Fannie Mae®

Multifamily Selling and Servicing Guide

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Chapter 5 Property and Liability Insurance

Section 501 Property Insurance

501.01 General Insurance – Applies to All Policies

501.01A Generally

Guidance

When terms or acronyms for insurance forms and policies are capitalized in this Chapter, they refer to Insurance Services Office (ISO) forms and policies or their equivalent. Other capitalized terms and acronyms have standard insurance industry meanings.

Requirements

As of the Mortgage Loan Origination Date, you must ensure:

- each Property is covered by compliant property insurance and liability insurance;
- all Potential Red Flags for Mortgage Fraud and Other Suspicious Activity were considered; and
- unresolved red flags were reported per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 310: Compliance.

You must ensure all insurance policies:

- list the Borrower as:
  - a named insured; or
  - an Additional Named Insured on the applicable policies if the policy is provided by, or in the name of, a Property manager (you must also verify the Borrower has a written Property management agreement with the company providing insurance);
- are written on an Occurrence-Based Policy, except the following, which may be written on an Occurrence-Based Policy or a Claims-Made Policy:
  - earthquake insurance;
  - directors' and officers' insurance;
  - professional liability insurance; and
  - general liability and excess/umbrella insurance for Seniors Housing



Properties only when the coverage is included with professional liability insurance under the same insurance policy;

- unless the Loan Documents expressly state otherwise, require the carrier to notify the named Mortgagee and/or Additional Insured in writing
  - at least 10 days before policy cancellation for non-payment of premium, and
  - 30 days before cancellation for any other reason;
- except for professional liability insurance, name:
  - Fannie Mae as Additional Insured on
    - general liability insurance, and
    - excess/umbrella insurance; and
  - "Fannie Mae, its successors, and assigns" as Mortgagee and Loss Payee on property insurance;
- use Replacement Cost Basis; however, coverage for roofs may use
  - Actual Cash Basis, or
  - Replacement Cost Basis; and
- contain the following mortgagee clause:

> Fannie Mae, its successors and/or assigns (or "ISAOA"),
> as their interest may appear (or "ATIMA")
> c/o [Lender Name]
> Lender's Street Address or PO Box
> Lender's City, State, and Zip Code.

Guidance

You should:

- obtain the advance cancellation notice for the benefit of each Mortgagee and Additional Insured from the insurance carriers whenever possible; or
- if the insurer will not provide advance cancellation notices, ensure the Loan Documents were not modified in any manner limiting:
  - the Borrower's obligation to promptly inform you of any notice of cancellation it receives from an insurance carrier; or
  - any recourse liability of the Borrower or any Guarantor for failing to maintain all insurance coverages required by the

- Loan Documents, and
- Guide.

Operating Procedures

If the insurer will not provide advance cancellation notices, your Servicing File must include

- evidence of your attempts to obtain the notice provisions, and
- a copy of the state statute regarding cancellation notification.

Within 5 Business Days after the Property's Book-Entry Date, you must submit all applicable information via:

- DUS Data Digitizer, for structured data using the DUS Insurance Data Set (Form 4087.INS); and
- DUS DocWay, for Insurance Policy Documents, including
  - ACORD 28,
  - Alta Survey,
  - Flood Analysis Worksheet,
  - Flood Insurance Policy,
  - Special Flood Hazard Determination Form, and
  - Schedule of Values.

Guidance

You may use the Flood Insurance Job Aid to assist with completion of the DUS Data Digitizer requirements.

501.01B Insurable Value Determination

Requirements

To determine the estimated Insurable Value, you must use

- the Appraisal, or
- other reliable sources.

Guidance

Common Reliable Sources to Determine Estimated Insurable Value	
Resource	Description
Insurance Company Estimate	An estimate from the insurance company underwriting the property damage insurance.
Appraisal's Insurable Value	A qualified commercial real estate Appraisal from an Appraiser experienced in the market per Part II, Chapter 2: Valuation and Income, Section 202: Appraisal and Valuation.
Contractor	A reputable commercial contractor with experience constructing and/or reconstructing similar area properties.
Vendor	A third-party vendor who • specializes in Insurable Value calculations, or • publishes data used to determine Insurable Value.

501.01C Blanket and Other Policies Covering Multiple Properties

Requirements

You must:

- ensure:
  - any Blanket Policy coverage is as good as, or better than, a single property insurance policy; and
  - the Property is listed and identified in the
    - policy, or
    - associated schedules;
- review and analyze the Schedule of Values and geographical concentration and/or aggregated values of Properties/Total Insurable Values under the Blanket Policy; and
- confirm that Blanket Insurance Limits:
  - are limited to a 1 per occurrence shared limit for:
    - more than 1 property;



- more than 1 category of coverage; or
- both;

- will be reinstated to the pre-loss limits after a casualty, except for:
  - earthquake;
  - flood; and
  - terrorism;
- are at least:
  - 100% of estimated Total Insurable Value for a single-building Property; and
  - 90% of estimated Total Insurable Value for a multiple-building Property; and
- are sufficient to cover the largest Total Insurable Value.

Guidance

A Schedule of Values is a list of insurable values (all elements of the Total Insurable Value) the Borrower provides to an insurance company for all properties covered under a property insurance policy.

Operating Procedures

You must

- clearly document your analysis of any Blanket Policy (related or unrelated entities) in your Servicing File, and
- include supported conclusions.

501.01D Risk Retention Groups and Captive Insurance

Requirements

You must ensure Risk Retention Groups and Captive Insurers are only accepted for:

- the following coverages:
  - professional liability;
  - general liability;



  - excess/umbrella;
  - Property insurance layer, but coverage must not be provided through a layer that constitutes the majority of the coverage; and
  - terrorism, when backed by the Terrorism Risk Insurance Program (TRIA); and
- funding Property and liability deductibles.

You must ensure any Risk Retention Group or Captive Insurer has a rating of at least A- from A.M. Best Company.

For any Risk Retention Group or Captive Insurer that is not satisfactorily rated, before Rate Lock, you must:

- obtain and review the applicable information in the Unrated Risk Retention Group or Captive Insurer table; and
- submit a
  - written summary, and
  - recommendation for approval, explaining
    - any non-compliant requirements,
    - any adverse findings, and
    - your rationale for recommending approval.

Unrated Risk Retention Group or Captive Insurer	
Document/Entity	Description
Certificate of Authority (CA)	State-issued license to an insurance company to conduct business, and includes the • date of authority, • complete Captive Insurer name, and • state of domicile.

Unrated Risk Retention Group or Captive Insurer	
Document/Entity	Description
State Examination Report	Report covering a specific timeframe that: • reviews the company's: - balance sheet (including assets, liabilities, capital, and surplus); - statement of income; - investments; - premiums; - reinsurance assumed and ceded; - unpaid losses and loss adjustment expense; and - losses and loss adjustment expense incurred; and • ascertains its: - financial condition; - ability to fulfill obligations; and - compliance with applicable state laws and regulations.
Actuarial Report	Report culminating with a statement of actuarial opinion (minimum requirement) after evaluating, opining, and certifying the adequacy of the Captive Insurer's • open and paid losses, • loss adjustment expense reserves, • capital, and • surplus.
Loss History	Frequency and severity of insurance losses covered by the Captive Insurer's policy during a specific timeframe.

Unrated Risk Retention Group or Captive Insurer	
Document/Entity	Description
Reinsurance and/or Fronting Company	Reinsurance is when an insurer transfers all or part of a risk to another insurer to reduce the risk for the first insurance. Fronting company is using a licensed, admitted insurer to issue an insurance policy on behalf of a self-insured organization or Captive Insurer without intending to transfer any of the risk. The risk of loss is retained by the self-insured or Captive Insurer with an indemnity or reinsurance agreement.
Captive Insurer	Captive Insurer is either a: • single parent captive (pure captive) - when an insurance subsidiary insures the loss exposures of its parent company or single entity; or • group captive - a captive owned by several different companies who are normally - from the same industry, and - have similar risks.

Guidance

Captive Insurers (and similar arrangements):

- may have lower capitalization requirements than traditional insurance companies; and
- are not usually rated by a recognized rating agency.

For Captive Insurers, you should:

- confirm they
  - are financially stable, and
  - have adequate funds to cover potential losses; and
- review additional documents as warranted.

Operating Procedures

You must submit all documents for unrated Captive Insurers or Risk Retention Groups:

- through DUS Gateway, for new Mortgage Loan submissions; and
- annually through the MAMP, for Portfolio Mortgage Loans.

501.01E Insurance Carrier Rating

☑ Requirements

Rating requirements do not apply to policies issued

- through State-sponsored insurance programs, or
- by insurers participating in NFIP.

You must ensure the insurance carrier has an A.M. Best Company general policyholder rating of A- or better.

501.01F Term

Guidance

Policies should have a term of at least 12 months. For new Mortgage Loans, a Property may be added mid-term to an existing 12-month policy.

You may accept a policy term of less than 12 months if the:

- shorter term is due to carrier
  - non-renewal, or
  - cancellation; or
- policy is
  - expiring, and
  - will be renewed for at least 12 months.

501.01G Payment of Premium

☑ Requirements

You must:

- ensure premiums for all required insurance policies are either:
  - paid in full annually; or



- payable in installments, for which you have receipts confirming timely payment;

- not provide premium financing to the Borrower; and
- only permit third-party premium financing if:
  - the financing agreement:
    - has no negative impact on
      - you,
      - Fannie Mae, or
      - the Mortgage Loan collateral; and
    - does not include any conditions that could prevent you or Fannie Mae from receiving the insurance proceeds; and
  - the Modifications to Multifamily Loan and Security Agreement (Financing of Insurance Premiums) (Form 6272) was executed.

If the Borrower finances premiums, you must

- review the financing agreement,
- confirm timely payment of each premium was made, and
- retain in the Servicing file
  - the financing agreement, and
  - evidence of premium payments.

501.01H Evidence of Insurance

☑ Requirements

You must:

- have:
  - temporary or permanent evidence of insurance when the Mortgage Loan closes;
  - permanent evidence of insurance within 90 days after Mortgage Loan Delivery; and
- comply with the following Acceptable Evidence of Insurance table.

Acceptable Evidence of Insurance	
Acceptable Temporary Evidence Forms	Acceptable Permanent Evidence Forms
• ACORD 28 Evidence of Commercial Property Insurance (most recent version or, if applicable, the state-approved form), combined with ACORD 25 Certificate of Liability Insurance. • ACORD 75 Insurance Binder. • If an ACORD certificate is unavailable, a joint letter from the Borrower and its licensed insurance broker/agent certifying that all coverages, terms, and conditions meet the requirements. • For NFIP flood insurance: - the Policy Declaration page; or - a copy of the signed application and proof of payment.	• An original or duplicate copy of the insurance policy. • For a Property securing a Mortgage Loan with a UPB: - less than or equal to $10 million, the MBA Evidence of Insurance - Commercial Property Form; or - greater than $10 million, or for blanket policies with multiple layers, duplicate copies of the primary insurance policies, which should: ▪ include a letter (signed and dated on company letterhead) from an individual authorized to execute evidence of insurance on behalf of the insurance carriers issuing each policy; ▪ state that all policies follow the same terms, conditions, and exclusions as the primary policy, with any differences specified; and ▪ for NFIP flood insurance, include the Policy Declaration page.

You must not submit any of the following. These are unacceptable forms of permanent evidence:

- insurance policy declarations pages (except for an NFIP policy);
- single policy endorsement;
- insurance binders; and
- certificates of insurance.

501.01I Insurance Exceptions

☑ Requirements

Post-closing exception request submissions must include current information.

All exceptions, including those delegated, must be documented in the applicable business application.

You must submit any insurance exception request:

- through DUS Gateway with all applicable data fields completed in the system, not via an attached waiver document;
- at least 72 hours before Rate Lock; and
- with all supporting documentation.

Guidance

If the waiver is approved for the entire Mortgage Loan term, it will be stated in the approval.

501.02 Property Insurance

501.02A Minimum Coverage Amounts

☑ Requirements

You must ensure:

- each Property has property insurance throughout the Mortgage Loan term; and
- the coverage:
  - is written using Special Peril Coverage;
  - is at least
    - 100% of estimated Insurable Value for a single-building Property, and
    - 90% of estimated Insurable Value for a multiple-building Property; and
  - either does not contain a Coinsurance Clause, or contains a Coinsurance Clause offset by an Agreed Amount Provision no less than 100% of the estimated Insurable Value.

Guidance

A margin clause:

- should not be used to determine compliant property insurance limits; and
- may contain provisions limiting additional coverage availability.

A Property Damage Insurance policy should contain an Inflation Guard endorsement that annually adjusts the insurance amount based on the inflation rate in the Property's geographic area.

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 collateral's 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 collateral's 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.

Maximum Deductibles	
For the peril of...	The maximum deductible must not exceed...
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

Maximum Deductibles for All Other Perils
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 Loan's eligibility.

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.

501.02C Aggregate Deductibles

Guidance

You may accept a Property and Liability policy that includes aggregate deductibles. The aggregate deductible may be higher than the maximum deductible required per Part II, Chapter 5: Property and Liability Insurance, Section 501.02B: Deductibles.

Requirements

If you accept a Property and Liability policy that includes aggregate deductibles, you must:

- confirm the aggregate deductible amount is fully funded and held by:

- the Borrower in a segregated bank account;
- you in the Tax and Insurance escrow; or
- a third party for the Borrower's benefit; and

- require any claim checks to:
  - list you as payee c/o Fannie Mae; and
  - be considered insurance loss proceeds per the Loan Documents.

501.02D Business Income (including Rental Value) Insurance

☑ Requirements

You must ensure:

- each Property has business income insurance (including rental value insurance), for all required coverages, including
  - ordinance or law (Coverage D),
  - windstorm,
  - flood,
  - earthquake, and
  - terrorism, etc.;

- coverage is based on:
  - Actual Loss Sustained for 12 months; or
  - the most recent annual reported (or annualized if annual financials are unavailable):
    - EGI; or
    - NOI plus continuing expenses;

- the maximum deductible for business income insurance does not exceed:
  - the maximum deductible for the property insurance policy, or
  - a waiting period of
    - 3 days, or
    - 72 hours; and

- coverage for a Mortgage Loan with a UPB of $35 million or more includes

a 90-day Extended Period of Indemnity option.

501.02E Ordinance or Law Insurance

Requirements

If the Property is non-conforming under any current land use law or ordinance, you must ensure the Property has ordinance or law insurance:

- for all perils, even if insured on a standalone policy; and
- that includes the Increased Period of Restoration (Coverage D) endorsement if any buildings are 5 stories or more.

Coverages	If ordinance or law insurance is required, you must ensure the Property has all of the following...
Coverage A	Loss of Undamaged Portion equal to at least: • 100% of estimated Insurable Value for a single-building Property minus the damage threshold specified by the local building ordinance; • 90% of estimated Insurable Value for a multiple-building Property minus the damage threshold specified by the local building ordinance; or • 50% of the Insurable Value, if the local ordinance does not specify a threshold.
Coverage B	Demolition/Debris Removal Cost equal to at least 10% of the Insurable Value.
Coverage C	Increased Cost of Construction equal to at least 10% of the Insurable Value.

Guidance

Examples of ordinance or laws include

- bulk restrictions,
- building,
- zoning,
- energy management,
- green, or

- Fair Housing Act accessibility.

Some municipalities have no zoning districts. This primarily refers to use. Usually, buildings are still subject to building and safety codes; therefore, coverage is required.

Required Limits Example	
If...	Then the required coverage is...
for a single-building Property, the Insurable Value equals • $10 million, and • the damage threshold of the local building ordinance is 75%	100% of the Insurable Value, minus the damage threshold specified by the local building ordinance (e.g., $10 million - $7.5 million = $2.5 million for Coverage A).
Coverages A, B, and C are combined	the Coverage A amount plus 10% of the Insurable Value for Coverage B plus 10% of the Insurable Value for Coverage C (e.g., $2.5 million + $1 million + $1 million = $4.5 million).
Coverages B and C are combined	10% of the Insurable Value for Coverage B plus 10% of the Insurable Value for Coverage C (e.g., $1 million + $1 million = $2 million).

Coverage D for law and ordinance insurance:

- extends the business:
  - income and extra expense coverage; and
  - additional time to restore operations when delayed due to enforcement of building or zoning laws; and
- is paid from the Property's business income/rent loss coverage.

Without this Increased Period of Restoration endorsement, business income coverage does not include any "increased period" that may be necessary due to enforcement of an ordinance or law.

When evaluating this coverage you should ensure the business income/rent loss limit is adequate to reflect the increased period of restoration.

501.02F Equipment Breakdown or Boiler and Machinery Insurance

☑ Requirements

You must ensure:

- a Property with any high-pressure, centralized HVAC boiler, water heater, or other vessel in operation and regulated by the Property's state or municipality has full equipment breakdown or boiler and machinery insurance;
- the coverage equals at least 100% of the Insurable Value of each building housing the equipment; and
- if equipment breakdown or boiler and machinery insurance is provided by a carrier other than the carrier providing the property damage policy, both policies include a Joint Loss Agreement.

501.02G Builder's Risk Insurance

☑ Requirements

If property insurance coverage is excluded during construction, renovation, or restoration, you must ensure the builder's risk insurance:

- is in place during the Construction Activity; and
- complies with Part II, Chapter 5: Property and Liability Insurance, Section 506.02: Builder's Risk Insurance.

501.02H Fidelity Bond / Crime Insurance

☑ Requirements

You must ensure:

- each Property owned by a Cooperative Organization has fidelity bond/crime insurance in an amount covering scheduled Cooperative Maintenance Fees for at least 3 months; and
- the fidelity bond/crime insurance deductible does not exceed $25,000.

501.02I Regional Perils Insurance

☑ Requirements

You must ensure:

- if a Property is in an area prone to geological phenomena, the property

insurance coverage includes those phenomena; and

- the coverage equals 100% of the Insurable Value.

Guidance

Examples of geological phenomena include

- sinkhole,
- mine subsidence,
- volcanic eruption, and
- avalanche.

Section 502 Catastrophic Risk Insurance

502.01 Generally

Requirements

You must ensure:

- a Property has the coverages required by Part II, Chapter 5: Property and Liability Insurance, Section 502: Catastrophic Risk Insurance for perils related to catastrophic loss if the Property is in an area prone to Catastrophic Events;
- the Property has a separate insurance policy if the Special Peril Coverage of Loss Form excludes a Catastrophic Event coverage that is required; and
- if ordinance or law coverage is required on the property policy, then coverage is obtained for catastrophic losses if the catastrophic peril is insured on a standalone policy.

502.02 Named Storm Insurance

Guidance

If named storm coverage is unavailable, Fannie Mae will consider approving 1 of the following options:

- a State insurance plan; or
- a State-managed insurance pool for
  - windstorm, or

- beach erosion.

Requirements

You must ensure:

- the Property has separate named storm insurance if the:
  - Special Peril Coverage of Loss Form excludes any type of wind-related Catastrophic Event; and
  - Property is located in a Tier I named storm county, as defined by the insurer;
- the coverage equals at least 90% of the Total Insurable Value
  - on a standalone policy, and
  - of the largest individual property on a Blanket Policy;
- if the named storm policy does not cover costs due to flooding from storm surge, the Borrower maintains flood insurance for any buildings located in the 500-year flood zone equal to the maximum coverage available through NFIP policies or their equivalent;
- the valuation does not rely solely on Probable Maximum Loss (PML) calculations;
- the deductible does not exceed the greater of:
  - 7.5% of the subject collateral's Total Insurable Value; or
  - the applicable maximum amount per Part II, Chapter 5: Property and Liability Insurance, Section 501.02B: Deductibles; and
- for business income insurance, the waiting period does not exceed:
  - when expressed as a number of days, 15 days; or
  - when expressed as a dollar amount, $100,000.

Guidance

A FEMA 500-year flood zone is:

- an area with a 0.2% annual chance of flooding (1-in-500 annual chance); and
- designated as Zone X (Shaded), formerly Zone B.

Zone X (Shaded), formerly Zone B, is:

- considered a moderate flood hazard area; and
- generally located between the 100-year and the 500-year floodplain limits.

502.03 Flood Insurance

502.03A Generally

Operating Procedures

To determine if any buildings located at the Property are, or will be, fully or partially located in an SFHA, you must:

- use the FEMA Standard Flood Hazard Determination Form (SFHDF);
- evaluate all Property structures when ordering the SFHDF;
- provide the vendor supplemental Property information including the
  - legal description, and
  - survey or site plan;
- obtain an image overlay from Flood Vendor;
- ensure the resulting Flood Zone Determination (FZD) form, and any subsequent FZD forms, are effective for the entire Mortgage Loan term; and
- retain a signed copy in your Servicing File.

Requirements

You must ensure the Property has flood insurance if:

- any income-producing Improvements or any non-income producing Improvements that support amenities are in an SFHA Zone starting with the letter A or V; or
- the Property is located within a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA), regardless of if the Property is located in an SFHA.

A Mortgage Loan is ineligible for purchase if the Property is in:

- an SFHA; and
- a community that does not participate in the NFIP.

You must:

- complete the most recent version of the Standard Flood Hazard Determination Form issued by FEMA;
- retain in your Servicing File a
  - copy of the form, and
  - signed copy of Notice to Borrower of Special Flood Hazard and Federal Assistance;
- require the determination firm, and any monitoring company, to notify you whenever there is a flood zone change; and
- ensure the coverage:
  - meets the minimum mandatory purchase requirements per:
    - the following Federal flood insurance statutes, as amended and/or restated from time to time, including the:
      - National Flood Insurance Act of 1968 (1968 Act);
      - Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert Waters);
      - Flood Disaster Protection Act of 1973 (FDPA); and
      - Homeowner Flood Insurance Affordability Act of 2014; and
    - any applicable Federal agency rulemaking and publication; and
  - equals at least 100% of the Insurable Value of
    - the first 2 floors above grade, and
    - any Improvements below grade;
- require contents coverage for Borrower-owned personal property;
- ensure you have an established process to obtain an inventory and the Insurable Value of Borrower-owned contents or business personal property within buildings located in SFHAs to determine required coverage; and
- retain documentation of the presence or absence of Borrower-owned contents or business personal property within the building and in your Servicing File.

Guidance

Generally, contents or business personal property:

- includes equipment and inventory



- owned by the Borrower, and
- used in connection with Property's
  - ownership,
  - management, or
  - operation; and

- does not otherwise constitute fixtures.

502.03B Deductibles

☑ Requirements

You must comply with the following tables.

Flood Maximum Deductibles	
For...	You must ensure the...
Business income insurance	deductible does not exceed: • when expressed as a number of days, 15 days; or • when expressed as a dollar amount, $100,000.
NFIP policies	maximum deductible available under NFIP is acceptable.

Private Flood Policy Maximum Deductibles	
If the Property has...	Themaximum deductible is...
10 or fewer buildings in SFHA	$50,000 per building.
More than 10 buildings in SFHA	$500,000 per occurrence.

502.03C NFIP Policy

☑ Requirements



You must comply with the following table.

NFIP and Excess Flood Coverage	
If...	Then...
Coverage available under the NFIP is insufficient	the Borrower must purchase excess flood insurance covering thedifference, up to the required coverage amount.
Per elevation certificates completed by a licensed land surveyor, engineer, or architect: • any of the building's Lowest Adjacent Grade (LAG) are above Base Flood Elevation (BFE); and • the Borrower confirms application for a Letter of Map Amendment (LoMA)	• only NFIP insurance is required for those buildings, and • the maximum term for only NFIP insurance is 12 months.

To remove a Property/building from an SFHA, only an updated FEMA Standard Flood Hazard Determination Form (SFHDF) based on the following is acceptable:

- Letter of Map Amendment (LoMA);
- Letter of Map Revision (LoMR); or
- Letter of Determination Review (LoDR).

If a LoMA was previously declined, you must ensure the Borrower is reapplying due to:

- new or corrected elevation data;
- a Property change or additional documentation; or
- updated information to address a previous declination.

During the LoMA process:

- only NFIP insurance is required provided the declination was not based on a fundamental issue (such as the Property being located below the Base Flood Elevation (BFE)); and
- the maximum term for NFIP insurance is 12 months.

If any Improvements are reclassified as within an SFHA Zone starting with the letter A or V after you Deliver the Mortgage Loan, you must require the

Borrower to obtain compliant flood insurance.

Guidance

To prevent the Borrower from paying for more coverage than an NFIP policy would pay out, you should evaluate the extent of recovery allowed under the NFIP policy for the type of building being insured.

If all buildings do not require flood insurance, but the Property ingress is located in an SFHA, you should consider requiring business income insurance for excess flood to cover all buildings.

Flood insurance is not required if only unimproved portions of the Property, or non-income producing Improvements that do not support amenities at the Property, are located in an SFHA.

Non-Income Producing Improvements	
Supporting amenities include...	Not supporting amenities include...
• clubhouses, and • pool houses.	• sheds, • pump houses, and • storage buildings.

Business income insurance is not required for non-income producing Improvements.

You should consider that

- conditions may change over time, and
- flood zones may be remapped.

You or Fannie Mae may require flood insurance for Improvements outside an SFHA Zone starting with the letter A or V, but within an area designated by FEMA as Zone X or Zone D (for example, if a Property's location is subject to flooding due to storm water, or within close proximity to an SFHA boundary).

The acceptable deductible for excess flood insurance is the coverage limit of the underlying NFIP policy.

Elevation certificates are not valid to determine if Improvements are in an SFHA.

You should:

- obtain flood zone determinations from qualified third-party flood-zone determination firms; and
- exercise care and sound judgment when selecting the firm.

Operating Procedures

You must:

- obtain life-of-loan monitoring for each Property from a third-party flood-zone determination firm;
- complete FEMA's Standard Flood Hazard Determination form to determine if any Improvements are located in an SFHA; and
- retain in your Servicing File a:
  - completed copy of the form; and
  - signed copy of the Notice to Borrower of Special Flood Hazard and Federal Assistance (included in the Flood Determination Certificate).

502.03D Private Flood Policy

Requirements

You must ensure a private flood insurance policy:

- is written on a Replacement Cost Valuation basis without any deduction for depreciation; and
- provides coverage and terms as broad as or better than the coverage and terms provided under a standard flood insurance policy issued under the NFIP.

502.04 Earthquake Insurance

Requirements

You must ensure the Property has earthquake insurance if required by Fannie Mae. For any required coverage, ensure:

- coverage is at least 100% of the Insurable Value;
- the deductible does not exceed the greater of:
  - 7.5% of the Total Insurable Value; or
  - the applicable maximum amount per Part II, Chapter 5: Property and Liability Insurance, Section 501.02B: Deductibles; and
- for business income insurance, the waiting period does not exceed:
  - when expressed as a number of days, 15 days; or
  - when expressed as a dollar amount, $100,000.

Earthquake insurance may be required while the Property is being retrofitted.

Operating Procedures

If retrofitting is required and not completed within the agreed timeframe, you must not accept earthquake insurance as a substitute.

502.05 Terrorism Insurance

Requirements

You must ensure:

- each Property has terrorism insurance for property damage/casualty and liability exposures;
- exceptions are only made to professional liability insurance where terrorism coverage is not required;
- the coverage is at least:
  - 100% of estimated Insurable Value for a single-building Property; and
  - 90% of estimated Insurable Value for a multiple-building Property; and
- for business income insurance, the deductible does not exceed:
  - when expressed as a number of days, 15 days; or
  - when expressed as a dollar amount, $100,000.

Section 503 Liability Insurance

503.01 Generally

Requirements

You must ensure:

- when the Commercial General Liability and professional liability policy covers multiple locations, general aggregate limits apply per location;
- each Property and Borrower is covered throughout the Mortgage Loan term by liability insurance for
  - bodily injury,
  - Property damage, and
  - personal injury;

- the liability policy does not contain exclusions for claims related to
  - assault and/or battery,
  - abuse and molestation,
  - animal attacks, or
  - firearms; and
- any liability policy exclusions:
  - are appropriately tailored to the Property's potential exposure; and
  - do not otherwise diminish or eliminate coverage reasonably expected to be provided per a liability policy.

503.02 Commercial General Liability Insurance

☑ Requirements

You must ensure the general liability insurance coverage is at least

- $1 million per occurrence/$2 million general aggregate limit, plus
- excess/umbrella insurance as follows:

If the number of aggregate units covered by the policy is...	The minimum excess/umbrella insurance coverage is...
Up to 250	$1 million
251 - 500	$2 million
501 - 1,000	$3 million
1,001 - 2,000	$5 million
2,001 - 5,000	$10 million
5,001 - 10,000	$15 million
More than 10,000	$20 million

The following maximum deductibles or self-insured retention, or combined deductible and self-insured retention, apply to

- general liability,
- umbrella/excess liability, and
- professional liability.

Maximum Deductibles for All Other Perils	
For...	The maximum deductible amount per occurrence based on the Total Insurable Value is...
Specific Limit Insurance Policy	
Specific Limit Policies	$50,000
Blanket Deductibles	
Blanket Policies	$250,000
Expanded Deductibles[1]	
Policies other than NFIP less than $10 million	$100,000
Policies other than NFIP $10 million or more	$150,000

1 Expanded deductibles must meet all of 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 Loan's eligibility.

You must ensure the aggregate coverage meets or exceeds the required minimum limits using any combination of

- primary liability insurance, and
- excess/umbrella insurance coverage.

Guidance

You may include general liability exclusions within the scope of ISO Form CG 00 01 04 13, or its equivalent.

The maximum deductible amount, per occurrence, is the combined deductible for both the

- underlying general or professional liability, and
- excess/umbrella liability.

503.03 Professional Liability Insurance

☑ Requirements

If a Seniors Housing Property provides any level of healthcare, you must ensure the:

- Property has professional liability insurance covering
  - professional errors and omissions,
  - medical malpractice, and
  - all types of abuse; and
- coverage is at least
  - $1 million per claim or per occurrence/$2 million general aggregate limit, plus
  - excess/umbrella insurance as follows:

If the number of licensed beds is...	The minimum excess/umbrella insurance coverage is...
1 - 100	$2 million
101 - 500	$5 million
501 - 1,000	$10 million
Over 1,000	$20 million

You must ensure:

- for a Property with Assisted Living beds, Independent Living beds are not counted when determining the minimum coverage limit;
- when general liability insurance and professional liability insurance coverages are combined under an excess/umbrella insurance policy, the coverage meets the higher minimum limit of the 2 underlying coverages; and
- the maximum deductible for professional liability insurance does not exceed the applicable maximum amount per Part II, Chapter 5: Property and Liability Insurance, Section 503.02: Commercial General Liability Insurance.



Guidance

If coverage is switched from a Claims-Made Policy to an Occurrence-Based Policy, consider adding retroactive or tail coverage to ensure past exposures remain protected.

503.04 Workers' Compensation Insurance

Requirements

You must ensure:

- the Property has workers' compensation and employer's liability insurance (including terrorism coverage), if required where the Property is located; and
- coverage meets the statutory limits.

503.05 Directors' and Officers' Liability Insurance

Requirements

You must ensure for each Property owned by a Cooperative Organization, that each Borrower maintains directors' and officers' liability insurance with:

- coverage equal to at least $1 million per claim or per occurrence; and
- a deductible less than or equal to $50,000.

Section 504 Environmental Matters

Guidance

Any environmental conditions or risks impacting the Property should be fully understood and considered in the underwriting.

504.01 Environmental Site Assessments

Requirements

You must:

- comply with the Environmental Due Diligence Requirements (Form 4251), including obtaining a Phase I Environmental Site Assessment (Phase I ESA) of the entire Property;
- ensure the Phase I ESA:

- is performed per the instructions in Form 4251, including meeting the current requirements of ASTM E1527;
- is prepared by an environmental professional as that term is defined in 40 C.F.R. 312.10 (an Environmental Professional);
- identifies all environmental conditions and risks that may potentially impact
  - resident safety,
  - marketability, or
  - Property value; and
- clearly identifies how to properly mitigate those conditions and risks, including where applicable:
  - the Environmental Professional's recommendations regarding additional investigation, or requirements of government authority or regulatory agency; or
  - action to remediate or abate any Recognized Environmental Condition (REC)/Controlled Recognized Environmental Condition (CREC), as those terms are defined in ASTM E1527; and

- obtain Fannie Mae's approval before Rate Lock if the Phase I ESA identified any RECs/CRECs.

Guidance

You may rely on a preliminary or draft Phase I ESA to obtain a Rate Lock and Commitment.

504.02 Lender's Responsibilities

Requirements

You must:

- Obtain all investigations recommended or indicated by the Phase I ESA.
- Conduct a thorough review and analysis of the Phase I ESA.
- Provide the Environmental Professional with all available prior Phase I ESAs, investigations, and any relevant and readily available environmental materials.
- Provide the Appraiser with any documentation from the Phase I ESA necessary to accurately assess the Property's value.

- Identify if the Property's state has an environmental Super Lien Statute and, if so, confirm Property conditions are unlikely to result in the imposition of a super lien having priority over the Security Instrument.
- Disclose to Fannie Mae your knowledge of any actual or suspected environmental conditions affecting the Property, whether or not disclosed in the Phase I ESA.
- Ensure any required Operations and Maintenance Plans (O&M Plans) are obtained and located on the site throughout the Mortgage Loan term.
- Assess the Borrower's ability to carry out any O&M Plan.
- Not Deliver a Mortgage Loan if the Borrower or its agents are not financially or organizationally capable of satisfying the requirements of the O&M Plan.
- Evaluate the potential risk of loss and liability to the Property, the Borrower, you, or Fannie Mae posed by any
  - REC/CREC,
  - Business Environmental Risk, or
  - other environmental condition, whether or not disclosed in the Phase I ESA.

If you become aware of any REC/CREC, you must:

- obtain a Remediation Plan from the Borrower that
  - is prepared by an Environmental Professional, as required by Form 4251,
  - will protect the health and safety of the residents and bring the Property into regulatory compliance, and
  - includes a cost estimate and schedule for completing the work; and
- add the estimated cost of the Remediation Plan to the Completion/Repair Escrow requirement of the Loan Documents.

Guidance

The amount funded into the Completion/Repair Escrow on the Mortgage Loan Origination Date should be at least 125% of the estimated cost of the Remediation Plan.

504.03 Environmental Indemnity Agreement

Requirements

You must:

- consider revisions to the Environmental Indemnity Agreement (Form 6085) to protect you and Fannie Mae from liability associated with any
  - REC/CREC (including the cost to investigate/remediate any such condition), and
  - violation of Environmental Laws by the Borrower;
- document your evaluation of potential revisions, including at a minimum, whether the following revisions are appropriate:
  - additional representation and warranty where the Borrower disclaims responsibility for any REC/CREC, if appropriate and accurate; and
  - additional covenant(s) requiring
    - implementation of the Remediation Plan,
    - compliance with any Environmental Activity and Use Limitations and/or institutional or engineering controls, and
    - maintenance of Borrower eligibility for applicable liability protection status;
- specifically identifying any liability associated with the REC/CREC in the indemnification provisions; and
- other required terms and conditions based on Fannie Mae environmental counsel review.

Section 505 Seismic Risk

505.01 Seismic Hazard and Risk Factors

☑ Requirements

You must:

- assess the seismic risk before Rate Lock by analyzing the PGA at the Property's location;
- determine if the Property has an acceptable level of seismic risk;
- complete Form 4099.C if the Property is located in a High Seismic Risk area;
- obtain a Seismic Risk Assessment (SRA) if a Structural Risk Factor is

identified per Form 4099.C; and

- not Deliver a Mortgage Loan if the Property has
  - a PGA equal to or greater than 0.15g, and
  - 1 of these Structural Risk Factors:
    - an unreinforced masonry building that has not been seismically retrofitted; or
    - a building constructed on a slope with an angle exceeding 30 degrees (a 50% slope).

Guidance

After you Deliver the Mortgage Loan, no additional seismic risk evaluation is needed.

505.02 Seismic Risk Assessment (SRA)

Requirements

You must:

- obtain a Level 1 SRA dated within 12 months before the Commitment Date for any Property with one of the Structural Risk Factors listed in Form 4099.C; and
- ensure the SRA:
  - meets the ASTM seismic standards (ASTM E2026 Standard Guide for Seismic Risk Assessment of Buildings and ASTM E2557 Standard Practice for Probable Maximum Loss (PML) Evaluations for Earthquake Due Diligence Assessments);
  - includes estimates for the Scenario Expected Loss (SEL) and the Scenario Upper Loss (SUL);
  - uses a 10% probability of exceedance in a 50-year period;
  - meets ASTM seismic standard professional qualifications; and
  - complies with Form 4099.C, including
    - structured data per Seismic Risk Assessment Data Supplement (Form 4093), and
    - a report narrative.

Guidance

For a Small Mortgage Loan:

- the SRA field investigation may be performed by a PCA consultant or field observer if that professional has at least 2 years of experience performing seismic risk assessments; and
- a new SRA is not required for Supplemental Mortgage Loans; you may rely on the original underwriting seismic analysis.

505.03 Acceptable Levels of Seismic Risk

Guidance

The Property's SEL percentage and the building stability assessment determines if the seismic risk is acceptable.

Requirements

You must:

- determine if the Property's seismic risk is acceptable by confirming all income-producing Improvements or any non-income producing Improvements that support amenities:
  - comply with Part II, Chapter 5: Property and Liability Insurance, Section 505.03: Acceptable Levels of Seismic Risk;
  - have an SEL of 20% or less; and
  - meet the current building stability requirements of ASTM E2026;
- not Deliver a Mortgage Loan secured by a Property having any Improvements with an SEL greater than 40%; and
- document your analysis and conclusions in your Transaction Approval Memo, including:
  - a Level 1 SRA, including Appendix X4 (ASTM E2557);
  - your analysis of the seismic issues and recommendation, describing the:
    - severity and pervasiveness of the conditions driving the SEL and stability issues;
    - risks presented to
      - building stability,
      - building damageability,



    - site stability, and
    - life safety; and
  - recommended retrofit or remediation requirements;
- a retrofit letter or the Borrower's retrofit plan, including the
  - timetable, and
  - cost estimate;
- Form 4099.C; and
- a minimum of 6 Property photos, including
  - photos of areas significant to the seismic calculation or stability issue, and
  - elevation views of any Improvements having
    - an SEL over 20%, or
    - a stability issue.

505.04 Seismic Retrofit Ordinances

☑ Requirements

You must ensure the SRA describes a proposed retrofit plan, including associated costs, if a Property must be retrofitted under any

- law,
- regulation, or
- ordinance.

505.05 Seismic Risk Mitigants

☑ Requirements

For any Property where any Improvements have an SEL greater than 20% or a building stability issue, you must contact Multifamily Insurance to determine acceptable mitigants for Mortgage Loan Delivery, including:

- performing a seismic retrofit sufficient to resolve all stability issues and reduce the SEL of all Improvements to 20% or below; and
- obtaining earthquake insurance coverage per Part II, Chapter 5:

Property and Liability Insurance, Section 502.04: Earthquake Insurance.

Earthquake insurance does not mitigate seismic risk.

Section 506 Insurance During Additional Dwelling Unit Construction

506.01 Generally

☑ Requirements

You must ensure:

- compliant property insurance coverage is in place beginning on the Construction Activity Start Date through the Construction Activity Completion Date; and
- insurance compliant with Part II, Chapter 5: Property and Liability Insurance is in effect, with no lapse in coverage, following the Construction Activity Completion Date.

506.02 Builder's Risk Insurance

☑ Requirements

You must ensure builder's 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%.

506.03 Commercial General Liability Insurance

☑ Requirements

You must ensure the:

- general liability insurance limits are at least:
  - $1 million per occurrence; and
  - $2 million general aggregate;
- coverage complies with Part II, Chapter 5: Property and Liability Insurance, Section 503.01: Generally;
- Borrower is listed as Additional Insured on the general contractor's policy, unless the Borrower is
  - licensed,
  - qualified, and
  - serving as its own general contractor; and
- maximum deductible does not exceed the applicable maximum amount per Part II, Chapter 5: Property and Liability Insurance, Section 503.02: Commercial General Liability Insurance.

The requirements in this Commercial General Liability Insurance section are satisfied if you ensure the:

- Borrower obtains program coverage through
  - an Owner-Controlled Insurance Program (OCIP), or
  - a Contractor-Controlled Insurance Program (CCIP); and

- coverage continues through the applicable statutes of limitation.

506.04 Commercial Auto Liability Insurance

☑ Requirements

You must ensure commercial auto liability insurance for any vehicles used in connection with the Construction Activity:

- has the Borrower named as an Additional Insured (if Borrower is not serving as the general contractor) on all policies covering vehicles used by its general contractor in connection with the Construction Activity;
- includes personal injury protection compliant with any applicable state or local laws;
- has coverage not less than $1 million per occurrence; and
- has a maximum deductible not exceeding $50,000.

506.05 Professional Liability Insurance

☑ Requirements

If architects, engineers, or other licensed design professionals perform services for the Construction Activity, you must ensure:

- professional liability coverage is maintained from the date professional services for the Construction Activity begin through the later of the:
  - completion of all professional services related to the Construction Activity; or
  - Construction Activity Completion Date;
- coverage limits are at least
  - $1 million per claim or per occurrence, and
  - $2 million general aggregate; and
- any Claims-Made Policy includes a retroactive date preceding the Construction Activity Start Date.

If the Borrower changes its coverage from a Claims-Made Policy to an Occurrence-Based Policy, you must ensure the Borrower obtains retroactive or tail coverage to ensure past exposures remain protected.

506.06 Flood Insurance



☑ Requirements

You must:

- comply with Part II, Chapter 5: Property and Liability Insurance, Section 502.03: Flood Insurance; and
- ensure a new Flood Zone Determination (FZD) form is obtained no later than:
  - 30 days before the Construction Activity Start Date; and
  - 60 days after the Construction Activity Completion Date.

Glossary

A

ALTA	American Land Title Association
Appraisal	Written statement independently and impartially prepared by a qualified Appraiser stating an opinion of the Property's market value • as of a specific date, and • supported by the presentation and analysis of relevant market information. **Synonyms** • Appraisals • Appraisal's
Appraiser	Person engaged to estimate a Property's market value per USPAP. **Synonyms** • Appraiser's • Appraisers
Assisted Living	Seniors Housing Property offering services limited to non-medical personal care, including ADL assistance, which are typically licensed and regulated by a state or local governmental authority. **Synonyms** • AL
ASTM	American Society for Testing Materials

B

Blanket Policy	Insurance policy providing coverage for multiple properties and/or multiple perils. **Synonyms** • Blanket
Bonds	Tax-exempt or taxable multifamily revenue bonds, or other tax-exempt or taxable bonds, issued to finance 1 or more Credit Enhancement Mortgage Loan Properties. **Synonyms** • Bond
Book-Entry Date	Date a Security is delivered by Fannie Mae via the Federal Reserve book-entry system to the applicable Investor's designated book-entry account at a depository institution. **Synonyms** • Book-Entry Delivery Date • Settlement Date
Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

Business Day	Any day other than a • Saturday, • Sunday, • day when Fannie Mae is closed, • day when the Federal Reserve Bank of New York is closed, or • for any MBS and required remittance withdrawal, day when the Federal Reserve Bank is closed in the district where any of the MBS funds are held. **Synonyms** • Business Days
Business Environmental Risk	Risk of material environmental or environmentally-driven impact on the business or property associated with a Property or the past, current or planned use of a Property, including all "non-scope considerations" under current ASTM E 1527, asbestos or asbestos-containing materials, radon, lead-based paint, lead in drinking water, wetlands, regulatory compliance, health and safety, indoor air quality, biological agents, mold, etc. **Synonyms** • Business Environmental Risks

C

Captive Insurer	Insurance company wholly owned and controlled by its insureds, whose primary purpose is to insure the risks of its owners, and its insureds benefit from the captive insurer's underwriting profits. **Synonyms** • Captive Insurer's • Captive Insurers

Catastrophic Event	Natural or man-made hazard resulting in an event of substantial extent causing • significant physical damage or destruction, • loss of life, or • drastic change to the natural environment, such as - earthquake, - flood, - terrorist attack, or - windstorm. **Synonyms** • Catastrophic Events
Collateral	Property, Personal Property, or other property securing a Mortgage Loan.
Commitment	Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan. **Synonyms** • Committed • Commitments
Commitment Date	Date a Commitment is confirmed by Fannie Mae per Part IV, Chapter 2: Rate Lock and Committing, Section 204: Commitments.
Completion/Repair Escrow	Custodial Account funded on the Mortgage Loan Origination Date for Completion/Repairs or capital improvements per the Loan Documents.

Completion/Repairs	Repairs or capital item replacements and deferred maintenance: • identified per the Property Condition Assessment; and • required per the - Completion/Repair Schedule, or - Completion/Repair Agreement. **Synonyms** • Completion/Repair
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.
Control	Possessing, directly or indirectly, the power to direct or cause the management and operations of an entity (e.g., through the ownership of voting securities or other ownership interests, or by contract). **Synonyms** • Controlling • Controlled • Controls



Cooperative Maintenance Fee	Periodic fee assessed each shareholder or owner of a Cooperative Organization to fund costs and expenses associated with ongoing operations of the Cooperative Property. **Synonyms** • Cooperative Maintenance Fees
Cooperative Organization	Corporation or legal entity where each shareholder or equity owner is granted the right to occupy a unit in a multifamily residential property under a proprietary lease or occupancy agreement.
Cooperative Property	Multifamily residential property owned by a Cooperative Organization. **Synonyms** • Co-op • Cooperative

D

Delivery	Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Mae's satisfaction. **Synonyms** • Deliver • Delivered • Deliveries
DocWay	Business-to-business electronic documentation delivery application, or any successor system.
DUS	Delegated Underwriting and Servicing

DUS Gateway	Multifamily pre-acquisition system, or any successor systems, recording deal registration, Pre-Review and/or waiver tracking, Mortgage Loan Commitments, and decision records.

E

Effective Gross Income	For any specified period, the Property's total Net Rental Income, plus commercial income, plus other income, all calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III. **Synonyms** • EGI
Environmental Activity and Use Limitations	Legal or physical restrictions or limitations on the use of, or access to, all or any portion of a site, facility, groundwater, soils, or other media at, on, about or under a site or facility to reduce or eliminate potential exposure to Hazardous Materials or to prevent activities that could interfere with the effectiveness of a Hazardous Materials removal, response or remediation.
Environmental Laws	All current federal, state, and local laws, ordinances, regulations, standards, rules, policies, and other governmental requirements, administrative rulings, court judgments, and decrees, and all amendments thereto, relating to pollution or protection of human health, wildlife, wetlands, natural resources or the environment (including ambient air, surface water, ground water, land surface, or subsurface strata) including such laws governing or regulating the use, generation, storage, removal, remediation, recovery, treatment, handling, transport, disposal, control, release, discharge of, or exposure to, Hazardous Materials, and voluntary cleanup programs and/or brownfields programs.

Environmental Site Assessment	Investigation and resulting report (Phase I ESA or Phase II ESA) conducted per Environmental Due Diligence Requirements (Form 4251), identifying if a Property has Recognized Environmental Conditions or Business Environmental Risks. **Synonyms** • ESA • Environmental Site Assessments

F

FEMA	Federal Emergency Management Agency **Synonyms** • FEMA's

G

Guarantor	Key Principal or other Person executing a • Payment Guaranty, • Non-Recourse Guaranty, or • any other Mortgage Loan guaranty. **Synonyms** • Guarantors
Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

H

High Seismic Risk	Area or a specific site identified by the most recent USGS data (see United States Geological Survey (USGS) Peak Ground Acceleration (PGA) Calculator Tutorial) as having a PGA equal to or greater than 0.15g (i.e., 15% of the acceleration of gravity (g) using a 10% probability of exceedance in a 50-year period).
Homeowner	For an MH Community, a tenant of the Borrower who pays ground rent to the owner for use and occupancy of the MH Site and for use of the MH Community's utilities and amenities. **Synonyms** • Homeowners

I

Improvements	Buildings, structures, improvements, and alterations, including the multifamily housing dwellings, now or hereafter constructed or placed on the Property, including all fixtures (as defined in the UCC). **Synonyms** • Improvements'
Independent Living	Seniors Housing providing limited programs of assistance for domestic activities (e.g. meals, housekeeping, activities, transportation, etc.), and typically resembles market rate units. **Synonyms** • IL
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

J

Joint Loss Agreement	Provision used when more than 1 insurer gives the same property coverage to temporarily allocate losses to ensure prompt payment to the policyholder. For covered losses, insurers pay the policyholder: • any undisputed amounts; and • all remaining sums in equal shares and insurers arbitrate among themselves to determine final responsibility for those sums.

K

Key Principal	Person who • controls and/or manages the Borrower or the Property, • is critical to the successful operation and management of the Borrower and the Property, and/or • may be required to provide a Guaranty. **Synonyms** • Key Principals • Key Principal's

L

Lender	Person Fannie Mae approved to sell or service Mortgage Loans. **Synonyms** • Lenders • Lender's
Lien	Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind. **Synonyms** • Liens

Loan Documents	All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan. **Synonyms** • Loan Document • Mortgage Loan Document • Mortgage Loan Documents

M

MAMP	Multifamily Asset Management Portal used to submit • Property inspections, • operating statements, • requested modifications, • asset management reports, and • data corrections for loan or property attributes. **Synonyms** • Multifamily Asset Management Portal • MAMP's
MBA	Mortgage Bankers Association **Synonyms** • MBA's
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



Mortgage Loan Broker	Third-party Person who arranges • Mortgage Loan financing on the Borrower's behalf, or • Transfers/Assumptions on behalf of the - new Borrower for an assumption, or - transferee for a transfer. **Synonyms** • Broker • Brokers • Mortgage Loan Brokers
Mortgage Loan Origination Date	Date you fund a Mortgage Loan to the Borrower. **Synonyms** • Mortgage Loan's Origination Date • Origination Date
Multifamily Insurance	Team that can be contacted at drawer_insurance@fanniemae.com.

N

National Flood Insurance Program	Program of flood insurance coverage and floodplain management administered under the National Flood Insurance Act. **Synonyms** • NFIP
Net Operating Income	At underwriting or for any specified period, the Property's total Effective Gross Income minus operating expenses. **Synonyms** • NOI

O

Operations and Maintenance Plan	Required plan for remediating a Recognized Environmental Condition or Business Environmental Risk as described in Environmental Due Diligence Requirements (Form 4251). **Synonyms** • O&M • O&M Plan • O&M Plans

P

PCA Consultant	Individual or firm conducting a PCA and preparing a PCA Report. **Synonyms** • PCA Consultant's
Personal Property	Furniture, fixtures, equipment, and other tangible personal property located on or used in connection with the Property.
PGA	Peak Ground Acceleration as determined by the United States Geological Survey.
Phase I ESA	Environmental Site Assessment conducted per the current ASTM E-1527 standard and the resulting report. **Synonyms** • Phase I Environmental Site Assessment • Phase I ESAs
Portfolio Mortgage Loan	Mortgage Loan purchased by Fannie Mae and held as of a certain date regardless of whether it is a Cash Mortgage Loan or an MBS Mortgage Loan. **Synonyms** • Portfolio Mortgage Loans • Portfolio Mortgage Loan's

Pricing and Underwriting Tier	Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660). **Synonyms** • Tier
Principal	Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors. **Synonyms** • Principals
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

Property Condition Assessment	Assessment of the Property's physical condition and historical operation. **Synonyms** • PCA • PNA • Physical Needs Assessment • PCAs
Property Condition Rating	An assessment of the Property's 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

R

Rate Lock	Agreement between you and the Investor containing the terms of the Lender-Arranged Sale or Multifamily Trading Desk trade of the Mortgage Loan and the MBS terms and conditions relating to the underlying MBS, if applicable, which may be documented via a recorded telephone conversation. **Synonyms** • Rate Locks
Replacements	Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required. **Synonyms** • Replacement

Risk Retention Group	State-chartered insurance company created by the 1986 federal Liability Risk Retention Act, insuring commercial businesses and government entities against liability risks. **Synonyms** • RRG • Risk Retention Groups

S

Security	MBS, PFP MBS, or REMIC. **Synonyms** • Securities
Security Instrument	Instrument creating a lien or encumbrance on 1 or more Properties and securing the Loan Document obligations. **Synonyms** • Security Instruments • Security Instrument's
Seniors Housing Property	Multifamily residential rental property with any combination of Independent Living, Assisted Living, Alzheimer's/Dementia Care, or Skilled Nursing units. **Synonyms** • Seniors Housing • Seniors Housing Properties
Servicing File	Your file for each Mortgage Loan serviced. **Synonyms** • Servicing Files

Small Mortgage Loan	Mortgage Loan with an original loan amount less than or equal to $9 million. **Synonyms** • Small Mortgage Loans
Special Flood Hazard Area	Special Flood Hazard Area designated by FEMA. **Synonyms** • SFHA • SFHAs • SFHA Zone
Supplemental Mortgage Loan	Mortgage Loan purchased by Fannie Mae that is subordinated to, and has a Mortgage Loan Origination Date after, the Senior Mortgage Loan that is also owned by Fannie Mae. **Synonyms** • Supplemental Mortgage Loans

T

Taxes and Insurance	Taxes or assessments that may become a Lien on the Property and insurance premiums. **Synonyms** • T&I • Tax and Insurance
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

U

UPB	Unpaid Principal Balance

Synonyms
- UPBs