



Fannie Mae®

Multifamily Selling and Servicing Guide

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TABLE OF CONTENTS

Part II Section 506.02 Builder’s Risk Insurance 3

GLOSSARY 4



506.02 Builder's Risk Insurance

☒ Requirements

You must ensure builders risk insurance:

- is in place if property insurance coverage is excluded or otherwise limited during
 - Property construction,
 - renovation, or
 - restoration;
- coverage begins on the Construction Activity Start Date through the Construction Activity Completion Date;
- coverage equals at least 100% of the completed value, including:
 - the aggregate of all project contracts and materials to complete the Construction Activity; and
 - all soft costs (on a non-reporting basis), including, but not limited to
 - interest during the Construction Activity,
 - taxes,
 - architect/engineering fees, and
 - other overhead items attributable to delay; and
- maximum deductible does not exceed \$50,000.

You must determine which soft costs will reoccur in the event of loss.

For...	You must ensure coverage is...
Reoccurring soft costs	100%.
Non-reoccurring soft costs	at least 10%.



Glossary

C

Construction Activity	Construction, renovation, or restoration of Improvements: • beginning on the Construction Activity Start Date; and • ending on the Construction Activity Completion Date.
Construction Activity Completion Date	The later of the date when: • substantial completion is achieved; or • any required certificates of occupancy, licenses, or permits required by applicable law following completion of the Construction Activity are issued.
Construction Activity Start Date	The earlier of the date: • physical work at the Property commences; or • delivery of materials (whether located onsite or offsite) intended to be used in the construction of Improvements occurs.

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

P



Project

Multifamily buildings

- on multiple Properties,
- owned by the same Borrower, and
- that comply with [Part II, Chapter 1: Attributes and Characteristics, Section 103.01: Single Borrower Ownership](#).

Synonyms

- Projects

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