



Fannie Mae®

Multifamily Selling and Servicing Guide

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501.03C Flood Insurance

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 ensure the coverage:

- meets the mandatory purchase requirements identified in
 - the Federal flood insurance statutes, and
 - any applicable Federal agency rulemaking and publication;
- has a waiting period no more than 15 days; and
- equals at least 100% of the Insurable Value of
 - the first 2 floors above grade and any Improvements below grade, plus
 - all Fixtures and Goods (as defined in the Security Instrument) located on the first 2 floors above grade and/or below grade.

You must ensure the deductible does not exceed the greatest of:

- 5% of the Insurable Value;
- the applicable maximum amount in [Part II, Chapter 5: Property and Liability Insurance, Section 501.02A: Minimum Coverage Amounts](#); or
- for business income insurance,
 - the maximum deductible for the property insurance, or
 - a waiting period of up to 15 days or equivalent.



NFIP and Excess Flood Coverage	
If...	Then...
Coverage available under the NFIP is insufficient	the Borrower must purchase excess flood insurance covering the difference, up to the required coverage amount.
Per elevation certificates completed by a licensed land surveyor, engineer, or architect: <ul style="list-style-type: none">• 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)	<ul style="list-style-type: none">• 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).

During the LoMA process,

- only NFIP insurance is required, 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

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...
<ul style="list-style-type: none">• clubhouses, and• pool houses.	<ul style="list-style-type: none">• 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;
- exercise care and sound judgment when selecting the firm; and
- require the determination firm, and any monitoring company, to notify you whenever there is a flood zone change.

For business income insurance deductible, if a dollar amount is indicated, you should calculate the per day amount ensuring the deductible does not exceed the 15-day total amount allowed. See [Part II, Chapter 5: Property and Liability Insurance, Section 501.03B: Windstorm Insurance](#) for a deductible calculation example.

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;
 - a signed copy of the Notice to Borrower of Special Flood Hazard and Federal Assistance (included in the Flood Determination Certificate); and
 - if you permitted a reduced amount of excess flood insurance,
 - your analysis, and
 - related documentation supporting the economic feasibility and reduction amount.



Glossary

B

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

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'

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

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

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

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

Servicing File

Your file for each Mortgage Loan serviced.

Synonyms

- Servicing Files