Fannie Mae®

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)	• 5% of the subject collaterals Total Insurable Value[1]; or • when expressed only as a dollar value: - $50,000 for collateral Insurable Values less than $10 million; or - $100,000 for collateral Insurable Values $10 million or more.
Named Storm and Earthquake	• 7.5% of the subject collaterals Total Insurable Value[1]; or • when expressed only as a dollar value: - $50,000 for collateral Insurable Values less than $10 million; or - $100,000 for collateral Insurable Values $10 million or more.
1 If a stated minimum deductible is listed, it must not exceed • $100,000 for a specific limit, and • $250,000 for a shared blanket limit.	

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	• $50,000 for collateral Insurable Values less than $10 million; or • $100,000 for collateral Insurable Values $10 million or more.
Expanded Deductibles [1]	
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

1 Expanded deductibles must meet all the following:

• the Borrower evidences liquid assets equal to at least 4x the deductible amount;
• the Mortgage Loan
  - has a Pass rating,
  - is not currently delinquent, and
  - has not been delinquent within the last 12 months;

• the Property condition rating is a 2 or better; and
• you annually review the Mortgage Loans eligibility.

Guidance



Before accepting any deductibles, you should:

- assess the Borrowers 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 Borrowers owned or related properties to determine the maximum deductible if insurance coverage is provided on a management companys or unrelated entities master property program.

Glossary

B

Blanket Policy	Insurance policy providing coverage for multiple properties and/or multiple perils. **Synonyms** • Blanket
Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

C

Collateral	Property, Personal Property, or other property securing a Mortgage Loan.

G

Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

I

Insurable Value	For any Property, the estimate of the maximum dollar amount needed to replace, repair, or reproduce the Property, but excluding any land value. **Synonyms** • Insurable Values

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

N

National Flood Insurance Program	Program of flood insurance coverage and floodplain management administered under the National Flood Insurance Act. **Synonyms** • NFIP

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
Property Condition Rating	An assessment of the Propertys overall condition per the MBA Standard Inspection Form, expressed on a scale from 1 (the best Property Condition Rating) to 5 (lowest Property Condition Rating). **Synonyms** • Property Condition Ratings

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