



Your local
provider for
condominium
and association
insurance.

FEBRUARY 2025 NEWSLETTER

INDUSTRY NEWS, TIPS, TRICKS, & RESOURCES

FNMA compliance for associations

The relationship between community association insurance and lender requirements is often a balancing act. When one makes a change, the other must adjust accordingly. In the past couple of years, many associations have been affected by changes enacted by the Federal National Mortgage Association (FNMA or Fannie Mae). FNMA and the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) guarantee a large number of mortgages in the United States. This means that most loans involving a condominium sale will be affected by FNMA requirements. If an association's insurance policy does not comply with the requirements, it can have a significant impact on unit sales.

For years, the FNMA requirements stated that a community association's insurance policy deductible could not exceed 5% of the property insurance coverage amount. In December 2022, FNMA made a clarification that states this 5% maximum applies to all deductibles for all required perils, including any separate per unit deductibles. Per unit water damage deductibles have become common across the industry for community association insurance policies. Because of this, many associations whose policies included a per unit water damage deductible were forced to adjust their policies to comply with FNMA's guidelines, or in some cases move their policies to new carriers.

In recent months, we have experienced a significant increase in the number of lenders getting pushback from FNMA compliance officers on certain association insurance requirements. Examples include:

- **Inflation Guard** – This coverage automatically increases the property coverage amount each year to adjust for inflation. This is not required if it is not obtainable in the markets available to the association.

- **Waiver of Rights of Recovery or Waiver of Subrogation** – FNMA requires this waiver to be included under an association's property insurance. This coverage states that the insurer waives their rights to recover payment from any unit owner in the event of a loss.

The prevalence of these issues is new, and agents are learning what can and cannot be done to meet these insurance requirements to satisfy FNMA. Preferred insurance carriers can often accommodate these requirements or write policies that are already compliant. However, if your association is in the high-risk market, it may not be possible to find carriers who will offer some or all of the needed coverages. If this is the case, it is up to the lender involved to request a waiver or find other loan options for the buyer.

The timing of home loans during a sale is important. Often a sense of urgency exists with lenders and buyers trying to ensure that an association's insurance policy complies with FNMA lending guidelines.

The ABI team continues to work diligently to address these issues with lenders and boards as they arise. We are hopeful that more carriers will be able to make adjustments and offer solutions to these issues.



The impact of the California wildfires

The recent wildfires that have ravaged California will have far-reaching consequences for the affected communities and the insurance industry. As these catastrophic events become more frequent and severe, insurance companies are reevaluating their pricing and underwriting strategies. This will extend beyond state borders and are apparent in Oregon and Washington.

The California wildfires have prompted insurers to reassess their risk exposure and pricing models across the entire western region of the United States. The rising frequency and intensity of wildfires have led to significant property damage, resulting in substantial financial losses for insurance companies. To mitigate these escalating risks, insurers are adjusting their pricing structures to account for the heightened probability of wildfire-related claims.

The impact of these wildfires on insurance pricing in our region is evident in the form of premium increases and stricter underwriting criteria. Long before the recent fires, carriers in the Pacific Northwest revised their underwriting requirements to reflect the evolving risk landscape more accurately. For properties located in high-risk zones, insurers have mandated the implementation of specific safeguards, such as creating a defensible space around structures, installing fire-resistant roofing and siding, and regular vegetation management. Failure to meet these requirements has led to difficulty in securing property coverage or higher premiums for policyholders.

Communities and local authorities play a crucial role in wildfire risk reduction through the establishment of comprehensive land use planning, implementation of building codes that promote fire-resistant construction, and the development of robust firefighting and emergency response infrastructure. By working collaboratively to address the underlying causes of wildfire vulnerability, stakeholders can help alleviate the strain on insurance markets and foster sustainable, resilient communities.

In the past few years, insurers in Oregon and Washington have adopted more proactive approaches to wildfire risk management. We expect this trend to continue. Through coordinated efforts encompassing risk reduction, regulatory initiatives, and community engagement, our two states can navigate the challenges posed by increasing wildfire risk while promoting long-term resilience and sustainability.

meet team member **Gini Price**

condominium
account manager



Where were you born?

Long Beach, CA

How did you come to ABI Insurance?

I decided to pursue a new position where the office culture was a positive environment to grow in and I could share my years of experience and knowledge with others. I've been at ABI for four months.

Describe your role at ABI Insurance.

I'm a condominium account manager. I handle many aspects of the insurance process and help guide associations with questions they may have during the process and after it is completed.

Tell us about your family.

I have three lovely adult children: two sons and a daughter. One is married and lives in Japan, and the other two live in Oregon. These two have also explored the world.

Tell us about your pets.

I have a spry 15-year-old Boston terrier pit mix named Roco and a cat named Kittie who I found during a storm the day after Christmas in 2023.



To learn more about Gini, visit <https://tinyurl.com/2zf7deb5>



503.292.1580

4800 SW Griffith Dr., Suite 300
Beaverton, OR 97005

abipdx.com



Vern Newcomb
Association Director

CIRMS® Certified
An expert in your corner

vern@abipdx.com