related Announcements

The table below provides references to recently issued Announcements that are related to this topic.

Announcements	Issue Date
Announcement SEL-2026-07	August 05, 2026
Announcement SEL-2024-01	February 07, 2024
Announcement SEL-2022-10	December 14, 2022
Announcement SEL-2021-11	December 15, 2021
Announcement SEL-2020-07	December 16, 2020

B7-3-03, Master Property Insurance Requirements for Project Developments (08/05/2026)

Introduction

This topic contains information on master property insurance requirements for project developments, including:

- Overview
- Determining if a Master Property Insurance Policy is Required

Overview

This topic covers requirements for master property insurance policies covering the common elements and residential structures of project developments.

The requirements applicable to condo projects in this topic also apply to two- to four-unit condos and detached condos, unless stated otherwise.

For the purposes of this topic and B7-3-04, Property Insurance Requirements for Individual Units in a Project Development, the following definitions apply:

- Common elements refers to insurable, non-residential elements of a project development. Examples include, but are not limited to, clubhouses, parking areas or structures, and recreational facilities.
- Residential structures refers to the insurable elements of a building that contains one or more residences.

See *Named Insured for Property and Flood Insurance* in B7-3-08, Mortgagee Clause, Named Insured, and Notice of Cancellation Requirements for the named insured requirements.

Determining if a Master Property Insurance Policy is Required

The requirements for individual property insurance policies will vary based on the homeowners' association (HOA) or co-op corporation's legal documents and the master property insurance policy. The following table provides the requirements based on the project type.

Project Type	Requirement
PUD	Individual property insurance policies as described in B7-3-02, Property Insurance Requirements for One-to Four-Unit Properties are required for each property securing a loan that Fannie Mae purchases in a PUD project unless the project's legal documents provide for a master property insurance policy that covers both the common elements and residential structures. In that case, Fannie Mae will accept the master property insurance policy in satisfaction of its insurance requirements for the subject property. The borrower may still have to maintain an individual unit owner policy as described in B7-3-04, Property Insurance Requirements for Individual Units in a Project Development. When units located within a PUD are covered by a master property insurance policy maintained by the HOA, the lender or servicer must verify that the insurance provides coverage for both the common elements and residential structures. When units located within a PUD are covered by individual property insurance policies maintained by their respective owner(s), the lender or servicer is not required to verify master property insurance coverage on PUD common elements.
Condo	Master property insurance policies are required for the common elements and residential structures for each loan that Fannie Mae purchases in a condo project unless the condo project's legal documents require individual property insurance policies for each unit. In that case, the individual property insurance policy must meet the requirements in B7-3-02, Property Insurance Requirements for One-to Four-Unit Properties. When a master property insurance policy is required, the lender or servicer must verify that the master property insurance provides coverage for both the common elements and residential structures. The borrower may still have to maintain an individual unit owner policy as described in B7-3-04, Property Insurance Requirements for Individual Units in a Project Development.
Co-op	Master property insurance policies are required for the common elements and residential structures for each loan that Fannie Mae purchases in a co-op project unless the co-op project's legal documents require individual property insurance policies for each unit. In that case, the individual property insurance policy must meet the requirements in B7-3-02, Property Insurance Requirements for One-to Four-Unit Properties. When a master property insurance policy is required, the lender or servicer must verify that the master property insurance provides coverage for both the common elements and residential structures. The borrower may still have to maintain an individual unit owner policy as described in B7-3-04, Property Insurance Requirements for Individual Units in a Project Development.

To the extent the master property insurance policy does not cover the interior of the unit or improvements to the unit, the borrower must maintain an individual unit owner property insurance policy (see B7-3-04, Property Insurance Requirements for Individual Units in a Project Development for additional requirements).

Required Perils

Master property insurance coverage policies covering project developments should be written on a "Special" coverage form or equivalent. At a minimum, the coverage must include the perils covered by a commercial "Broad" coverage form, as listed in the following table.

✓	**Required Perils**
	Fire
	Lightning
	Explosion
	Windstorm (including named storms designated by the U.S. National Weather Service or the National Oceanic and Atmospheric Administration by a name or number)
	Hail
	Smoke
	Aircraft or Vehicles
	Riot or civil commotion
	Vandalism
	Sprinkler leakage
	Sinkhole collapse
	Volcanic action
	Falling objects
	Weight of snow, ice or sleet
	Water damage

If a master property insurance policy excludes or limits coverage of any of the required perils, the HOA or co-op corporation must obtain an acceptable policy (e.g., stand-alone policy) which provides adequate coverage for the limited or excluded peril (see B7-3-05, Additional Insurance Requirements for additional information).

Coverage Sufficiency

When required, a master property insurance policy must be maintained with premiums paid as a common expense by the HOA or co-op corporation, as applicable. The policy must cover all insurable property elements. Common personal property and supplies should be covered, if applicable.

Coverage sufficiency for a master property insurance policy is determined based on the coverage amount and the policy's loss settlement terms.

Coverage Amount

The master property insurance coverage amount must equal at least 100% of the estimated replacement cost value of the project improvements, including common elements and residential structures.

The lender or servicer may rely on any one of the following to document that the coverage amount is sufficient:

- Guaranteed replacement cost coverage, or its equivalent;
- Extended replacement cost coverage, or its equivalent;
- A replacement cost value estimate provided by the insurer;
- The project's insurance risk appraisal; or
- A statement from the insurer or other applicable professional with appropriate expertise to make such a determination.

Loss Settlement

The master property insurance policy must provide coverage on a replacement cost basis, with the exception of roofs.

Roofs must be insured, but do not have to be insured on a replacement cost basis.

> **Note:** Fannie Mae 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 the lender or servicer sees such terms in a master property insurance policy, this is acceptable.

Maximum Deductible

The following table describes the maximum allowable deductible for master property insurance policies covering project developments. If the policy includes separate deductibles for different required perils, such as windstorm or wildfire, each individual deductible must comply with the applicable maximum deductible.

Deductible Type	Maximum Deductible
Per occurrence	The maximum allowable deductible for all required property insurance perils is 5% of the master property insurance coverage amount.

Deductible Type	Maximum Deductible
Per unit	The maximum allowable per unit deductible for all required property insurance perils covered by a master property insurance policy is $50,000 per unit. When the master property insurance policy has a per unit deductible, the borrower must have a unit owners property insurance policy, in accordance with B7-3-04, Property Insurance Requirements for Individual Units in a Project Development.

> **Note:** A deductible buy-back insurance policy purchased by the HOA or co-op corporation may be used to meet Fannie Mae's master property insurance policy maximum deductible requirements, provided the policy meets all other property insurance requirements in *Chapter B7-3, Property and Flood Insurance*, including insurer rating requirements.

Special Coverage Requirements for Project Developments

The following table describes special coverage requirements applicable to condo, co-op, and PUD master property insurance policies:

Coverage Type	**Requirements**
Building Ordinance or Law Coverage	The coverage must include: • Coverage A: loss to the undamaged portion of a building, • Coverage B: demolition costs, and • Coverage C: increased costs of construction. Building Ordinance or Law Coverage may be included in the property coverage form or obtained as an endorsement to the property insurance policy. The coverage is not required if it is not obtainable in the insurance market available to the association.
Boiler and Machinery/Equipment Breakdown Coverage	This coverage is required if the project development has central heating or cooling. The coverage amount must equal the lesser of $2 million or the replacement cost value of the building(s) housing the boiler or machinery. **Note:** Boiler and Machinery/Equipment Breakdown Coverage may also be referred to as Steam Boiler Coverage or Mechanical Breakdown Coverage.

Special Coverage Requirements for Condo Projects

Master property insurance policies for condo projects must be endorsed with a Condominium Association

Coverage Form or its equivalent. The endorsement must include the following provisions or comparable language:

- Recognition of an Insurance Trustee: If you name an insurance trustee, we will adjust losses with you, but we will pay the insurance trustee. If we pay the trustee, the payments will satisfy your claims against us.
- Waiver of Rights of Recovery: We waive our rights to recover payment from any unit-owner of the condominium that is shown in the declarations.
- Unit-owner's Insurance: A unit-owner may have other insurance covering the same property as this insurance. This insurance is intended to be primary, and not to contribute with such other insurance.

Builder/Developer Property Insurance Policies

When a project is under development, it may be covered by the builder/developer's property insurance policy if the policy provides equivalent coverage to the requirements for project developments in this topic. When property coverage ceases per the terms of the builder/developer's policy, the HOA or co-op corporation must obtain a master property insurance policy in accordance with Fannie Mae's requirements.

Separate projects under development by the same developer will be considered affiliated during the period when control of the project has not yet transferred from the builder/developer to the individual owners or related HOA or co-op corporation. The affiliated status of the subject project ends when the property coverage ceases per the terms of the builder/developer's policy.

Policies Covering Multiple Projects

Except as described below, unaffiliated projects may not share a master property insurance policy. Each project must maintain its own policy that meets Fannie Mae requirements, as detailed throughout this topic.

If a property insurance policy that covers multiple unaffiliated projects provides a dedicated coverage amount for each individual covered project, the policy structure may provide equivalent coverage to Fannie Mae's coverage amount requirements. The coverage amount dedicated to the subject project must be sufficient to cover the full replacement cost value of the project improvements including the common elements and residential structures.

The lender or servicer must review the insurance policy and any other associated documents needed to adequately evaluate the insurance coverage. The HOA or co-op corporation must be protected in the same manner as if it maintained a master property insurance policy. The coverage of each insured project cannot be affected by any actions or omissions of unaffiliated projects covered by the same policy. Additionally, all other master property insurance requirements for project developments must be met.

The lender or servicer must document how they determined the applicable policy provides acceptable coverage as detailed above. A copy of the policy, along with the lender's or servicer's documentation must be maintained in the loan file.

Recent Related Announcements

The table below provides references to recently issued Announcements that are related to this topic.