Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of October 26, 2026

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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.

G

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