



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 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.

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 insurance for Seniors Housing Properties only when combined with professional liability insurance;
- 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; and
- use Replacement Cost Basis; however, coverage for roofs may use
  - Actual Cash Basis, or
  - Replacement Cost Basis.

### 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.

An acceptable mortgagee clause is:

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

### 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 <a href="#">Part II, Chapter 2: Valuation and Income, Section 202: Appraisal and Valuation</a> .



Common Reliable Sources to Determine Estimated Insurable Value	
Resource	Description
Contractor	A reputable commercial contractor with experience constructing and/or reconstructing similar area properties.
Vendor	A third-party vendor who <ul style="list-style-type: none"><li>• specializes in Insurable Value calculations, or</li><li>• publishes data used to determine Insurable Value.</li></ul>

### 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.

#### 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.

You should:

- 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; and
- are sufficient to cover the largest Total Insurable Value.

### 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- / VII 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 <ul style="list-style-type: none"> <li>• date of authority,</li> <li>• complete Captive Insurer name, and</li> <li>• state of domicile.</li> </ul>
State Examination Report	Report covering a specific timeframe that: <ul style="list-style-type: none"> <li>• reviews the company's:               <ul style="list-style-type: none"> <li>- balance sheet (including assets, liabilities, capital, and surplus);</li> <li>- statement of income;</li> <li>- investments;</li> <li>- premiums;</li> <li>- reinsurance assumed and ceded;</li> <li>- unpaid losses and loss adjustment expense;</li> </ul>               and               <ul style="list-style-type: none"> <li>- losses and loss adjustment expense incurred;</li> </ul>               and             </li> <li>• ascertains its:               <ul style="list-style-type: none"> <li>- financial condition;</li> <li>- ability to fulfill obligations; and</li> <li>- compliance with applicable state laws and regulations.</li> </ul> </li> </ul>



Unrated Risk Retention Group or Captive Insurer	
Document/Entity	Description
Actuarial Report	<p>Report culminating with a statement of actuarial opinion (minimum requirement) after evaluating, opining, and certifying the adequacy of the Captive Insurer's</p> <ul style="list-style-type: none"> <li>• open and paid losses,</li> <li>• loss adjustment expense reserves,</li> <li>• capital, and</li> <li>• surplus.</li> </ul>
Loss History	<p>Frequency and severity of insurance losses covered by the Captive Insurer's policy during a specific timeframe.</p>
Reinsurance and/or Fronting Company	<p>Reinsurance is when an insurer transfers all or part of a risk to another insurer to reduce the risk for the first insurance.</p> <p>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.</p>
Captive Insurer	<p>Captive Insurer is either a:</p> <ul style="list-style-type: none"> <li>• single parent captive (pure captive) - when an insurance subsidiary insures the loss exposures of its parent company or single entity; or</li> <li>• group captive a captive owned by several different companies who are normally <ul style="list-style-type: none"> <li>- from the same industry, and</li> <li>- have similar risks.</li> </ul> </li> </ul>

 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.

For a new policy, you must ensure the insurance carrier has an A.M. Best Company

- general policyholder rating of A- or better, and
- financial size category of VII or better.

### Guidance

A new policy is one that is

- not already in force, and
- most common for an Acquisition.

An existing policy is



- most common for a refinance, or
- when the Property is added to a Borrower's already-in-place policy.

## 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; and
- permanent evidence of insurance within 90 days after Mortgage Loan Delivery.

### Guidance



Acceptable Evidence of Insurance	
Acceptable Temporary Evidence Forms	Acceptable Permanent Evidence Forms
<ul style="list-style-type: none"> <li>• 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.</li> <li>• ACORD 75 Insurance Binder.</li> <li>• 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.</li> <li>• For NFIP flood insurance:               <ul style="list-style-type: none"> <li>- the Policy Declaration page; or</li> <li>- a copy of the signed application and proof of payment.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• An original or duplicate copy of the insurance policy.</li> <li>• For a Property securing a Mortgage Loan with a UPB:               <ul style="list-style-type: none"> <li>- less than or equal to \$10 million, the MBA Evidence of Insurance - Commercial Property Form; or</li> <li>- greater than \$10 million, or for blanket policies with multiple layers, duplicate copies of the primary insurance policies, which should:                   <ul style="list-style-type: none"> <li>▪ 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;</li> <li>▪ state that all policies follow the same terms, conditions, and exclusions as the primary policy, with any differences specified; and</li> <li>▪ for NFIP flood insurance, include the Policy Declaration page.</li> </ul> </li> </ul> </li> </ul>

The following are not acceptable 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.



# Glossary

## A

### Acquisition

Any Purchase of either the:

- Property's fee simple or leasehold interest via a deed transfer; or
- Controlling Interest in the Borrower.

#### **Synonyms**

- Acquisitions

### 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

## B

### Blanket Policy

Insurance policy providing coverage for multiple properties and/or multiple perils.

#### **Synonyms**

- Blanket



**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

## 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

## 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.

## 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

## 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

## L



**Lender** Person Fannie Mae approved to sell or service Mortgage Loans.

**Synonyms**

- Lenders
- Lender's

**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 Origination Date

Date you fund a Mortgage Loan to the Borrower.

### **Synonyms**

- Mortgage Loan's Origination Date
- Origination Date

## **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

## **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



## 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

## Servicing File

Your file for each Mortgage Loan serviced.

### **Synonyms**

- Servicing Files

## **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

## **U**

## UPB

Unpaid Principal Balance

### **Synonyms**

- UPBs