

Condo/HOA

Fidelity/Employee crime policy

Property: Processor Assist: Provide proof that the project has an active Fidelity/Employee crime policy with coverage equal to or greater than the amount of HOA dues collected by the HOA from the project over a 3 month period. Project Review .

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What isÃ,Â **Crime**Ã,Â andÃ,Â **Fidelity Insurance**?Ã,Â **Crime**Ã,Â andÃ,Â **Fidelity Insurance**Ã,Â protects the actual money the Association has in the operating account and reserve accounts.Ã,Â **Crime**Ã,Â andÃ,Â **Fidelity Insurance**Ã,Â protects the money from embezzling, checkÃ,Â **fraud**, invoice padding or false invoices, computerÃ,Â **fraud**Ã,Â and wireÃ,Â **fraud**.Jul 21, 201

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B7-Insurance/Chapter-B7-4-Liability-and-Fidelity-Crime-Insurance/1032999851/B7-4-02-Fidelity-Crime-Insurance-Requirements-for-Project-Developments-09-04-2018.htm#Fidelity.2FCrime.20Insurance.20Requirements>

B7-4-02, Fidelity/Crime Insurance Requirements for Project Developments (09/04/2018)

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Introduction

This topic contains information on fidelity/crime insurance, including:

- [Fidelity/Crime Insurance Requirements](#)Ã,Â
- [Exceptions to Fidelity/Crime Insurance Requirements](#)Ã,Â
- [Amount of Coverage](#)Ã,Â
- [Cancellation/Modification Requirements](#)Ã,Â

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Fidelity/Crime Insurance Requirements

Fidelity/crime insurance is required for certain condo and co-op projects.

The HOA or co-op corporation must have blanket fidelity/crime insurance coverage

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for the dishonest or fraudulent acts of anyone who either handles or is responsible for funds held or administered for the HOA or co-op corporation, whether or not that individual receives compensation for services. Accordingly, the HOA or co-op corporation policy must include coverage for the acts of any management agent. The insurance policy must name the HOA or co-op corporation as the insured and the premiums should be paid as a common expense by the association or corporation.

A management agent that handles funds for the HOA or co-op corporation should additionally be covered by its own fidelity/crime insurance policy.

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Exceptions to Fidelity/Crime Insurance Requirements

Fidelity/crime insurance is required for all condo and co-op projects, with the following exceptions:

- projects that qualify for a waiver of project review as described inÃ,Â [B4-2.1-02, Waiver of Project Review](#),
- condo projects reviewed under the Limited Review method as described inÃ,Â [B4-2.2-01, Limited Review Process](#),
- condo or co-op projects consisting of 20 units or less, or
- condo or co-op projects that would need fidelity/crime insurance coverage of \$5,000 or less (based on the calculations described inÃ,Â Amount of CoverageÃ,Â below).

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Note:Ã,Â In states that have statutory fidelity/crime insurance requirements, Fannie Mae accepts those requirements in place of its own.

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Amount of Coverage

The HOA or co-op corporation policy must cover the maximum funds that are in the custody of the HOA or co-op corporation or its management agent at any time while the policy is in force. Fidelity/crime insurance is not required if the maximum estimated funds are less than or equal to \$5,000.

A lesser amount of coverage is acceptable if the project's legal documents require, or another source acceptable to the seller/servicer verifies, that the HOA or co-op corporation and any management company adheres to one or more of the following financial controls:

- Separate bank accounts are maintained for the working account and the reserve account, each with appropriate access controls, and the bank in which funds are deposited sends copies of the monthly bank statements directly to the HOA or co-op corporation.
- The management company maintains separate records and bank accounts for each HOA or co-op corporation that uses its services, and the management company does not have the authority to draw checks on, or transfer funds from, the reserve account of the HOA or co-op corporation.
- Two members of the Board of Directors must sign any checks written on the reserve account.

Even then, the fidelity/crime insurance coverage must equal at least the sum of three months of assessments on all units in the project, unless this calculated amount is less than or equal to \$5,000, in which case fidelity/crime insurance is not required.

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Cancellation/Modification Requirements

The policy must require at least ten days' written notice to the HOA, co-op corporation, or insurance trustee before the insurer can cancel the policy.

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