Executive Summary: Fannie Mae & Freddie Mac Insurance Updates (2026)

Overview

Fannie Mae and Freddie Mac, under FHFA direction, have implemented significant updates to property insurance requirements in 2026. These changes are designed to address rising insurance costs, improve market access, and reduce operational complexity for lenders and servicers—while maintaining prudent risk controls.

Key Changes

1. Reduced Coverage Requirements

• Acceptance of Actual Cash Value (ACV) for roof coverage (previously replacement cost required)
• Relaxation of certain replacement cost valuation standards

Impact: Lower insurance premiums and improved borrower affordability, especially in high-cost states (e.g., Florida, Texas, California)

2. Deductible Standardization (Condos)

• New maximum per-unit deductible cap of $50,000 for condo master policies (effective July 1, 2026)

Impact: Improves consistency in underwriting and reduces exposure to excessive borrower liability

3. Simplified Insurance Compliance

• Reduced documentation requirements
• Streamlined deductible calculations
• Rollback of select 2024 insurance-related overlays

Impact: Lower operational burden for lenders and servicers; faster loan processing

4. Enhanced Condo Project Oversight

• Increased scrutiny of financial stability and reserves
• Reserve requirements trending toward 15% by 2027
• Reduction/elimination of limited review processes

Impact: Stricter eligibility for condo financing despite relaxed insurance rules

5. Expanded Eligibility

• Greater flexibility for condo projects and rural properties

Impact: Improved access to mortgage financing in previously constrained markets

Strategic Implications

For Lenders

• Reduced compliance complexity and cost
• Increased need for diligence in project-level risk assessment
• Policy updates require adjustments to underwriting and QC processes

For Borrowers

• Potential for lower insurance premiums
• Expanded access to financing options
• Continued challenges in condo approvals depending on project health

For High-Risk Markets (e.g., Florida)

• Meaningful relief on insurance affordability
• Ongoing constraints tied to condo reserves and structural risk

Bottom Line

The 2026 GSE insurance updates represent a shift toward affordability and flexibility, while offsetting risk through stronger project-level underwriting standards. Lenders must balance simplified insurance requirements with increased scrutiny of collateral and project viability.