The Condominium HO-6 Insurance Policy: Fannie, Freddie & FHA Required

by Rich Vetstein on April 6, 2010 · 12 Comments

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**"Walls In" Condo Unit Coverage Required By Many Lenders**

A HO-6 policy is like a regular homeowner's policy, but for a condominium unit, and with a lot more extras. HO-6 insurance policies cover the interior of the unit and personal property inside–commonly known as "studs in" or "walls in" coverage.

HO-6 Now Required By Lenders

Under the new Fannie Mae (FNMA) and FHA overhaul of condominium lending guidelines, lenders are now requiring HO-6 policies for new condo unit purchases. Sounds like common sense, but HO-6 policies weren't always required by lenders, and many condominium unit owners were under the mistaken impression that the master condominium insurance policy covered all damage to the interior of their unit as well as damage to furniture, appliances, etc. That isn't so. In most cases, that master insurance policy covers common areas such as the hallways, roof, basement, elevator, boiler, and common walkways, for both liability and physical damage–but not the inside of units.

Coverages

HO-6 policy benefits include:

- Coverage for damage to personal property such as furniture, computer equipment and clothing

- Fill in the gaps of the master insurance policy and cover losses under master policy deductibles
- Personal liability coverage
- Interior walls and floor coverings coverage
- Coverage for improvements or upgrades (most master insurance policies only cover the original condition and value of the unit).
- Usually has small deductible and fairly inexpensive

Under the new lending rules, an HO-6 insurance policy must provide coverage for no less than 20% of the condominium unit's appraised value.

High Deductible Protection

Another benefit of obtaining an HO-6 policy is that in certain situations, it will provide gap coverage caused by the often high deductibles on a master insurance policy. These days, condominium associations have been cutting costs by increasing their deductibles, anywhere from $10,000 to even $50,000. What's more, condominium documents often provide that the unit owner is responsible for losses falling below the deductible. A well-tailored HO-6 policy will protect you in this situation. Here is a good article about the tug-of-war on deductibles.

Loss Assessments

HO-6 policies can also provide coverage for assessments applied an individual unit due to a direct loss to the condominium. The loss must be a "peril" covered under the unit owner's individual policy, not be levied by a governmental agency, and not be related to earthquake damage. A standard condo policy typically includes up to $1,000 in loss assessment coverage. Additional coverage can be covered for a nominal amount.