



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

Each Property must be covered by compliant property insurance and liability insurance for the term of the Mortgage Loan. If the Borrower fails to maintain any required insurance on a Property, you must obtain the required coverage.

All insurance policies must:

- list the Borrower as a named insured;
- be written on a per occurrence basis, except for earthquake insurance and professional liability Insurance, which may be written on a per occurrence or claims-made basis;
- include a provision requiring the carrier to notify each 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, unless the Loan Documents expressly require the Borrower to notify the Lender promptly of any notice of cancellation it receives;
- except for professional liability insurance, name Fannie Mae as Additional Insured on all liability insurance and excess/umbrella insurance; and
- contain a mortgagee clause and loss payable clause for the benefit of Fannie Mae, its successors, and assigns.

All property insurance policies must use Replacement Cost valuation, however, coverage for roofs may use Actual Cash Value or Replacement Cost valuation.

Guidance

All requirements apply to the review you perform before closing as well as to the Servicer's annual compliance review.

You are expected to obtain the advance cancellation notice for the benefit of each Mortgagee and Additional Insured from the insurance carriers



whenever possible. When that is not possible, you should ensure that the final Loan Documents have not been modified in any manner that limits

- the Borrower's obligation to provide prompt notice to the Lender of any notice of cancellation it receives from an insurance carrier, or
- any recourse liability of the Borrower or any Guarantor as a result of any failure to maintain all insurance coverages required by the Loan Documents.

Below is an acceptable mortgagee clause.

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 you are not able to obtain the advance cancellation notice from any insurance carrier, you must retain evidence of your attempts to obtain such notice provisions in your Servicing File.

501.01B Blanket and Other Policies Covering Multiple Properties

Requirements

The coverage provided by a blanket policy must be as good as, or better than, a single property insurance policy. The Property must be listed and identified in the policy or associated schedules.

Guidance

A blanket policy includes

- blanket policies,
- blanket programs,
- first loss limit policies,
- first loss policies,
- layered programs,
- master policies,
- master programs,
- property programs,
- pooled insurance,
- pooled programs,



- shared limit policies, and
- similar programs insuring multiple locations under the same insurance policy.

Blanket policies are acceptable as long as

- all other requirements are met, and
- the Terms and Conditions endorsement does not reduce, limit, or exclude any required coverage.

When evaluating a blanket policy or multiple property policies, you should consider the following:

- Are the required coverages adequate for the subject property or properties?
- If the blanket policy limits are less than 100% of the total insurable value of the covered properties, is the shortfall warranted by high policy limits and geographic dispersion?
- If the blanket policy covers high catastrophic exposure in a geographically concentrated area, is the limit adequate for the exposure, or should the Borrower obtain additional coverage?

Programs insuring properties that are not under common ownership with the Borrower or a Key Principal, Principal, or Affiliate of the Borrower, or managed by the same property management company may provide evidence of insurance that appears to be a standard layered program.

You should look for red flags signaling that a program may not be a standard layered program, such as:

- a significant savings in premium when a Borrower adds the Property to an existing policy; or
- a large, rounded coverage limit for property insurance.

You may confirm common ownership through an insurance broker or agent. If the covered properties are not related by ownership or under the same property management, you are expected to evaluate the insurance administrator, considering factors such as the acceptability of its business practices, possible payment of claim by the administrator, years in business, etc. This evaluation is in addition to the other analysis expected for blanket policies.

Operating Procedures

You must document your analysis of any blanket policy in your Servicing File.



501.01C Insurance Carrier Rating

Requirements

All property and liability insurance carriers for new policies must have:

- an A.M. Best Company general policyholder's rating of A– or better; and
- a financial performance index rating of VI or better.

For any existing insurance policy (at origination or thereafter), the carrier must have an A.M. Best rating of B++ or better, and must comply with the rating requirement for new policies at renewal.

This rating requirement does not apply to the following coverages:

- state wind pools or state funds, if they are the only coverages that can be obtained for a Property; or
- flood insurance issued by the National Flood Insurance Program (NFIP) or written by companies approved under the NFIP's Write Your Own program.

If a carrier of an existing policy is downgraded below B++, you must, as provided by the Loan Documents, require the Borrower to immediately obtain replacement coverage with a compliant carrier, even if the policy has not yet expired.

Guidance

A new policy is one that is not already in force, and is most common for an acquisition. An existing policy is most common for a refinance or when the Property is added to a policy that the Borrower already has in force.

Operating Procedures

If a carrier providing an existing insurance policy has a rating below A-, you must retain evidence of the insurance carrier's rating in your Servicing File until the policy is renewed. You must also monitor it on a quarterly basis to confirm that the rating is not downgraded below B++.

501.01D 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:



- when it expires, the policy will be renewed for at least 12 months; and
- the shorter-term is not because of non-renewal or cancellation by the carrier.

501.01E Payment of Premium

Requirements

Premiums for all required insurance policies must either be:

- paid in full annually; or
- payable in installments, for which you have receipts confirming timely payment.

Premium financing is permitted 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. If the Borrower finances premiums, you must review a copy of the financing agreement and confirm that timely payment of each premium has been made.

Guidance

You should attempt to reinstate the annual payment of premiums at renewal of any policy.

Any financing agreement should include a requirement that you receive a notice of cancellation for any nonpayment of premium.

Operating Procedures

For Mortgage Loans where no insurance escrows are being collected, you must obtain evidence annually that all policies have been paid in full.

If the Borrower finances premiums, you must retain a copy of the financing agreement in your Servicing File. You must also keep receipts confirming timely payments.

501.01F Evidence of Insurance

Requirements

You must have temporary or permanent evidence of insurance at the closing of the Mortgage Loan and by each renewal date.

You must have permanent evidence of insurance within 90 days of delivering the Mortgage Loan to Fannie Mae and each renewal date.



→ Guidance

For temporary evidence of insurance, the following forms are acceptable:

- 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;
- MBA Evidence of Insurance – Commercial Property Form; and
- if an ACORD certificate is not available, a joint letter from the Borrower and its licensed insurance broker/agent certifying that all coverages, terms, and conditions meet the requirements.

For permanent evidence of insurance, the following forms are acceptable:

- An original or duplicate copy of the insurance policy.
- For Properties securing Mortgage Loans with a UPB of \$10 million or less, the MBA Evidence of Insurance – Commercial Property Form.
- For Properties securing a Mortgage Loan with a UPB in excess of \$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; and
 - state that all policies follow the same terms, conditions, and exclusions as the primary policy, with any differences specified.
- For NFIP flood insurance, the Policy Declaration page.

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.

If an MBA Evidence of Insurance - Commercial Property Form is used, it should:

- be the most recent version or, if applicable, the state-approved form;
- be completed in its entirety;
- have an original signature of an individual authorized to execute the Evidence of Insurance on behalf of the insurance carriers issuing each policy; and



- in states where the form is filed and approved, be on the appropriate state form.

Some insurance carriers use boilerplate policies that do not change from year to year. In such cases, you should keep a specimen kit or library of such policies and endorsements and may place only the renewal Declarations Page in your Servicing File as permanent evidence along with a list of endorsements.

Operating Procedures

Permanent evidence must be retained in your Servicing File. Policies must be collected annually.

501.01G Insurance Compliance and Data

Operating Procedures

You must complete an annual insurance compliance checklist, including the following information for all insurance coverages, and place it in your Servicing File:

- name of carrier, all insured parties, and the Borrower;
- coverage amount;
- deductible amount(s);
- policy term;
- description of property insured; and
- coinsurance percentage, if applicable.

501.01H Post Closing Insurance Exceptions

Requirements

You must determine compliance with this Section on an annual basis. Any request for an exception to the insurance requirements after origination and delivery of the Mortgage Loan must be submitted on the Multifamily Exception Review Form – Insurance ([Form 4638](#)) through the MAMP. All supporting documentation must be included with the submission.

Guidance

Insurance exceptions granted by Fannie Mae are for the entire term of the Mortgage Loan, unless otherwise specified in the approval.



Glossary

A

Affiliate

When referring to an affiliate of a Lender, any other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender.

When referring to an affiliate of a Borrower or Key Principal:

- any Person that owns any direct ownership interest in Borrower or Key Principal;
- any Person that indirectly owns, with the power to vote, 20% or more of the ownership interests in Borrower or Key Principal;
- any Person Controlled by, under common Control with, or which Controls, Borrower or Key Principal;
- any entity in which Borrower or Key Principal directly or indirectly owns, with the power to vote, 20% or more of the ownership interests in such entity; or
- any other individual that is related (to the third degree of consanguinity) by blood or marriage to Borrower or Key Principal.

Synonyms

- Affiliates

B

Borrower

Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

G

Guarantor

Key Principal or other Person who executes a Payment Guaranty, a Non-Recourse Guaranty, or any other guaranty in connection with the Mortgage Loan.

Synonyms

- Guarantors



K

Key Principal

Person(s) who control and/or manage the Borrower or the Property, are critical to the successful operation and management of the Borrower and the Property, and who may be required to provide a Guaranty.

Synonyms

- Key Principals

L

Lender

Person approved by Fannie Mae to sell or service Mortgage Loans.

Synonyms

- Lenders
- Lender's

Loan Documents

All documents evidencing, securing, or guaranteeing the debt obligation executed for a Mortgage Loan and approved by Fannie Mae.

Synonyms

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

M

MAMP

Multifamily Asset Management Portal used to submit Property inspections, operating statements, and requested modifications; asset management reports; and data corrections related to loan or property level attributes.

Synonyms

- Multifamily Asset Management Portal

MBA

Mortgage Bankers Association



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

N

National Flood Insurance Program

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

Synonyms

- NFIP

P

Principal

Person who owns or controls 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

Property

Multifamily residential property securing the Mortgage Loan and including the land (or Leasehold interest in land), Improvements, and personal property (as defined in the Uniform Commercial Code).

Synonyms

- Properties
- Property's

S



Servicer Primary Person responsible for servicing the Mortgage Loan (e.g., the originator, the selling Lender, or a third-party servicer).

Synonyms

- Servicers

Servicing File File for each Mortgage Loan serviced by the Lender.

Synonyms

- Servicing Files

U

UPB Unpaid Principal Balance