Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 413 Property and Liability Insurance

413.01 Property and Liability Insurance

413.01A Generally

The Servicer must:

- ensure all Potential Red Flags for Mortgage Fraud and Other Suspicious Activity were considered;
- report all unresolved red flags per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 310: Compliance;
- ensure the Property is continuously covered by property and liability insurance per Part II, Chapter 5: Property and Liability Insurance;
- ensure all renewal premiums are fully paid on time in:
  - an annual lump sum; or
  - installments;
- collect reserves for the premium allocation obtained from the insurance agent or broker ensuring sufficient reserve funds for the Servicer to pay the premium due for the applicable policy or policies in:
  - an annual lump sum; or
  - installments;
- pay the premiums for all required insurance when due; and
- ensure any Borrower-financing of premiums complies with Part II, Chapter 5: Property and Liability Insurance, Section 501.01G: Payment of Premium, and either:
  - the Modifications to Multifamily Loan and Security Agreement (Financing of Insurance Premiums) (Form 6272) was executed on the Mortgage Loan Origination Date; or
  - prior to the Borrower entering into a premium financing agreement, execute and submit through the MAMP an Amendment to the Multifamily Loan and Security Agreement, substantially in the form of the Modifications to Multifamily Loan Agreement (Financing of Insurance

Premiums) (Form 6272).

If no insurance escrows are collected, the Servicer must:

- obtain annual evidence that all policies were fully paid; and
- for Borrower-financed premiums, retain in the Servicing File:
  - receipts confirming timely payments; and
  - a copy of the financing agreement.

413.01B Policy Renewal

For each policy renewal, the Servicer must comply with the following timeline.

Timeline	The Servicer must...
No later than 60 days before the policy expiration date	Contact the Borrower to request acceptable evidence of insurance per Part II, Chapter 5: Property and Liability Insurance, Section 501.01H: Evidence of Insurance. An original or duplicate original of each renewal policy must be obtained within 90 days after the policy renewal.
No later than 15 days after the earlier of: • receipt of permanent evidence or temporary evidence of insurance; or • the insurance renewal date	• Determine if the insurance coverage complies with Part II, Chapter 5: Property and Liability Insurance. • If non-compliant, immediately notify the Borrower to resolve all non-compliant items.
No later than 60 days after notifying the Borrower of any noncompliant renewal policy	Resolve all non-compliant items with the Borrower and/or insurance agent (e.g., obtain a compliant renewal policy or endorsement, request a waiver, obtain force place coverage, etc.).

Timeline	The Servicer must...
60 days after notifying the Borrower of noncompliant items, if the Servicer has not obtained either a: • compliant renewal (permanent evidence or temporary evidence) policy; or • an insurance waiver	• Submit a Non-Monetary Default Borrower Request in the MAMP. • Immediately send the Borrower a Reservation of Rights Letter (Form 4804).

413.01C Compliance Review

With each renewal, but at least annually, the Servicer must:

- complete an insurance compliance checklist to review the adequacy of the Borrowers insurance coverage and ensure compliance with:
  - Part II, Chapter 5: Property and Liability Insurance;
  - all Fannie Mae-approved modifications; and
  - the Loan Documents;
- confirm the insurance carriers rating per Part V, Chapter 4: Asset Management: Loan Document Administration, Section 413.01E: Ratings; and
- retain in the Servicing File the:
  - checklist; and
  - evidence of the insurance carriers rating.

For an unrated Risk Retention Group or Captive Insurer, the Servicer must also comply with Part II, Chapter 5: Property and Liability Insurance, Section 501.01D: Risk Retention Groups and Captive Insurance.

413.01D Exceptions

The Servicer must submit any insurance exception, including a delegated one, through the MAMP, with:

- a Multifamily Exception Request (Form 4638) for each exception signed by the authorizing person;
- a recommendation explaining why any non-delegated waiver request should be approved;
- all supporting documentation; and
- any previous exception not approved for the life of the Mortgage Loan, on an annual basis.

413.01E Ratings

All property and liability insurance carriers for renewal policies must have an A.M. Best Company General Policyholder Rating of A- or better.

This rating requirement does not apply to policies issued:

- through State-sponsored insurance programs; or
- by insurers participating in NFIP.

413.02 No Servicer Financing of Insurance Premiums

The Servicer must not provide financing to the Borrower for the payment of any insurance premiums.

413.03 Flood Map Changes; Obtaining Flood Insurance

The Servicer must monitor all flood map and community status changes, and take appropriate action when changes affecting Mortgage Loans it services occur. When a Property is remapped into a Special Flood Hazard Area, the Servicer must require the Borrower to obtain flood insurance, regardless of whether the community is participating in the National Flood Insurance Program.

The flood insurance must:

- comply with Part II, Chapter 5: Property and Liability Insurance, Section 502.03: Flood Insurance, including the minimum mandatory purchase requirements; and
- be in place within 45 days after the date the Servicer was notified of the remapping.

If the Borrower refuses to obtain the required coverage or pay a disputed premium, the Servicer must obtain the required coverage. The Servicer must contact Multifamily Insurance if:

- a Property is mapped into a Special Flood Hazard Area;
- the community in which the Property is located does not participate in the National Flood Insurance Program; and
- the Borrower cannot obtain the required flood insurance.

The Servicer must:

- complete the most recent version of the Standard Flood Hazard Determination Form issued by FEMA;
- include in the Servicing File a:
  - copy of the form; and
  - signed copy of Notice to Borrower of Special Flood Hazard and Federal Assistance; and
- require the determination firm, and any monitoring company, to notify the Servicer whenever a flood zone change occurs.

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).

413.04 Lender Placed Insurance

413.04A Property and Liability Insurance

The Servicer must immediately:

- obtain the required property and liability insurance, at the Borrowers expense, if:
  - the Borrower fails to obtain acceptable insurance coverage; or
  - per the Loan Documents, even if the policy has not yet expired, the carrier is downgraded below the required ratings per Part V, Chapter 4: Asset Management: Loan Document Administration, Section 413.01E: Ratings;

and

- notify Fannie Mae if the Servicer obtains the required property and liability insurance.

The Servicer must:

- have force place vendor, retroactive, and/or automatic coverage for Mortgage Loans serviced with:
  - deductibles no greater than those required per Part II, Chapter 5: Property and Liability Insurance;
  - coverage provided by carriers complying with Part II, Chapter 5: Property and Liability Insurance;
- provide notice when coverage is force placed, including disclosing the coverage amount and deductibles; and
- adjust the T&I Custodial Account balance when the Borrower pays the force place insurance premiums.

413.04B Servicer's Administrative Costs and Expenses

The Servicer is permitted to collect from the Borrower any reasonable out-of-pocket costs and expenses incurred by the Servicer to obtain insurance coverage for the Property.

Glossary

B

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

C

Captive Insurer	Insurance company wholly owned and controlled by its insureds, whose primary purpose is to insure the risks of its owners, and its insureds benefit from the captive insurer's underwriting profits. **Synonyms** • Captive Insurer's • Captive Insurers
Custodial Account	Account established by the Servicer for depositing P&I payments, T&I payments, and escrow, reserve, or other funds received from the Borrower per any Loan Document, including the: • Collateral Agreement; • Multifamily Loan Agreement; or • Security Instrument. **Synonyms** • Custodial Accounts

F

FEMA	Federal Emergency Management Agency **Synonyms** • FEMA's

G

Guarantor	Key Principal or other Person executing a • Payment Guaranty, • Non-Recourse Guaranty, or • any other Mortgage Loan guaranty. **Synonyms** • Guarantors

K

Key Principal	Person who • controls and/or manages the Borrower or the Property, • is critical to the successful operation and management of the Borrower and the Property, and/or • may be required to provide a Guaranty. **Synonyms** • Key Principals • Key Principal's

L

Loan Documents	All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan. **Synonyms** • Loan Document • Mortgage Loan Document • Mortgage Loan Documents

M

MAMP	Multifamily Asset Management Portal used to submit • Property inspections, • operating statements, • requested modifications, • asset management reports, and • data corrections for loan or property attributes. **Synonyms** • Multifamily Asset Management Portal • MAMP's
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
Mortgage Loan Broker	Third-party Person who arranges • Mortgage Loan financing on the Borrowers behalf, or • Transfers/Assumptions on behalf of the - new Borrower for an assumption, or - transferee for a transfer. **Synonyms** • Broker • Brokers • Mortgage Loan Brokers
Mortgage Loan Origination Date	Date you fund a Mortgage Loan to the Borrower. **Synonyms** • Mortgage Loan's Origination Date • Origination Date

Multifamily Insurance	Team that can be contacted at drawer_insurance@fanniemae.com.
Multifamily Loan Agreement	Agreement evidencing Mortgage Loan terms using • Form 6001 series Loan Documents, or • another Fannie Mae-approved form. **Synonyms** • Multifamily Loan Agreements

N

National Flood Insurance Program	Program of flood insurance coverage and floodplain management administered under the National Flood Insurance Act. **Synonyms** • NFIP

P

Person	Legal person, including an • individual, • estate, • trust, • corporation, • partnership, • limited liability company, • financial institution, • joint venture, • association, or • other organization or entity (whether governmental or private). **Synonyms** • Persons • Person's

Principal	Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors. **Synonyms** • Principals
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

R

Risk Retention Group	State-chartered insurance company created by the 1986 federal Liability Risk Retention Act, insuring commercial businesses and government entities against liability risks. **Synonyms** • RRG • Risk Retention Groups

S

Security	MBS, PFP MBS, or REMIC. **Synonyms** • Securities

Servicer	Primary Person servicing the Mortgage Loan, including • the originator, • seller, or • a third party. **Synonyms** • Servicers • Servicer's
Servicing File	Your file for each Mortgage Loan serviced. **Synonyms** • Servicing Files
Special Flood Hazard Area	Special Flood Hazard Area designated by FEMA. **Synonyms** • SFHA • SFHAs • SFHA Zone

T

T&I Custodial Account	Custodial Account for the deposit of T&I and other impound escrow funds. **Synonyms** • T&I Custodial Accounts
Taxes and Insurance	Taxes or assessments that may become a Lien on the Property and insurance premiums. **Synonyms** • T&I • Tax and Insurance