

# 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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