



OFFICE OF HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

April 17, 2024

FOR: All Multifamily Mortgagees
All Multifamily Regional and Satellite Office Directors & Production Staff

FROM: Willie Fobbs, Director, Office of Multifamily Housing Production

SUBJECT: Instructions for Waivers of Separate Wind or Named Storm Coverage Deductibles

**Office of Multifamily Production
Technical Support Division**

Section 3.9.2.4.A.3 of the MAP Guide is amended as follows:

3. **Limitations of Borrower's obligation to share cost of damages.** HUD's minimum coverage requirements protect Borrowers by limiting their obligation to share the costs of damages when a casualty occurs and by assuring that the insurance proceeds are sufficient to pay the commensurate portion of the principal amount of any insured mortgage(s) when a damaged building cannot be restored. Typically, insurers require Borrowers to share the cost of damages by one (or both) of two methods: deductibles, and co-insurance requirements. HUD limits Borrowers' exposure as follows:
 - a. Casualty insurance deductibles may not exceed the greater of \$50,000 or 1% of the insurable value for any particular building up to a maximum amount of \$250,000.
 - b. Separate wind or named storm coverage deductibles may not exceed the greater of \$50,000 or 5% of the insurable value per location, up to a maximum amount of \$475,000 per occurrence.
 - i. The Regional Director may waive the wind or named storm deductible, on a case-by-case basis, in excess of 5%, but not to exceed \$1,000,000 if it is determined the key principals have the financial strength and level of HUD multifamily experience such that significant repairs from storm damage are achievable despite the higher deductible.
 - ii. Any request for a deductible waiver in excess of \$1,000,000 must be approved by the Director, Office of Multifamily Production Headquarters.
- See Page 2 for Instructions on the HUD-2 Waiver submission.



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<u>HUD-2 Waiver must include:</u>	
1.	Separate wind or named storm coverage deductibles that exceed the greater of \$50,000 or 5% of the insurable value per location, subject to a maximum dollar deductible \$475,000 per occurrence must be supported by a HUD-2 Waiver request from the Lender <u>in the application submission</u> . Lender is to include the annual cost of the insurance premium in the underwritten expenses.
2.	The wind/named storm waiver request must include <u>three written (3) bids from different insurance providers on the insurers letterhead or Accord forms</u> to support the claim that the borrower cannot achieve the required deductible amount. Alternatively, the lender may provide a letter on the insurer's letterhead stating they will not provide wind/named storm insurance in the required amounts.
3.	Lender shall provide support demonstrating borrower has adequate HUD Multifamily experience and has a successful track record with HUD in repair and payments obligations.
4.	Lender shall provide documentation that the borrower has the financial capacity to fund the deductible in the event of a loss.
5.	Provide a copy of the principal's certified financial statement demonstrating net worth and working capital which is sufficient to cover the deductible in the event of wind/named storm loss.
6.	Provide a letter from the key principal stating: "If a wind/named storm event occurs and a claim is filed, the deductible will be paid from owner's cash or non-project funds."
7.	Need to provide a copy of the ACORD certificate showing the Wind/Named Storm Deductible amount \$_____ or _____% of the insurable value per location, up to a maximum amount of \$_____ per occurrence.
8.	The dollar limit maximum amount is required. HUD will not consider a "No dollar limit".

For questions use MAP Guide AAQ at <https://www.hudexchange.info/hudexchange-portal/>
Select "Ask a Question." You will need to register as a HUD Exchange user if you have not already done so.