

**Agency Guides/Freddie Mac Multifamily/Multifamily Seller/Servicer Guide/Chs. 29-35: Closing, Delivery and File Retention/Chapter 31A: Insurance Requirements (on or after 07/01/11)/31A.24: Ensuring continuous insurance coverage/31A.24(a): General requirements for ensuring continuous insurance coverage (07/01/11)**

### **31A.24(a): General requirements for ensuring continuous insurance coverage (07/01/11)**

The Seller/Servicer must ensure that all Properties are continuously covered by the insurance policies required by the Purchase and Servicing Documents for the life of the Mortgage.

If the Seller/Servicer determines that a Property's insurance has lapsed, is cancelled, is inadequate, or is not in force for any reason, the Seller/Servicer must prevent a gap in insurance by one or more of the following means:

- Contacting the Borrower and working with the Borrower to resolve the deficiency
- Having in place or obtaining a portfolio insurance policy and/or other insurance vehicle or vehicles designed to provide required coverage if one or more policies lapses, is cancelled, is inadequate or is not in force
- Implementing forced placed insurance

Any insurance policy intended to prevent a gap in insurance coverage, or to supplement inadequate coverage, must:

- Provide retroactive and/or automatic coverage
- Cover the Mortgages serviced for Freddie Mac
- Include deductibles no greater than those required by the Purchase and Servicing Documents
- Provide all property damage and liability insurance required by the Purchase and Servicing Documents
- Be provided by an insurance carrier meeting the requirements of Section 31A.3, based on the total unpaid principal balance (UPB) of the Mortgages insured under the policy by the Seller/Servicer

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### **31A.24(b): Forced placed insurance (07/01/11)**

Under certain circumstances, Freddie Mac requires the use of forced placed insurance to prevent a lapse in insurance coverage. If the required forced placed insurance is not available, the Seller/Servicer must contact Freddie Mac *Multifamily Asset Management, Low Risk Loans*.

1. If one or more of the following conditions exists, the Seller/Servicer must force place insurance:
  - The required insurance has lapsed or has been cancelled or is not in force for any other reason
  - The required insurance has not yet lapsed or been cancelled, but will lapse within three days (or over an intervening weekend or holiday), and

- The Servicer determines that the renewal of the existing insurance or new insurance is not forthcoming, or
  - The Servicer has not been able to determine that the renewal of the existing insurance or new insurance is forthcoming
  - Any insurance obtained by the Servicer to prevent a lapse in coverage is no longer in force or will no longer be in force within three days (or over an intervening weekend or holiday)
2. If both of the following conditions exist, the Seller/Servicer must contact the Borrower within two days of the Servicer's learning of the condition and must work with the Borrower to resolve the deficiency:
- The insurance currently in force provides less than 80 percent of the required coverage (see Note below)
  - A lapse in coverage is not imminent

If the issue is not resolved with 15 days, the Servicer must either

- Force place insurance to the limits required in Purchase and Servicing Documents, or
- Request a waiver of the insurance coverage from Freddie Mac or recommend an alternative solution to the insurance issue.

The waiver request or recommendation must be submitted to Freddie Mac *Multifamily Asset Management, Low Risk Loans* on the Multifamily Portfolio Services Insurance Waiver Request Form (for nondelegated waivers) available via MultiSuite®. The Servicer must provide justification for the recommendation on the form. Multifamily Portfolio Services may accept the Servicer's recommendation, recommend an alternative solution, or require the Servicer to force place increased insurance coverage to the limits required in this chapter.

**Note:** The percentage of coverage refers to the actual dollar amount of insurance coverage in force for a Property and not the deductible amounts. For example, if a Property has property damage insurance of \$7 million, but the Replacement Cost is \$10 million, the coverage is 70 percent of the required coverage.

3. If one or more of the following conditions exist, the Seller/Servicer must contact the Borrower within five days of the Servicer's learning of the condition and must work with the Borrower to resolve the deficiency:
- The insurance coverage currently in force is greater than 80 percent, but less than 100 percent, of the required coverage (see Note above)
  - Deductible amounts do not comply with the requirements
  - Any other failure of the insurance policy to be comply with the requirements of the Purchase and Servicing Documents

If the issue is not resolved with 30 days, the Servicer must either

- Force place insurance to the limits required in the Purchase and Servicing Documents, or
- Request a waiver of the insurance coverage or recommend an alternative solution to the insurance issue.

The waiver request or recommendation must be submitted to Freddie Mac *Multifamily Asset*

*Management, Low Risk Loans* on the Multifamily Portfolio Services Insurance Waiver Request Form (for nondelegated waivers) available via MultiSuite. The Servicer must provide justification for the recommendation on the form. Freddie Mac *Multifamily Asset Management, Low Risk Loans* may accept the Servicer's recommendation, recommend an alternative solution, or require the Servicer to force place increased insurance coverage to the limits required in this chapter.

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### **31A.24(c): Notice to Freddie Mac of forced placed insurance (07/01/11)**

If coverage is forced placed as described in 31A.24(b), the Servicer must immediately send written notification to Freddie Mac *Multifamily Asset Management, Low Risk Loans* detailing the insurance issues, the forced placed coverage and the deductibles. The Servicer must retain in the Mortgage File a copy of the written notification regarding forced placed insurance.

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### **31A.24(d): Payment for forced placed insurance (07/01/11)**

The Servicer must adjust the Borrower's Escrow payments for the forced placed insurance if the Borrower is required to make periodic Escrow deposits for insurance premiums or bill the Borrower to recover the advance (if the Servicer does not maintain an Escrow account for the Borrower). If an insurance Escrow account is not currently required, Freddie Mac may require the Servicer to set up an insurance Escrow account. If the Borrower refuses to reimburse the Servicer for the forced placed insurance, the Servicer must submit a completed Legal Referral Form, Form 1101, to the Director of Freddie Mac *Multifamily Asset Management, Low Risk Loans*. Freddie Mac will reimburse the Servicer for any advances that the Servicer has made for premiums for such forced placed insurance to the same extent that Freddie Mac would reimburse the Servicer for advances to pay required insurance premiums.