



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;
- are written on a per occurrence basis, except the following, which may be written on a per occurrence or claims-made basis:
  - 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 valuation; however, coverage for roofs may use
  - Actual Cash Value, or
  - Replacement Cost valuation.

### 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.

When a Property management company provides insurance, you should confirm the Borrower is listed as an Additional Insured on the applicable policies.

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 cancelation notification.

## **501.01B** 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 blanket policy may include

- blanket policies,
- blanket programs,
- first loss limit policies,
- first loss policies,
- layered programs,
- master policies,
- master programs,
- property programs,
- pooled insurance,
- scheduled limit policies,
- pooled programs,
- shared limit policies, and
- similar programs insuring multiple locations under the same insurance policy.

You may accept a blanket policy if

- 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:

- Are the required coverages adequate for the Property?
- 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, Sponsor, 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:

- the Borrower or Sponsor is not the first named insured;
- the premium significantly decreased when the Property was added to an existing policy; or
- having 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 should also evaluate the insurance administrator, considering

- the acceptability of its business practices,
- possible payment of claims, and
- years in business, etc.

### Operating Procedures

You must

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

## **501.01C** Risk Retention Groups and Captive Insurance

### Requirements

You must ensure any Risk Retention Group or Captive Insurer has a rating of at least:

- A- / VI from A.M. Best Company; or
- A from Demotech, Inc.

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.

## 501.01D Insurance Carrier Rating

### Requirements

You do not need to rate

- State pools or funds, or
- NFIP policies.

All Other Insurance Carrier Ratings	
You must ensure...	The insurance carrier...
For a new policy	<ul style="list-style-type: none"> <li>• for A.M. Best Company, has a               <ul style="list-style-type: none"> <li>- general policyholder rating of A- or better, and</li> <li>- financial size category of VI or better; or</li> </ul> </li> <li>• for Demotech, Inc., has a Financial Stability Rating of A or better.</li> </ul>



All Other Insurance Carrier Ratings	
You must ensure...	The insurance carrier...
For an existing policy (at origination or afterward)	<ul style="list-style-type: none"><li>• for A.M. Best Company,<ul style="list-style-type: none"><li>- has a general policyholder rating of B++ or better, and</li><li>- complies with the rating requirements for new policies at renewal; or</li></ul></li><li>• for Demotech, Inc., complies with the rating requirements for new policies.</li></ul>

### ➔ 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 policy that the Borrower already has in force.

## 501.01E 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.

## 501.01F 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;
  - 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.

## 501.01G 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.

Some insurance carriers use boilerplate policies that do not change from year to year. If so, 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.

## **501.01H** 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

### 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
- Affiliate's

## B

### 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

## 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

## **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

**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



**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 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

Sponsor

Principal equity owner and/or primary decision maker of the Borrower (often the Key Principal or the Person Controlling the Key Principal).

**Synonyms**

- Sponsors
- Sponsor's

## U

UPB

Unpaid Principal Balance

**Synonyms**

- UPBs