



# Multifamily Selling and Servicing Guide

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### **603.01C** Special Mention Asset

A Special Mention Asset is a Mortgage Loan that would otherwise be rated Pass, but has potential weaknesses requiring close attention. Ordinarily assets rated Special Mention have deficiencies in their administration which corrective management action might remedy. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the Mortgage Loan, or adversely affect its future performance. A Special Mention Asset rating is not a compromise between a Pass Asset and Substandard Asset rating, and should not be used to avoid exercising such judgment. Instead, it should be used to guide management on corrective measures that might be taken to strengthen an asset to avoid any potential deterioration in the asset's quality.

Characteristics of a Special Mention Asset rating include, but are not limited to, matters not immediately impacting Property cash flow or asset value that, if left uncorrected, may warrant an adverse risk classification in the future, including:

- material noncompliance with any Loan Document (including, but not limited to, any Completion/Repair Agreement, Replacement Reserve Schedule, or Collateral Agreement), or other similar Borrower obligation;
- ownership or management problems;
- pending litigation, citations, or code/regulatory violations; or
- any other material structural weakness, or any other significant deviation from prudent lending or ownership practices.



## Glossary

### B

**Borrower** Person who is the obligor under the Note.

**Synonyms**

- Borrowers
- Borrower's

### C

**Collateral Agreement** Agreement under which collateral (other than the Property) may be pledged, transferred, or otherwise provided to secure the Borrower's obligations under a Mortgage Loan.

**Synonyms**

- Collateral Agreements

**Completion/Repair Agreement** Document evidencing the Borrower's agreement to undertake Completion/Repairs and other identified capital improvements, the terms for funding the repairs, maintenance, or capital items, and the disbursement of funds from the Completion/Repair Escrow (e.g., Form 4505, or the applicable parts of the Multifamily Loan Agreement ([Form 6001 series](#)), including the Required Repair Schedule to the Multifamily Loan Agreement).

**Synonyms**

- Completion/Repair Agreements

### 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



## P

### Property

Multifamily residential property securing the Mortgage Loan and including the land (or Leasehold interest in land), Improvements, and personal property (as defined in the Uniform Commercial Code).

#### **Synonyms**

- Properties
- Property's

## R

### Replacement Reserve Schedule

The Required Replacement Schedule to the Multifamily Loan Agreement ([Form 6001 series](#)) a Replacement Reserve and Security Agreement (Form 4506), or another agreement approved by Fannie Mae, that evidences:

- the Borrower's agreement to undertake identified replacement of capital items and required maintenance;
- the terms for funding such replacement of capital items and maintenance; and
- the disbursement of funds from the Replacement Reserve.

#### **Synonyms**

- Replacement Reserve Schedules