



Fannie Mae®

Multifamily Selling and Servicing Guide

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501.04 Liability Insurance

Requirements

You must ensure each Property and Borrower is covered throughout the Mortgage Loan term by liability insurance for

- bodily injury,
- Property damage, and
- personal injury.

501.04A Commercial General Liability Insurance

Requirements

You must ensure the general liability insurance coverage is at least

- \$1 million per occurrence/\$2 million general aggregate limit, plus
- excess/umbrella insurance as follows:

If the number of stories in the building is...	The minimum excess/umbrella insurance coverage is...
1 - 4	\$2 million
5 - 10	\$5 million
11 -20	\$10 million
Over 20	\$20 million

The maximum deductibles:

- apply to
 - general liability,
 - umbrella/excess liability, and
 - professional liability; and
- must be based on the Property's total insurable values of the Property insurance policy as follows:



If the insurable value is...	The maximum deductible amount per occurrence is...
Less than \$5 million	\$50,000
Equal to or greater than \$5 million, but less than \$50 million	\$100,000
Equal to or greater than \$50 million, but less than \$100 million	\$150,000
Equal to or greater than \$100 million	\$275,000

Guidance

You may satisfy the insurance coverage requirements:

- with any combination of primary liability insurance and excess/umbrella insurance coverage, provided the aggregate coverage meets the required minimum limits; and
- for excess/umbrella insurance, when the coverage limit meets the requirement for the location with the most stories.

You should ensure that any liability policy does not contain exclusions for normal coverage that are normal and customary in the standard liability form, such as

- assault and battery,
- animal attacks, and
- firearms, etc.

The maximum deductible amount, per occurrence, is the combined deductible for both the

- underlying general or professional liability, and
- excess/umbrella liability.

For example, if the Borrower's total insurable value is \$45 million, then the maximum deductible is \$100,000 combined for the underlying liability and excess/umbrella liability in any combination (e.g., \$75,000 deductible/self-insured retention on the general liability and \$25,000 on the excess/umbrella liability).

501.04B Professional Liability Insurance



☑ Requirements

If a Seniors Housing Property provides any level of healthcare, you must ensure the:

- Property has professional liability insurance covering
 - professional errors and omissions,
 - medical malpractice, and
 - all types of abuse; and
- coverage is at least
 - \$1 million per occurrence/\$2 million general aggregate limit, plus
 - excess/umbrella insurance as follows:

If the number of licensed beds is...	The minimum excess/umbrella insurance coverage is...
1 -100	\$2 million
101 -500	\$5 million
501 -1,000	\$10 million
Over 1,000	\$20 million

You must ensure:

- for a Property with Assisted Living beds, Independent Living beds are not counted when determining the minimum coverage limit;
- when general liability insurance and professional liability insurance coverages are combined under an excess/umbrella insurance policy, the coverage meets the higher minimum limit of the 2 underlying coverages; and
- the maximum deductible for professional liability insurance does not exceed the applicable maximum amount per [Part II, Chapter 5: Property and Liability Insurance, Section 501.04A: Commercial General Liability Insurance](#).

➔ Guidance

When using a claims-made policy, you should consider if an adequate “retroactive date” is in place providing coverage for acts that occurred before a specified date – usually before the effective date of the current policy. A retroactive date of 3 - 5 years before the current policy’s effective date is



common.

If the Borrower changes carriers during the Mortgage Loan term, the addition of tail coverage or an extended reporting period endorsement, extending coverage after the cancellation or termination of a claims-made policy, is important to ensure no lapse in coverage occurs.

You may satisfy the coverage requirements:

- with any combination of primary liability insurance and excess/umbrella insurance coverage, provided the aggregate coverage meets the required minimum limits; and
- for excess/umbrella insurance when the coverage limit meets the requirement for the location with the most beds.

501.04C Workers' Compensation Insurance

Requirements

You must ensure the:

- Property has workers' compensation and employer's liability insurance (including terrorism coverage), if required in the Property's state; and
- coverage equals or exceeds the:
 - statutory limits for injured employees; plus
 - greatest of:
 - employer's liability limits of \$1 million per occurrence for bodily injury;
 - \$1 million per occurrence and \$1 million aggregate for employee disease; or
 - any underlying limit required by the excess/umbrella insurance carrier.

501.04D Directors' and Officers' Liability Insurance

Requirements

You must ensure each Property owned by a Cooperative Organization has:

- directors' and officers' liability insurance; and
- coverage equal to at least \$1 million per occurrence.



501.04E Commercial Auto Liability Insurance

Requirements

You must ensure the Borrower has commercial auto liability insurance that:

- covers any motor vehicles that are:
 - owned, leased, or hired by the Borrower; or
 - used by anyone for business on behalf of the Borrower or the Property;
- includes personal injury protection required by the Property's state; and
- has coverage equaling the greater of
 - \$1 million per occurrence, or
 - any underlying limit required by the excess/umbrella insurance carrier.

Guidance

As a secured real estate lender, you would not be named in a lawsuit alleging automobile negligence by an employee of the Borrower or management company. However, if a lawsuit involving negligence is successful, failure to maintain adequate insurance may result in a lien against the Property.



Glossary

A

Assisted Living

Seniors Housing Property offering services limited to non-medical personal care, including ADL assistance, which are typically licensed and regulated by a state or local governmental authority.

Synonyms

- AL

B

Borrower

Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

C

Cooperative
Organization

Corporation or legal entity where each shareholder or equity owner is granted the right to occupy a unit in a multifamily residential property under a proprietary lease or occupancy agreement.

I

Independent Living

Seniors Housing providing limited programs of assistance for domestic activities (e.g. meals, housekeeping, activities, transportation, etc.), and typically resembles market rate units.

Synonyms

- IL

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

Seniors Housing Property

Multifamily residential rental property with any combination of Independent Living, Assisted Living, Alzheimer's/Dementia Care, or Skilled Nursing units.

Synonyms

- Seniors Housing
- Seniors Housing Properties