



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 501.02B Deductibles

### Requirements

The maximum deductible amounts:

- apply to all insurance coverages required by:
  - Part II, Chapter 5: Property and Liability Insurance, Section 502: Catastrophic Risk Insurance; and
  - Part II, Chapter 5: Property and Liability Insurance, Section 503.01: Generally; and
- must comply with the following tables.

Maximum Deductibles	
For the peril of...	The maximum deductible must not exceed...
Wind/Hail (unrelated to a catastrophic peril)	<ul style="list-style-type: none"><li>• 5% of the subject collateral's Total Insurable Value<sup>1</sup>; or</li><li>• when expressed only as a dollar value:<ul style="list-style-type: none"><li>- \$50,000 for collateral Insurable Values less than \$10 million; or</li><li>- \$100,000 for collateral Insurable Values \$10 million or more.</li></ul></li></ul>
Named Storm and Earthquake	<ul style="list-style-type: none"><li>• 7.5% of the subject collateral's Total Insurable Value<sup>1</sup>; or</li><li>• when expressed only as a dollar value:<ul style="list-style-type: none"><li>- \$50,000 for collateral Insurable Values less than \$10 million; or</li><li>- \$100,000 for collateral Insurable Values \$10 million or more.</li></ul></li></ul>
<p>1 If a stated minimum deductible is listed, it must not exceed</p> <ul style="list-style-type: none"><li>• \$100,000 for a specific limit, and</li><li>• \$250,000 for a shared blanket limit.</li></ul>	



Maximum Deductibles for All Other Perils	
Specific Limit Insurance Policy	
For Policies...	The maximum deductible amount per occurrence based on the Total Insurable Value is...
Less than \$10 million	\$50,000
\$10 million or more	\$100,000
Blanket Deductibles	
For Blanket Policies with a...	The maximum deductible amount per occurrence is...
Blanket limit	\$250,000
Specific limit	<ul style="list-style-type: none"> <li>• \$50,000 for collateral Insurable Values less than \$10 million; or</li> <li>• \$100,000 for collateral Insurable Values \$10 million or more.</li> </ul>
Expanded Deductibles <sup>1</sup>	
For Policies other than NFIP...	The maximum deductible amount per occurrence based on the Total Insurable Value is...
Less than \$10 million	\$100,000
\$10 million or more	\$150,000
<p><sup>1</sup> Expanded deductibles must meet all the following:</p> <ul style="list-style-type: none"> <li>• the Borrower evidences liquid assets equal to at least 4x the deductible amount;</li> <li>• the Mortgage Loan               <ul style="list-style-type: none"> <li>- has a Pass rating,</li> <li>- is not currently delinquent, and</li> <li>- has not been delinquent within the last 12 months;</li> </ul> </li> <li>• the Property condition rating is a 2 or better; and</li> <li>• you annually review the Mortgage Loan's eligibility.</li> </ul>	

**Guidance**



Before accepting any deductibles, you should:

- assess the Borrower's ability to pay the deductible throughout the policy term;
- determine the high deductible financial exposure by considering total paid expenses rather than only the difference between the
  - maximum allowable deductible, and
  - requested/actual deductible; and
- only use the Borrower's owned or related properties to determine the maximum deductible if insurance coverage is provided on a management company's or unrelated entities' master property program.



# Glossary

## B

**Borrower** Person who is the obligor per the Note.

### **Synonyms**

- Borrowers
- Borrower's

## M

**Mortgage Loan** Mortgage debt obligation evidenced, or when made will be evidenced, by

- the Loan Documents, or
- a mortgage debt obligation with a Fannie Mae credit enhancement.

### **Synonyms**

- Mortgage Loans
- Mortgage Loan's

## P

**Property** Multifamily residential real estate securing the Mortgage Loan, including the

- fee simple or Leasehold interest,
- Improvements, and
- personal property (per the Uniform Commercial Code).

### **Synonyms**

- Properties
- Property's

## T



## Total Insurable Value

For any Property, the sum of the full value of the insured's:

- covered Property;
- Property-related business income values; and
- any other covered Property interests.

### **Synonyms**

- Total Insurable Values