Fannie Mae®

# Multifamily Selling and Servicing Guide

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## 414.09 Application of Insurance Loss Proceeds

The Servicer must review the Loan Documents to confirm no contrary requirements exist regarding the application of insurance loss proceeds (e.g., where the Loan Documents require the noteholder to reasonably approve the application of insurance proceeds, where the noteholder is to apply commercially reasonable standards, or where the noteholder has the power to approve in its sole discretion).

### 414.09A Fannie Mae Determination Required

If any of the following conditions exist, Fannie Mae will determine, in its sole discretion, whether to require the insurance loss proceeds to be (i) applied to the UPB, or (ii) used to repair and restore the Property:

- a default has occurred and is continuing under the Loan Documents;
- the combination of insurance proceeds and Borrower funds is insufficient to complete the necessary Property repairs for restoration to a condition fit for human habitation and meeting all applicable permitting requirements;
- prior to the commencement of any restoration work, the Servicer determines that, upon completion of the repair and restoration work, the Property will not be capable of generating sufficient income to cover all operating expenses, required Replacement Reserve deposits, P&I on the Mortgage Loan, and required payments on any subordinate debt secured by the Property, or will otherwise meet a DSCR or other test required by the Loan Documents; or
- the repair and restoration work will not be completed by the earlier of (i) the Maturity Date, or (ii) within 1 year from the date of the casualty loss.

### 414.09B Disposition of Insurance Loss Proceeds

Based upon the Borrowers plan of action and the Servicers overall assessment, and provided none of the conditions listed in Part V, Chapter 4: Asset Management: Loan Document Administration, Section 414.04: Required Casualty Loss Property Inspection exist, the Servicer has the authority to:

- hold the proceeds to incrementally reimburse the Borrower for the cost of repairing the damage and restoring the Property to

habitable condition; or

- recommend to Fannie Mae that the proceeds be applied to the UPB of the Mortgage Loan by submitting a request through the MAMP.

# Glossary

## B

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|---|---|
| Borrower | Person who is the obligor per the Note.<br><br>**Synonyms**<br>• Borrowers<br>• Borrower's |

## D

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|---|---|
| Debt Service Coverage Ratio | On an annual basis or any specified period, the ratio of Net Cash Flow to the total of: principal, interest, and required Mezzanine Financing or Hard Pay Preferred Equity payments.<br><br>**Synonyms**<br>• DSCR |

## L

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

## M

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| MAMP | Multifamily Asset Management Portal used to submit<br>• Property inspections,<br>• operating statements,<br>• requested modifications,<br>• asset management reports, and<br>• data corrections for loan or property attributes.<br><br>**Synonyms**<br>• Multifamily Asset Management Portal<br>• MAMP's |
| Maturity Date | Date all Mortgage Loan amounts become fully due and payable per the Loan Documents.<br><br>**Synonyms**<br>• Maturity Dates |
| Mortgage Loan | Mortgage debt obligation evidenced, or when made will be evidenced, by<br>• the Loan Documents, or<br>• a mortgage debt obligation with a Fannie Mae credit enhancement.<br><br>**Synonyms**<br>• Mortgage Loans<br>• Mortgage Loan's |

# P

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|---|---|
| P&I | Principal and interest |
| Property | Multifamily residential real estate securing the Mortgage Loan, including the<br>• fee simple or Leasehold interest,<br>• Improvements, and<br>• personal property (per the Uniform Commercial Code).<br><br>**Synonyms**<br>• Properties<br>• Property's |

# R

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|---|---|
| Replacement Reserve | Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.<br><br>**Synonyms**<br>• Replacement Reserves |
| Replacements | Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required.<br><br>**Synonyms**<br>• Replacement |

# S

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|---|---|
| Servicer | Primary Person servicing the Mortgage Loan, including<br>• the originator,<br>• seller, or<br>• a third party.<br><br>**Synonyms**<br>• Servicers<br>• Servicer's |

# U

| | |
|---|---|
| UPB | Unpaid Principal Balance<br><br>**Synonyms**<br>• UPBs |

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