

Landlording (Buy and Hold)

M: What is rent loss insurance?

Rent loss insurance is a policy that ensures a landlord or rental property owner will receive income or interim payments if one or all of their rental properties become unsuitable for habitation.

Purpose

Rent loss insurance covers the property owner from loss in rental value or income due to interior or exterior damage to the property.

Interior Damage

Under the policy, landlords will receive a predetermined amount of money for damage that occurs inside the apartment after a tenant has vacated.

External Damage

Rent loss insurance also covers for property damage caused by an external hazard, such as a fire, tornado, flood or fallen tree, which makes the property unsuitable to live in until its repaired.

Coverage

The policy covers a minimum of six-months gross rental income, which begins after the rental unit has become inhabitable.

Mandatory

Under the new lending guidelines put forth by Freddie Mac, rent loss insurance has become a mandatory purchase rather than an option.

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