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# Multifamily Selling and Servicing Guide

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## Section 503 Seismic Risk

### 503.01 Seismic Hazard and Risk Factors

#### ➔ Guidance

Any seismic risk impacting the Property should be understood before the Commitment Date. Seismic risk is assessed by analyzing the PGA at the location of the Property.

After purchase of the Mortgage Loan, no additional seismic risk evaluation is required.

#### ☑ Requirements

Each Property must have an acceptable level of seismic risk.

A Mortgage Loan is ineligible for purchase 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).

If the Property is located in a High Seismic Risk area, you must complete [Form 4099.C](#). If a Structural Risk Factor is present, you must also obtain a Seismic Risk Assessment (SRA).

### 503.02 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](#).

The SRA must:

- meet 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);



- include estimates for the Scenario Expected Loss (SEL) and the Scenario Upper Loss (SUL);
- use a 10% probability of exceedance in a 50-year period;
- meet ASTM seismic standard professional qualifications;
- include structured data per Seismic Risk Assessment Data Supplement (Form 4093); and
- include a report narrative.

#### Guidance

For Small Mortgage Loans, 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 of buildings.

A new SRA is not required for Supplemental Mortgage Loans; you may rely on the original underwriting seismic analysis.

### **503.03** Acceptable Levels of Seismic Risk

#### Guidance

The SEL percentage of the Property and the building stability assessment will determine whether the seismic risk is acceptable.

#### Requirements

The Property's seismic risk is acceptable if all income-producing Improvements or any non-income producing Improvements that support amenities

- comply with this Section 503.03,
- have an SEL of 20% or less, and
- meet the current building stability requirements of ASTM E2026.

A Mortgage Loan is ineligible for purchase if it is secured by a Property that has any Improvements with an SEL greater than 40%.

#### Guidance

Your analysis should include:

- a Level 1 SRA, including Appendix X4 (ASTM E2557);
- your analysis of the seismic issues and recommendation, describing in



detail

- the severity and pervasiveness of the conditions driving the SEL and stability issues,
  - the risks presented to building stability, building damageability, site stability, and life safety, and
  - the recommended retrofit or remediation requirements;
- a retrofit letter or the Borrower's retrofit plan, timetable, and cost estimate;
  - Form 4099.C; and
  - a minimum of 6 Property photos, including
    - photos of those areas significant to the seismic calculation or stability issue, and
    - elevation views of any Improvements having an SEL over 20% or a stability issue.

#### 503.04 Seismic Retrofit Ordinances

##### Requirements

If a Property is required to be retrofitted under any law, regulation, or ordinance,

- the SRA must describe a proposed retrofit plan, including associated costs, and
- the retrofit must be completed before the Commitment Date.

#### 503.05 Seismic Risk Mitigants

##### Guidance

For any Property where any Improvements have an SEL greater than 20% or a building stability issue, you should consider the following to mitigate seismic risk:

- perform a seismic retrofit sufficient to resolve all stability issues and reduce the SEL of all Improvements to 20% or below; and
- obtain earthquake insurance coverage per [Part II, Chapter 5: Property and Liability Insurance, Section 501.03D: Earthquake Insurance](#).

Earthquake insurance does not mitigate building collapse 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 Date Date a Commitment is confirmed by Fannie Mae per [Part IV, Chapter 2: Rate Lock and Committing, Section 204: Commitments](#).

## 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).

## 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

### 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