



Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 503 Liability Insurance

503.01 Generally

Requirements

You must ensure:

- when the Commercial General Liability and professional liability policy covers multiple locations, general aggregate limits apply per location; and
- each Property and Borrower is covered, without exclusions, throughout the Mortgage Loan term by liability insurance for
 - bodily injury,
 - Property damage, and
 - personal injury.

503.02 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 aggregate units covered by the policy is...	The minimum excess/umbrella insurance coverage is...
Up to 250	\$1 million
251 - 500	\$2 million
501 - 1,000	\$3 million
1,001 - 2,000	\$5 million
2,001 - 5,000	\$10 million
5,001 - 10,000	\$15 million
More than 10,000	\$20 million

The following maximum deductibles or self-insured retention, or combined deductible and self-insured retention, apply to



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

Maximum Deductibles for All Other Perils	
For...	The maximum deductible amount per occurrence based on the Total Insurable Value is...
Specific Limit Insurance Policy	
Specific Limit Policies	\$50,000
Blanket Deductibles	
Blanket Policies	\$250,000
Expanded Deductibles¹	
Policies other than NFIP less than \$10 million	\$100,000
Policies other than NFIP \$10 million or more	\$150,000
<p>1 Expanded deductibles must meet all of the following:</p> <ul style="list-style-type: none"> • the Borrower evidences liquid assets equal to at least 4x the deductible amount; • the Mortgage Loan <ul style="list-style-type: none"> - has a Pass rating, - is not currently delinquent, and - has not been delinquent within the last 12 months; • the Property Condition Rating is a 2 or better; and • you annually review the Mortgage Loan's eligibility. 	

You must ensure the aggregate coverage meets or exceeds the required minimum limits using any combination of

- primary liability insurance, and
- excess/umbrella insurance coverage.





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.

503.03 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 claim or 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 503.02: Commercial General Liability Insurance](#).

Guidance

If coverage is switched from a Claims-Made Policy to an Occurrence-Based Policy, consider adding retroactive or tail coverage to ensure past exposures remain protected.

503.04 Workers' Compensation Insurance

Requirements

You must ensure:

- the Property has workers' compensation and employer's liability insurance (including terrorism coverage), if required where the Property is located; and
- coverage meets the statutory limits.

503.05 Directors' and Officers' Liability Insurance

Requirements

You must ensure for each Property owned by a Cooperative Organization, that each Borrower maintains directors' and officer's liability insurance with:

- coverage equal to at least \$1 million per claim or per occurrence; and
- a deductible less than or equal to \$50,000.



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

Property Condition Rating

An assessment of the Property's overall condition per the MBA Standard Inspection Form, expressed on a scale from 1 (the best Property Condition Rating) to 5 (lowest Property Condition Rating).

Synonyms

- Property Condition Ratings

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

T



Total Insurable Value

For any Property, the sum of the full value of the insured's:

- covered Property;
- Property-related business income values; and
- any other covered Property interests.

Synonyms

- Total Insurable Values