



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 502.04 Earthquake Insurance

### Requirements

You must ensure the Property has earthquake insurance if required by Fannie Mae. For any required coverage, ensure the:

- coverage is at least 100% of the Insurable Value; and
- business income insurance:
  - waiting period does not exceed the greatest of:
    - when expressed as a number of days, 15 days;
    - when expressed as a dollar amount, \$100,000; or
    - the applicable maximum amount per [Part II, Chapter 5: Property and Liability Insurance, Section 501.02A: Minimum Coverage Amounts](#); and
  - is based on:
    - Actual Loss Sustained for 12 months; or
    - the most recent annual reported (or annualized, if annual financial are unavailable):
      - EGI; or
      - NOI plus continuing expenses.

Earthquake insurance may be required while the Property is being retrofitted.

### Guidance

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 502.02: Named Storm Insurance](#) for a deductible calculation example.

### Operating Procedures

If retrofitting is required and not completed within the agreed timeframe, you must not accept earthquake insurance as a substitute.



# Glossary

## 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

## 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