Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of November 16, 2026

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Section 505 Seismic Risk

505.01 Seismic Hazard and Risk Factors

Requirements

You must:

- assess the seismic risk before Rate Lock by analyzing the PGA at the Property's location;
- determine if the Property has an acceptable level of seismic risk;
- complete Form 4099.C if the Property is located in a High Seismic Risk area;
- obtain a Seismic Risk Assessment (SRA) if a Structural Risk Factor is identified per Form 4099.C; and
- not Deliver a Mortgage Loan if the Property has
  - a PGA equal to or greater than 0.15g, and
  - 1 of these Structural Risk Factors:
    - an unreinforced masonry building that has not been seismically retrofitted; or
    - a building constructed on a slope with an angle exceeding 30 degrees (a 50% slope).

Guidance

After you Deliver the Mortgage Loan, no additional seismic risk evaluation is needed.

505.02 Seismic Risk Assessment (SRA)

Requirements

You must:

- obtain a Level 1 SRA dated within 12 months before the Commitment Date for any Property with one of the Structural Risk Factors listed in Form 4099.C; and

- ensure the SRA:
  - meets the ASTM seismic standards (ASTM E2026 Standard Guide for Seismic Risk Assessment of Buildings and ASTM E2557 Standard Practice for Probable Maximum Loss (PML) Evaluations for Earthquake Due Diligence Assessments);
  - includes estimates for the Scenario Expected Loss (SEL) and the Scenario Upper Loss (SUL);
  - uses a 10% probability of exceedance in a 50-year period;
  - meets ASTM seismic standard professional qualifications; and
  - complies with Form 4099.C, including
    - structured data per Seismic Risk Assessment Data Supplement (Form 4093), and
    - a report narrative.

Guidance

For a Small Mortgage Loan:

- the SRA field investigation may be performed by a PCA consultant or field observer if that professional has at least 2 years of experience performing seismic risk assessments; and
- a new SRA is not required for Supplemental Mortgage Loans; you may rely on the original underwriting seismic analysis.

505.03 Acceptable Levels of Seismic Risk

Guidance

The Property's SEL percentage and the building stability assessment determines if the seismic risk is acceptable.

Requirements

You must:

- determine if the Property's seismic risk is acceptable by confirming all income-producing Improvements or any non-income producing Improvements that support amenities:
  - comply with Part II, Chapter 5: Property and Liability Insurance, Section 505.03: Acceptable Levels of Seismic Risk;

- have an SEL of 20% or less; and
- meet the current building stability requirements of ASTM E2026;

- not Deliver a Mortgage Loan secured by a Property having any Improvements with an SEL greater than 40%; and
- document your analysis and conclusions in your Transaction Approval Memo, including:
  - a Level 1 SRA, including Appendix X4 (ASTM E2557);
  - your analysis of the seismic issues and recommendation, describing the:
    - severity and pervasiveness of the conditions driving the SEL and stability issues;
    - risks presented to
      - building stability,
      - building damageability,
      - site stability, and
      - life safety; and
    - recommended retrofit or remediation requirements;
  - a retrofit letter or the Borrower's retrofit plan, including the
    - timetable, and
    - cost estimate;
  - Form 4099.C; and
  - a minimum of 6 Property photos, including
    - photos of areas significant to the seismic calculation or stability issue, and
    - elevation views of any Improvements having
      - an SEL over 20%, or
      - a stability issue.

505.04 Seismic Retrofit Ordinances

☑ Requirements

You must ensure the SRA describes a proposed retrofit plan, including associated costs, if a Property must be retrofitted under any

- law,
- regulation, or
- ordinance.

505.05 Seismic Risk Mitigants

☑ Requirements

For any Property where any Improvements have an SEL greater than 20% or a building stability issue, you must contact Multifamily Insurance to determine acceptable mitigants for Mortgage Loan Delivery, including:

- performing a seismic retrofit sufficient to resolve all stability issues and reduce the SEL of all Improvements to 20% or below; and
- obtaining earthquake insurance coverage per Part II, Chapter 5: Property and Liability Insurance, Section 502.04: Earthquake Insurance.

Earthquake insurance does not mitigate seismic risk.

Glossary

A

ASTM	American Society for Testing Materials

B

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

C

Commitment	Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan. **Synonyms** • Committed • Commitments
Commitment Date	Date a Commitment is confirmed by Fannie Mae per Part IV, Chapter 2: Rate Lock and Committing, Section 204: Commitments.

D

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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

G

Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

H

High Seismic Risk	Area or a specific site identified by the most recent USGS data (see United States Geological Survey (USGS) Peak Ground Acceleration (PGA) Calculator Tutorial) as having a PGA equal to or greater than 0.15g (i.e., 15% of the acceleration of gravity (g) using a 10% probability of exceedance in a 50-year period).

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
Multifamily Insurance	Team that can be contacted at drawer_insurance@fanniemae.com.

P

PCA Consultant	Individual or firm conducting a PCA and preparing a PCA Report. **Synonyms** • PCA Consultant's
PGA	Peak Ground Acceleration as determined by the United States Geological Survey.
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

Property Condition Assessment	Assessment of the Property's physical condition and historical operation. **Synonyms** • PCA • PNA • Physical Needs Assessment • PCAs

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

S

Small Mortgage Loan	Mortgage Loan with an original loan amount less than or equal to $9 million. **Synonyms** • Small Mortgage Loans
Supplemental Mortgage Loan	Mortgage Loan purchased by Fannie Mae that is subordinated to, and has a Mortgage Loan Origination Date after, the Senior Mortgage Loan that is also owned by Fannie Mae. **Synonyms** • Supplemental Mortgage Loans

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