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## Agency Non-AUS and DU Property, Flood, and Project Insurance Revisions

Truist Bank (Truist) revises Agency non-AUS and Desktop Underwriter® (DU®) property, flood, and project (i.e., condominium and PUD) insurance requirements to more closely align with previously announced Fannie Mae updates. With these updates we:

- replace outdated terminology and requirements with language/requirements that align with the products available in the current insurance marketplace
- reorganize and streamline requirements for ease of use and consistency
- clarify existing insurance requirements

See “Bulletin Details” for highlights of the updates.

### Effective Dates

All updates are effective for new loan applications on or after May 1, 2023.

### Background Information

Fannie Mae SEL-2022-10 announced updates related to property, flood, and project insurance requirements. These updates better aligned Fannie Mae’s insurance requirements with current industry standards and addressed common lender questions. In response to this publication, we reviewed impacted standard documents and identified the need to implement revisions to more closely align with Fannie Mae requirements and to address best execution concerns.

### Bulletin Details

#### Agency Non-AUS and DU Insurance Updates

The following table highlights the terminology updates, new requirements, increased flexibilities, and clarifications made to the Agency non-AUS and DU property, flood, and project insurance requirements.

Topic	Update
Property Insurer Rating Requirements	<p><b>AM Best Company:</b> We removed reference to “an ‘A’ or better Financial Strength Rating and a Financial Size Category of “VIII” or greater in Best’s Insurance Reports Non-US Edition” from the rating category list. Revised requirements now just indicate a “B+” or better Financial Strength rating category for AM Best Company.</p> <p><b>Note:</b> The above referenced “B+” rating is an existing <b>overlay</b> that remains for best execution purposes.</p>
Property Insurance Requirements for One-to Four-Unit Properties	<ul style="list-style-type: none"> <li>• <b>Coverage Requirements:</b> We clarified that:                             <ul style="list-style-type: none"> <li>• property insurance policies should be written on a “Special” coverage form, or equivalent</li> <li>• at a minimum, coverage must include the following perils: fire or lightning, explosion, windstorm, hail, smoke, aircraft, vehicles, and riot or civil commotion</li> <li>• the definition of windstorm includes storms designated by the U.S. National Weather Service or the National Oceanic and Atmospheric Administration by a name or number</li> </ul> </li> </ul>

## Bulletin Details, continued

### Agency Non-AUS and DU Insurance Updates, continued

Topic	Update
Property Insurance Requirements for One-to Four-Unit Properties, continued	<ul style="list-style-type: none"> <li>• <b>Coverage Requirements, continued:</b> <ul style="list-style-type: none"> <li>• property insurance policies that provide for claims to be settled on an actual cash value basis are not acceptable</li> </ul> </li> <li>• <b>Determining the Required Coverage Amount</b> <ul style="list-style-type: none"> <li>• We replaced “insurable value of the improvements” terminology references with “replacement cost value of the improvements”</li> <li>• We clarified that:                             <ul style="list-style-type: none"> <li>• when determining the property insurance coverage amount, the verification source may be the property insurer, an independent insurance risk specialist, or other professional with appropriate resources to make such a determination</li> <li>• when calculating the required amount of property insurance coverage, the loan amount (including first and subordinate liens) must be used at origination of the loan and the UPB (including first and subordinate liens) must be used during servicing of the loan.</li> </ul> </li> </ul> <p style="margin-left: 40px;"><i><b>Note:</b> The inclusion of subordinate liens is an existing <b>overlay</b>.</i></p> </li> <li>• <b>Deductible Requirements</b> <ul style="list-style-type: none"> <li>• We clarified that the maximum allowable deductible applies to all required perils, including when a property insurance policy includes multiple deductibles</li> </ul> </li> <li>• <b>Construction-to-Permanent Mortgages</b> <ul style="list-style-type: none"> <li>• We removed reference to property insurance requirements for construction-to-permanent mortgages, as this policy is no longer applicable</li> </ul> </li> </ul>
Property Insurance Coverage Requirements for Units in Condominium and PUD Project Developments	<ul style="list-style-type: none"> <li>• To promote clarity, we now present requirements in this section within the following two subsections:                     <ul style="list-style-type: none"> <li>• “Master Property Insurance Requirements for Project Developments”</li> <li>• “Individual Property Insurance Requirements for a Unit in a Project Development”</li> </ul> </li> <li>• <b>Master Property Insurance Requirements for Project Developments</b> <ul style="list-style-type: none"> <li>• <b>Overview:</b> We clarified that the requirements applicable to condominium projects in this section apply to two- to four-unit condominiums and detached condominiums, unless otherwise stated</li> <li>• <b>Determining if a Master Property Insurance Policy is Required:</b> When units located within a PUD are covered by a master property insurance policy maintained by the HOA, we now require verification that the insurance provides coverage for <b>both</b> the common elements and residential structures.</li> <li>• <b>Coverage Requirements:</b> We clarified that:                             <ul style="list-style-type: none"> <li>• master property insurance policies should be written on a “Special” coverage form, or equivalent</li> <li>• at a minimum, coverage must include the following perils: fire, lightning, explosion, windstorm, hail, smoke, aircraft, vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, volcanic eruption, falling objects, and weight of snow, ice or sleet, or water damage</li> <li>• the definition of windstorm includes storms designated by the U.S. National Weather Service or the National Oceanic and Atmospheric Administration by a name or number</li> <li>• property insurance policies that provide for claims to be settled on an actual cash value basis are not acceptable</li> </ul> </li> </ul> </li> </ul>

## Bulletin Details, continued

### Agency Non-AUS and DU Insurance Updates, continued

Topic	Update
Property Insurance Coverage Requirements for Units in Condominium and PUD Project Developments, continued	<ul style="list-style-type: none"> <li>• <b>Master Property Insurance Requirements for Project Developments, continued</b> <ul style="list-style-type: none"> <li>• <b>Determining the Required Coverage Amount:</b> We clarified that when determining the master property insurance coverage amount required, the verification source may be the property insurer, an independent insurance risk specialist, or other professional with appropriate resources to make such a determination.</li> <li>• <b>Deductible Requirements:</b> <ul style="list-style-type: none"> <li>• We revised requirements to permit:                             <ul style="list-style-type: none"> <li>• a per-unit master property insurance policy deductible when the sum of the applicable per-unit deductibles exceeds 5% of the property insurance coverage amount for named perils specific to a geographic area when such coverage is common and customary, and the borrower’s individual property insurance policy meets certain requirements</li> <li>• the use of deductible buy-back policies to meet Fannie Mae’s master property insurance policy deductible requirements for project developments, provided the policy meets all other published property insurance requirements</li> </ul> </li> <li>• We clarified that the maximum allowable deductible for all project developments applies to all required perils, including when a property insurance policy includes multiple deductibles.</li> </ul> </li> <li>• <b>Special Coverage Requirements for Condominium Projects:</b> We provided flexibility by allowing master property insurance policies on condominium projects to be endorsed with a Condominium Association Coverage Form or its equivalent, which must include certain provisions, or comparable language.</li> <li>• <b>Builder/Developer Property Insurance Policies:</b> We updated requirements to state that builder/developer property insurance policies are permissible in lieu of master property insurance policies for units in project developments still under construction when the builder’s/developer’s property insurance policy provides coverage that is equivalent to the required coverage for project developments. Additionally, separate projects under development by the same builder/developer shall 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.</li> <li>• <b>Policies Covering Multiple Projects:</b> We revised requirements to permit a property insurance policy that covers multiple unaffiliated projects if the coverage amount dedicated to the subject project is sufficient to cover the full replacement cost value of the project improvements including the common elements and residential structures. The lender must review the insurance policy and any other associated documents needed to adequately evaluate the insurance coverage. The HOA 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.</li> <li>• <b>Notice of Cancellation:</b> We removed the notice of cancellation requirement for master property insurance policies on project developments.</li> </ul> </li> </ul>
Liability Insurance Coverage Requirements for Condominiums	<ul style="list-style-type: none"> <li>• <b>Named Insured:</b> We updated requirements to state that the general liability insurance policy must designate the HOA as the named insured with the premiums paid as a common expense by the HOA.</li> <li>• <b>Notice of Cancellation:</b> We removed the notice of cancellation requirement for liability insurance on condominium projects.</li> </ul>

## Bulletin Details, continued

### Agency Non-AUS and DU Insurance Updates, continued

Topic	Update
Fidelity/Crime/ Employee Dishonesty Insurance Coverage Requirements for Condominiums	<b>Notice of Cancellation:</b> We removed the notice of cancellation requirement for fidelity/crime insurance on condominium projects.
Additional Insurance Requirements for All Properties	<ul style="list-style-type: none"> <li>• <b>Insurance Requirements for Renovation and Energy-Related Improvement Loans:</b> We updated requirements to state that lenders must ensure that when the loan provides funds to cover the costs of repairs, remodeling, renovations, or energy-related improvements, there must not be any coverage exclusions or limitations related to the renovation work during the time that work is being performed on the property.</li> <li>• <b>Builder’s Risk Insurance:</b> We removed reference to builder’s risk insurance, as this policy is no longer applicable.</li> </ul>
Flood Insurance Coverage Requirements	<ul style="list-style-type: none"> <li>• <b>Terminology Updates:</b> We replaced: <ul style="list-style-type: none"> <li>• “replacement cost of the insurable value of the improvements” terminology references with “replacement cost value of the improvements”</li> <li>• “insurable value of all contents” references with “replacement cost value of all contents”</li> </ul> <p><b>Note:</b> As a result of the above terminology updates, we removed previously published Truist clarification guidance related to “Insurable Value” from this section.</p> </li> <li>• <b>Determining the Required Coverage Amount for One-to Four-Unit Properties:</b> We clarified that when calculating the required amount of flood insurance coverage, the loan amount (including first and subordinate liens) must be used at origination of the loan and the UPB (including first and subordinate liens) must be used during servicing of the loan. <p><b>Note:</b> The inclusion of subordinate liens is an existing <b>overlay</b>.</p> </li> <li>• <b>Deductible Requirements:</b> We clarified the maximum flood insurance deductible requirement based on the property type, regardless of whether it is insured by NFIP or a private flood insurer.</li> </ul>
Evidence of Property Insurance	<b>Master Property Insurance Policies for Project Developments:</b> We clarified that, when required, lenders must obtain evidence of master property insurance covering project developments.
Mortgagee Clause for Property and Flood Insurance	We clarified that mortgagee clause requirements apply to <b>individual</b> property and flood insurance policies (covering one- to four-unit properties and individual units in project developments) maintained by the borrower and do not apply to <b>master</b> property and flood insurance policies for project developments.
Named Insured Requirements for Property and Flood Insurance Policies	For one- to four-unit properties and units in project developments, we updated requirements to state that the individual property or flood insurance policy must name <b>all</b> persons holding title to the subject property as the named insured to ensure the borrower(s) has full rights to the policy and Fannie Mae’s interest or ability to receive benefits is not impaired.
Notice of Cancellation Requirements for Individual Property Insurance Policies	We clarified requirements to state that the property insurance policy must provide for at least 10 days written notice to the named insured and mortgagee(s) before the insurer can cancel the policy. <p><b>Note:</b> The “at least 10 days” timeframe is now considered a new <b>overlay</b> for best execution purposes.</p>

### Before and After Matrix

[Click here](#) to see the before and after matrix that provides a detailed overview of all standard revisions.

## Bulletin Details, continued

### Revised Materials

Click [Agency Loan Standard](#) and [Agency Overlay Matrix](#) to review the revised product materials.

### Former Standards

See the before and after matrix provided in the Bulletin Details section of this bulletin to access the former standards.

## Other Resources

Support Group	Description and Contact Information:
Correspondent Relations Coordinator	Specific questions on applying this procedure to specific loan files. Contact Correspondent Relations Coordinators at 800.382.2111, Option 1.
Product Support	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact Product Support at 800.382.2111, option 3.

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