



Multifamily Selling and Servicing Guide

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603.01D Substandard Asset

A Substandard Asset is inadequately protected by the current net worth and paying capacity of the Borrower or the related Property, including any additional collateral pledged. A Mortgage Loan classified as a Substandard Asset must have a well-defined weakness or weaknesses that may jeopardize the timely repayment of the Mortgage Loan, and there must be a distinct possibility that the Borrower will default under the terms of the Mortgage Loan if the deficiencies are not corrected. While Substandard Assets generally will have a distinct potential for loss, an individual Mortgage Loan may still be rated as a Substandard Asset even though that Mortgage Loan does not have distinct loss potential should it default.

A Substandard Asset has a higher probability of payment default than a Pass Asset or a Pass/Watch Asset, or it has other well-defined weaknesses and requires more intensive supervision by the Servicer.

Characteristics of a Substandard Asset rating include, but are not limited to:

- inadequate debt service coverage; or
- repayment that depends on the sale of the Property (or other collateral, if any) securing the Mortgage Loan, the assumption of the Mortgage Loan, or other credit risk mitigants.



Glossary

B

Borrower Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

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

S

Servicer Primary Person responsible for servicing the Mortgage Loan (e.g., the originator, the selling Lender, or a third-party servicer).

Synonyms

- Servicers