



Secondary Market Guidelines - Overview -

Fannie Mae

The Fannie Mae requirements for fidelity bond and mortgage errors and omissions coverage for residential mortgages are available for free online at www.efanniemae.com/sf/guides/. The specific details on the coverages are located in the Fannie Mae Single Family Servicing Guide, Part I, Lender Relationships', Chapter 3, Maintaining Eligibility, Section 305.

The Servicing Guides state that each servicer must have a blanket fidelity bond and an errors and omissions insurance policy in effect at all times in an amount sufficient to protect it against losses that could impair its financial health or ability to perform its contractual duties to Fannie Mae. Fannie Mae's minimum requirements for the amount of coverage are set forth in subsequent sections of Chapter 3, but mortgage originators/owners/servicers should not rely on these amounts as adequate for their own needs.

In general, those who service mortgages for Fannie Mae need \$1 million in coverage for each \$1 billion of mortgages serviced, or a limit of insurance equal to the largest outstanding balance, depending upon whether the coverage is provided on a per occurrence or per mortgage basis. The base number used to calculate the required limit of insurance includes all mortgages originated or serviced by the lender, not just those serviced for Fannie Mae.

Fannie Mae's Multifamily Guides provide information about policies and procedures related to multifamily mortgages. The Guides are available electronically only through AllRegs®, a subscription service that provides a comprehensive database of mortgage lending solutions.

Please refer to the Guides or give us a call if you would like to learn exactly what limits, coverages and policy conditions are required by Fannie Mae.

Freddie Mac

The Freddie Mac requirements for fidelity bond and mortgage errors and omissions coverage can be found in Freddie Mac's Single-Family Seller/Servicer Guide. A link to the guide can be found at www.freddiemac.com/sell/guide/. The section of the Guide that provides the requirements for Fidelity Bond and Errors and Omissions Insurance is Chapter 4, Seller/Servicer Institutional Eligibility.

In general, Freddie Mac requires that the limit of insurance for fidelity bonds should be \$1 million in coverage for each \$1 billion of mortgages serviced. The Mortgagee's E&O coverage must be maintained at a limit of 20% of the limit required for fidelity coverage. The base number used to calculate the required limit of insurance includes all mortgages originated or serviced by the lender, not just those serviced for Freddie Mac.

Freddie Mac's Multifamily Guides provide information about policies and procedures related to multifamily mortgages. The Guides are available to Freddie multifamily seller/servicers through their MultiSuite® Internet systems administrator. All others can obtain the guides through AllRegs®, a subscription service that provides a comprehensive database of mortgage lending guidelines.

Please refer to the Guides or give us a call if you would like to learn exactly what limits, coverages and policy conditions are required by Freddie Mac.

Ginnie Mae

In order to be eligible to become a Ginnie Mae issuer, each lender must obtain fidelity bond coverage and a mortgagee errors and omissions policy, as described in the Ginnie Mae MBS Guide. The Guidelines can be found in Chapter 2 at the following web address:
www.ginniemae.gov/guide/guidtoc.asp?subTitle=Issuers/.

In general the required limits of insurance for fidelity bond and mortgagee E&O coverage are the same as Fannie Mae and Freddie Mac, however, the maximum limit of E&O coverage required is \$20 million.

Please refer to the MBS Guide or give us a call if you would like to learn exactly what limits, coverages and policy conditions are required by Ginnie Mae.



Federal Home Loan Banks

Each financial institution participating in the FHLB's Mortgage Partnership Finance program is responsible for the provision and maintenance, at all times, of fidelity insurance and mortgagee's errors and service omissions (E&O) insurance. The details on coverage are provided in the FHLB's Mortgage Partnership Finance Origination and Servicing Guides. The guidelines are available on the Federal Home Loan Bank's website under Mortgage Partnership Finance, eMPF Information. The web address is www.fhlbmpf.com/index.asp/

The scope of coverage is the same as Freddie Mac and Fannie Mae. The percentages used to calculate the required limits of insurance are the same as Freddie Mac and Fannie Mae, but the FHLB guidelines do not include a cap on the limits of insurance that is required.

Please refer to the MPF Guides or give us a call if you would like to learn exactly what limits, coverages and policy conditions are required by the Federal Home Loan Banks.

This document is a high level summary and was compiled for information purposes only. Please consult the above mentioned websites for a complete and comprehensive listing of all requirements or contact FinSecure for further information.