Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of November 16, 2026

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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).

Glossary

B

Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

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

F

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

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'

M

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

N

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

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

S

Servicing File	Your file for each Mortgage Loan serviced. **Synonyms** • Servicing Files

Special Flood Hazard Area	Special Flood Hazard Area designated by FEMA. **Synonyms** • SFHA • SFHAs • SFHA Zone