



2101.6

Seller/Servicer insurance requirements

Effective 08/10/2022

(a) Coverage levels

(i) Limits of insurance

The Seller/Servicer must maintain in effect, at all times and at its expense, a fidelity bond and a mortgagee's errors and omissions (E&O) insurance policy.

If the Seller/Servicer uses its parent's bond or policy, as permitted in Section 2101.6, the minimum limit of insurance must be based on the consolidated base amount for the parent and for all institutions related to the parent that are covered by the parent's bond or policy, as applicable.

Freddie Mac will accept bonds or policies that provide for an aggregate limit of insurance for a bond's or policy's term provided that the aggregate at least equals the minimum limit per loss or occurrence calculated in accordance with this Section 2101.6.

For fidelity bond and E&O insurance, the higher minimum Freddie Mac Multifamily coverage limit applies if:

- The Seller/Servicer is also a Freddie Mac Multifamily Seller/Servicer
- The required fidelity or mortgagee's E&O coverage is provided under the same insurance contract that covers both Home Mortgages and Multifamily Mortgages and
- The Freddie Mac *Multifamily Seller/Servicer Guide* requires a higher limit of fidelity or mortgagee's E&O coverage

(A) Limits of fidelity bond

The minimum acceptable limits per fidelity loss or occurrence are as follows:

Base*	Minimum required insurance limit
\$100 million or less	\$300,000
\$500 million or less	\$300,000 +0.15% of base over \$100 million
\$1 billion or less	\$300,000 +0.15% of \$400 million (i.e., \$600,000) +0.125% of base over \$500 million
Over \$1 billion	\$200,000

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and Multifamily Mortgages held in portfolio.

(B) Limits of E&O insurance

Mortgagee's E&O coverage must be maintained at a minimum limit equal to the higher of (i) \$300,000 or (ii) 20% of the fidelity coverage required in the table above. If the base consists of Home Mortgages only, the limit of mortgagee's E&O insurance may be capped at \$10 million.

For mortgagee's E&O insurance, Freddie Mac will accept policies providing coverage per Mortgage if the insurance limit per Mortgage is no less than the UPB of the largest Mortgage originated and/or sold by the Seller or serviced by the Servicer, whichever is highest.

For mortgagee's E&O insurance, Freddie Mac will accept a policy that provides lower limits of insurance for losses other than those caused by lack or insufficiency of property insurance on Mortgaged Premises, if any such lower limit of insurance is the maximum liability that the insurer will assume for similar losses by institutions similar to the Seller/ Servicer.

Examples of calculations of the required minimum insurance limits are as follows:

Base	Calculation	Minimum required insurance limit for fidelity bond
\$90 million	not applicable	\$300,000*
\$400 million	\$300,000 +0.15% of \$300 million \$750,000	\$750,000*
\$750 million	\$300,000 +0.15% of \$400 million +0.125% of \$250 million \$1,212,500	\$1,212,500*
\$1.5 billion	\$300,000 +0.15% of \$400 million +0.125% of \$500 million +0.1% of \$500 million \$2,025,000	\$2,025,000**

* \$300,000 in mortgagee's E&O coverage (the higher of \$300,000 or 20% of the required fidelity coverage)

** \$405,000 in mortgagee's E&O coverage (the higher of \$300,000 or 20% of the required fidelity coverage)

(ii) Deductibles

The maximum deductible allowed for any one fidelity loss is the higher of:

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The deductible may not be calculated based on the actual limit of insurance in force. For example, Freddie Mac requires a Servicer to maintain at least \$5 million in fidelity insurance. The Servicer actually maintains \$7 million in fidelity insurance. The maximum deductible allowed is 5% of \$5 million or \$250,000.

(b) Acceptable insurer

Freddie Mac will accept coverage underwritten by an insurer that is rated A- (A-minus) or better by the A.M. Best Company.

(c) Parent institution's coverage

When the Seller/Servicer is a subsidiary of an institution with fidelity and/or mortgagee's E&O insurance that meets Freddie Mac's requirements, Freddie Mac will accept the insurance of the Seller/Servicer's parent as adequate for the Seller/Servicer if:

- The Seller/Servicer is named as joint insured, and
- Coverage under the parent's policy or policies of insurance does not restrict or otherwise limit the Seller/Servicer's ability to comply with all of Freddie Mac's insurance requirements

(d) Other obligations of the Seller/Servicer

The Seller/Servicer must maintain at its offices a complete and accurate copy of its fidelity bonds and mortgagee's E&O policies for the current year and the past five years. Copies of these bonds and policies shall be provided to Freddie Mac upon request.

The Seller/Servicer authorizes Freddie Mac to obtain copies of the bonds and policies and all related information from the Seller/Servicer's insurer and/or agent or representative of the insurer.

Freddie Mac's requirements for fidelity and mortgagee's E&O insurance do not diminish, restrict or otherwise limit the Seller/Servicer's responsibilities and obligations stated in the Purchase Documents.

The Seller/Servicer must familiarize itself with the terms of the fidelity and mortgagee's E&O coverages and take all actions necessary to preserve the coverage and maximum benefits of such insurance for the Seller/Servicer and Freddie Mac, as applicable.

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