

MAR 07 2025

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# SENATE CONCURRENT RESOLUTION

REQUESTING THE FEDERAL HOUSING FINANCE AGENCY TO DIRECT FANNIE MAE AND FREDDIE MAC TO REPEAL OR REDUCE THE MINIMUM INSURANCE REQUIREMENTS IN GUIDE SECTION 4703.2, REQUIRING CONDOMINIUM MASTER INSURANCE POLICY COVERAGE FOR ALL PERILS IN AN AMOUNT EQUAL TO ONE HUNDRED PERCENT OF THE REPLACEMENT COST VALUE OF THE PROJECT'S IMPROVEMENTS.

1           WHEREAS, in 1961, two years after statehood, Hawaii became  
2 the first state in the nation to pass a condominium law; and

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4           WHEREAS, approximately two thousand condominium  
5 associations have been formed in the State since the 1960s,  
6 representing nearly two hundred thousand units and over three  
7 hundred fifty thousand residents; and

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9           WHEREAS, there are currently hundreds of condominium  
10 associations in the State that are facing costly repairs due to  
11 aging and deteriorating common elements and fixtures; and

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13           WHEREAS, many condominiums are no longer insurable and have  
14 been denied property insurance coverage due to increased risk;  
15 and

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17           WHEREAS, the cost of making necessary repairs and retrofits  
18 in condominium properties often requires associations to impose  
19 considerable special assessments on unit owners to fund the  
20 necessary repairs; and

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22           WHEREAS, the Federal National Mortgage Association (Fannie  
23 Mae) and the Federal Home Loan Mortgage Corporation (Freddie  
24 Mac) are large companies that guarantee most mortgages in the  
25 United States if certain property and loan requirements are met;  
26 and

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28           WHEREAS, at the direction of the Federal Housing Finance  
29 Agency, Fannie Mae and Freddie Mac recently updated their



1 selling and servicing guidelines to establish minimum property  
2 insurance requirements for condominium properties, pursuant to  
3 Guide Section 4703.2; and

4  
5 WHEREAS, according to Guide Section 4703.2, master  
6 insurance policy coverage for condominiums must include loss or  
7 damage from all perils in an amount equal to one hundred percent  
8 of the replacement cost value of the project's improvements,  
9 including common elements and residential structures, as of the  
10 current insurance policy effective date; and

11  
12 WHEREAS, hundreds of condominium associations in the State  
13 are not eligible for the coverage required pursuant to Guide  
14 Section 4703.2, effectively barring associations and unit owners  
15 from being able to obtain affordable mortgage financing and  
16 reducing their marketability; and

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18 WHEREAS, to meet this requirement, condominium associations  
19 are required to find additional coverage to fill the gaps in  
20 their master insurance policy coverage and obtain secondary  
21 insurance policies, which are often considerably more expensive  
22 and cause greater financial hardship on condominium associations  
23 and unit owners; and

24  
25 WHEREAS, repealing or decreasing the requirements in Guide  
26 Section 4703.2 will help reduce insurance costs for condominium  
27 associations and ease the financial burden on condominium unit  
28 owners; now, therefore,

29  
30 BE IT RESOLVED by the Senate of the Thirty-third  
31 Legislature of the State of Hawaii, Regular Session of 2025, the  
32 House of Representatives concurring, that the Federal Housing  
33 Finance Agency is urged to direct Fannie Mae and Freddie Mac to  
34 repeal Guide Section 4703.2, requiring condominium master  
35 insurance policy coverage in an amount equal to one hundred  
36 percent replacement cost value of the project's improvements, or  
37 to reduce the coverage amount to less than one hundred percent  
38 of the replacement cost value; and

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40 BE IT FURTHER RESOLVED that certified copies of this  
41 Concurrent Resolution be transmitted to the Director of the  
42 Federal Housing Finance Agency, President and Chief Executive



# S.C.R. NO. 186

1 Officer of the Federal National Mortgage Association, and Chief  
2 Executive Officer of the Federal Home Loan Mortgage Corporation.  
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OFFERED BY: 

