Guide Update 26-25: Insurance During Additional Dwelling Unit Construction

Effective: 09/14/26

Summary of Changes

Primary Audience: Underwriting and Insurance

HIGHLIGHTS
Effective for Portfolio Mortgage Loans as of September 14, 2026, added new insurance requirements when constructing Additional Dwelling Units (ADU).

Primary Changes

- Updated Part II, Chapter 5: Property and Liability Insurance, adding Section 506: Insurance During Additional Dwelling Unit Construction requiring:
  - compliant property insurance beginning on the Construction Activity Start Date and ending on Construction Activity Completion Date;
  - a transition, with no lapse in coverage, to insurance complying with Part II, Chapter 5: Property and Liability Insurance after the Construction Activity Completion Date;
  - builders risk insurance, when needed;
  - commercial general liability insurance;
  - commercial auto liability insurance for vehicles used in connection with the Construction Activity;
  - professional liability insurance for
    - architects,
    - engineers, and
    - other licensed design professionals; and
  - flood insurance compliance during construction.
- Added Glossary Terms for

- Additional Dwelling Unit,
- Construction Activity,
- Construction Activity Completion Date, and
- Construction Activity Start Date.

Questions

Please contact drawer_insurance@fanniemae.com with any questions.