
We have a mutual interest - **you.**

Bulletin 25-05

TO: All Mutual of Wausau Agents
FROM: Michael Moore, VP-Underwriting
DATE: July 1, 2025
RE: Banks requiring replacement cost on dwellings

It has recently come to our attention that some lenders are requiring replacement cost on policies due to Freddie Mac & Fannie Mae requirements. We have reached out to NAMIC regarding this issue.

It is true that Freddie Mac & Fannie Mae have a long-standing requirement that homeowner policies have replacement cost on them. However, they have paused this requirement as of 2024 based on their discussions with NAMIC.

Attached are correspondence from Freddie Mac & Fannie Mae confirming this position. With all the recent changes in the insurance industry and the history of mutual insurance policies, NAMIC is working on our behalf to encourage Freddie Mac & Fannie Mae to reconsider their position in this matter.

Thank you for your continued business!

Attachments – Notice from Fannie Mae & Freddie Mac



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.

Industry Letter

TO: Freddie Mac Sellers and Servicers

May 8, 2024

SUBJECT: RESPONSIBILITIES TO INSURE THE MORTGAGED PREMISES

This Industry Letter addresses recent feedback from Sellers, Servicers and other industry partners regarding clarifications made in recent Guide Bulletins related to our hazard insurance requirements, specifically around replacement cost value (RCV).

RCV

In Bulletins 2024-1 and 2024-2, we reiterated our long-standing insurance requirements, which include obtaining the RCV to ensure: (a) the Mortgaged Premises are insured; (b) the coverage meets the minimum property insurance requirements outlined in Guide Section 4703.2; and (c) the Borrower has sufficient property insurance coverage to repair or rebuild their property in the event of a loss. The Bulletins did not change these requirements.

Counterparty exams

Following these Bulletins, we have heard concerns from industry partners regarding their ability to comply with our long-standing policy to obtain the RCV. In light of the unique nature of these concerns, in consultation with FHFA and in coordination with Fannie Mae, effective immediately and until further notice, we will not cite findings during our Counterparty Operational Risk Evaluation (CORE) reviews for noncompliance related to a Servicer obtaining RCVs during their review of hazard insurance for the purposes of determining coverage amount sufficiency. This includes any failure to obtain lender-placed insurance for a hazard coverage shortage due to failure to utilize RCV. We will continue our existing practice of conducting targeted procedural and loan-level reviews consistent with our hazard insurance requirements and may provide observations consistent with those reviews. During this period, we will work with our industry partners to determine how Sellers and Servicers can better comply with our requirements.

Seller and Servicer obligations to ensure the Mortgaged Premises is adequately insured under Guide Chapters 4703 and 8202, remain unchanged, including obtaining lender-placed insurance when the Borrower does not maintain an active hazard insurance policy. Seller and Servicer representation and warranty obligations under Section 1301.11 with respect to a loss resulting from insufficient insurance remain unchanged. Additionally, citation of findings related to noncompliance with our flood insurance requirements is not impacted by this Industry Letter.

Effective dates

The effective date for these requirements as announced in Bulletins 2024-1 and 2024-2 is June 1, 2024. In these Bulletins, we introduced minor updates to our flood insurance requirements for Condominium Projects, removed coinsurance requirements and clarified various aspects of our long-standing insurance requirements related to hazard insurance policies. The June 1, 2024 effective date noted in these Bulletins was intended to provide Sellers and Servicers ample time to update their policies and procedures to accommodate these minor updates. We will communicate any applicable updates at a future date.

CONCLUSION

If you have any questions about the content of this Industry Letter, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Sincerely,



A handwritten signature in black ink, appearing to read 'K. Kauffman'.

Kevin Kauffman

Senior Vice President, Single-Family Seller Engagement