

Announcement #26-38

Date: April 21, 2026

GSE Property Insurance Updates

Pennymac is aligning with multiple GSE changes regarding property insurance requirements as announced in Fannie Mae LL-2026-03 and Freddie Mac Bulletin 2026-C. These updates introduce targeted policy changes to provide greater flexibility and operational simplicity and are effective immediately.

Note: The following updates apply to Fannie Mae and Freddie Mac products only. Government and Non-Agency products (AUS Jumbo and Non-QM) are not aligning at this time.

1- to 4-Unit Properties

Coverage Sufficiency

Coverage sufficiency and verification requirements for 1- to 4-unit properties are updated as follows:

- The property insurance policy must provide coverage on a replacement cost basis, with the exception of roofs. Property insurance policies that provide such terms of coverage will be deemed to provide sufficient coverage.
- Roofs must be insured, but no longer have to be insured on a replacement cost basis. Policies that provide coverage on an actual cash value (ACV) basis for personal property and structures that are not buildings are acceptable.
- Requirements related to documenting the replacement cost value (RCV) to verify the property insurance policy coverage amount are retired.
- The minimum coverage limit calculation involving the unpaid principal balance (UPB) and 80% of the RCV is retired.

Master Property Insurance for Project Developments

Coverage Sufficiency

Coverage sufficiency requirements for master property insurance policies covering project developments, including condominiums and Planned Unit Developments (PUDs) are updated as follows:

- The master property insurance policy must provide coverage on a replacement cost basis, with the exception of roofs.
- Roofs must be insured, but no longer have to be insured on a replacement cost basis. Policies that provide coverage on an actual cash value (ACV) basis for personal property and certain property elements are acceptable.
- The master property insurance policy coverage amount **must equal at least 100% of the estimated replacement cost value (RCV) of the project improvements**, including common elements and residential structures. **One of the following must be used to document coverage sufficiency:**
 - 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 validating the coverage amount is at least 100% of the RCV of the project's improvements, common elements, and residential structures from the insurer or other applicable professional with appropriate expertise to make such a determination.
- The requirement for inflation guard coverage is retired.

Individual Unit Property Insurance (HO-6)

Coverage Sufficiency / Deductibles

Individual unit property insurance policies within project developments are updated as follows:

- The unit owner's property insurance policy must provide coverage on a replacement cost basis.
- If the master property insurance policy includes a per unit deductible applicable to a specific required peril, the unit owner's property insurance policy must include coverage for that peril.
- The maximum deductible for all required property insurance perils is the greater of 5% of the property insurance coverage amount or \$2,500 (previously 5% of the property insurance coverage amount).

Note: Freddie Mac has added the following specificity to peril requirements that applies to all insurance coverage types outlined in this announcement:

- Named storms designated by the U.S. National Weather Service or the National Oceanic and Atmospheric Administration by a name or number are a required component of windstorm coverage.

The GSEs have not yet updated their Selling Guides, please refer to Fannie Mae LL-2026-03 and Freddie Mac Bulletin 2026-C for additional information.

Pennymac announcements addressing other GSE master policy insurance and HO-6 policy changes will be published at a later date.

Please contact your Sales Representative with any questions.