

NOTICE TO ALL CUSTOMERS

Important Project Standards and Property Insurance Requirement Updates

FLC Bank is providing a summary of recent updates announced by Fannie Mae via [LL-2026-03](#) and Freddie Mac via [Bulletin 2026-C](#) to their Project Standard policies as well as to their 1-4 Unit Properties and Project Development Insurance Requirements.

This bulletin notifies customers of these updates and outlines the required implementation timelines.

Topic	Conventional Products	Effective Date
Project Standards	Project Review Requirements: <ul style="list-style-type: none"> Expansion of Condominium Project Eligibility for a Waiver of Project Review and Exempt from Review to include new and established projects with $10 \leq$ units; also, the project must not be part of a master association or larger development and must comply with all requirements that apply when the project review is waived. for Fannie Mae and Exempt from Review from Freddie Mac is met. 	Effective immediate
	<ul style="list-style-type: none"> Retired the requirement that new or newly converted Projects with attached units in Florida are submitted to Fannie Mae's Project Eligibility Review Service (PERS). Going forward, the approval of these projects, like all other new projects, can be performed under the Lender Full Review process. 	Effective immediate
	<ul style="list-style-type: none"> Removed the investment property concentration limit of 50% in established projects reviewed as part of the Full Review option on investor loans. Note that the presale requirement that at least 50% of the total units in the project or subject legal phase must have been conveyed or be under contract for sale to principal residence or second home purchasers still applies. 	Effective immediate
	Retiring of The Limited Review and Streamline Review Process: <ul style="list-style-type: none"> The Limited Review/Streamlined Review process is being eliminated entirely. All projects previously eligible for Limited Review/Streamline Review process must go through a Lender Full Review process (unless the Waiver of Project Review/Exempt from Review or Reciprocal Review process applies). 	Effective August 3, 2026
	Updated Reserve Study Requirements: <ul style="list-style-type: none"> The project's budget must include the highest recommended reserve allocation amount in the reserve study to adequately cover the costs identified, and The highest recommended reserve allocation amount must not be based on a baseline funding method. 	Effective August 3, 2026
Replacement Reserve Requirements: <ul style="list-style-type: none"> The Allocation for Capital expenditures and deferred maintenance is being increased from a minimum of 10% to a minimum of 15% of the annual budgeted assessment income. Note that all other requirements related to replacement 	January 4, 2027	

Please reference full product guidelines posted on the FLC Bank website at www.flcbmtg.com. All products are subject to credit and property approval. Program terms and conditions are subject to change without notice. Not all products are available in all states for all dollar amounts. Other restrictions and limitations apply. FLC Bank is a registered trademark of Florida Capital Bank, N.A. Member FDIC NMLS 790396 Equal Housing Lender. FLC Bank 10151 Deerwood Park Blvd. Bldg. 100, Suite 200, Jacksonville, FL 32256 1.866.295.0014

BULLETIN



WWW.FLCBMTG.COM

BROKER / WAREHOUSE LINES / NON-DELEGATED CORRESPONDENT

	<p>reserves and the review of budget adequacy remain unchanged.</p> <p><i>IMPORTANT: If an unexpired project review is completed prior to the effective dates listed above, the lender must still confirm that the project complies with these new Guide requirements for applications received on or after the effective date of such requirements.</i></p>	
	Conventional Products	Effective Date
<p>Property Insurance for 1-4 Unit Properties</p>	<p>Evidence of sufficient coverage for 1-4 Unit properties has been updated as follows:</p> <ul style="list-style-type: none"> • The property insurance policy must provide coverage on a replacement cost basis, except for the roof coverage. 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 has been removed. • The minimum coverage limit calculation involving the unpaid principal balance (UPB) and 80% of the RCV is also removed. <p>Note: All other requirements in coverage requirements for 1-4 Unit Properties remain unchanged.</p> <p>Important: Freddie Mac added to peril requirements that 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.</p>	<p>Effective Immediately</p>
	Conventional Products	Effective Date
<p>Master Property Insurance Requirement for Project Developments</p>	<p>Evidence of coverage sufficiency for master property insurance policies covering project developments, including condominiums and Planned Unit Developments (PUDs) are updated as follows:</p> <ul style="list-style-type: none"> • 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. To document coverage sufficiency, the lender may rely on any one of the following: <ul style="list-style-type: none"> ○ Guaranteed replacement cost coverage (endorsement), or its equivalent; ○ Extended replacement cost coverage (endorsement), 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 has been removed. 	<p>Effective Immediately</p>

Please reference full product guidelines posted on the FLCBank website at www.flcbmtg.com. All products are subject to credit and property approval. Program terms and conditions are subject to change without notice. Not all products are available in all states for all dollar amounts. Other restrictions and limitations apply. FLCBank is a registered trademark of Florida Capital Bank, N.A. Member FDIC NMLS 790396 Equal Housing Lender. FLCBank 10151 Deerwood Park Blvd. Bldg. 100, Suite 200, Jacksonville, FL 32256 1.866.295.0014

	<p>Allowable Deductible (Per Unit):</p> <ul style="list-style-type: none"> The maximum allowable per unit deductible for all required property insurance perils covered by a master property insurance policy will be \$50,000 per unit. When the master property insurance policy has a per unit deductible, the borrower must have a unit owners property insurance policy. All other deductible requirements remain unchanged. <p>Freddie Mac is aligning with Fannie Mae for master property insurance policy deductible(s) for all perils required may not exceed 5% of the limit maintained for building(s) coverage per occurrence and the allowance for PUDs, ground lease communities, and condominium HOAs may purchase a deductible buy-back insurance policy to meet our deductible requirements, provided the policy meets all other applicable property insurance requirements.</p> <p>Important: Freddie Mac added to peril requirements that 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.</p>	<p>Effective July 1, 2026</p>
<p>Individual Property Insurance (HO-6 Policy) Requirements for a Unit in a Project Development</p>	<p style="text-align: center;">Conventional Products</p> <p>Determining when a unit owner’s property insurance policy is required. The borrower must have a unit owners property insurance policy when:</p> <ul style="list-style-type: none"> Any portion of the interior of the unit or improvements to the unit are not covered by the master property insurance policy, or The master property insurance policy includes a per unit deductible. <p>Coverage Sufficiency: The HO-6 coverage limit amount must be at least equal to the greater of:</p> <ul style="list-style-type: none"> The amount sufficient to repair any portion of the interior of the unit or improvements to the unit not covered by the master property policy to at least its condition prior to the loss; or The amount of the per unit deductible if the master property insurance policy has a per unit deductible. <p>Required Perils: If the master property insurance policy includes a per unit deductible applicable to a specific required perils, the unit owner’s insurance policy must include coverage for that peril.</p> <p>Maximum Deductible:</p> <ul style="list-style-type: none"> The maximum allowable deductible requirements for HO-6 individual property insurance for all required property insurance perils is the greater of: <ul style="list-style-type: none"> 5% of the property insurance coverage amount, or \$2,500. <p>Important: Freddie Mac added to peril requirements that 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.</p>	<p style="text-align: center;">Effective Date</p> <p>Effective July 1, 2026</p> <p>Effective July 1, 2026</p> <p>Effective July 1, 2026</p> <p>Effective Immediately</p>

Please reference full product guidelines posted on the FLCBank website at www.flcbmtg.com. All products are subject to credit and property approval. Program terms and conditions are subject to change without notice. Not all products are available in all states for all dollar amounts. Other restrictions and limitations apply. FLCBank is a registered trademark of Florida Capital Bank, N.A. Member FDIC NMLS 790396 Equal Housing Lender. FLCBank 10151 Deerwood Park Blvd. Bldg. 100, Suite 200, Jacksonville, FL 32256 1.866.295.0014

BULLETIN



WWW.FLCBMTG.COM

BROKER / WAREHOUSE LINES / NON-DELEGATED CORRESPONDENT

FLC Bank's Condominium Project and PUD Guidelines for Fannie Mae and Freddie Mac, Project Review Checklists and the Hazard Insurance guidelines will be updated in the next few days and will be posted in our [Resource Center](#).

Please contact your [Account Executive or Client Relations Representative](#) if you have any questions.