



Fannie Mae®

Multifamily Selling and Servicing Guide

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1903.03C Third-Party Reports

Requirements

If you and the construction lender use a single set of third-party reports for underwriting, the reports

- must be addressed to both lenders, but
- can be contracted and paid for by either lender.

Operating Procedures

You must obtain the following reports.

Report	Timing	You must...
Property Condition Assessment	Before Forward Commitment	Complete a PCA for all substantial rehabilitation properties.
	Before conversion	Obtain a PCA and complete the Replacement Reserve Schedule per Part II, Chapter 4: Lease Audits, Inspections, and Reserves .
Environmental Site Assessment	Before construction	Obtain a Phase I ESA.
	Before conversion	<ul style="list-style-type: none">• Obtain a new Phase I ESA.• Obtain a Phase II ESA if recommended by the new Phase I ESA.• Ensure any required remediation is complete before you Deliver the permanent Mortgage Loan.



Report	Timing	You must...
Architectural Review	Before Forward Commitment	<p>From an independent consulting architect, obtain an architectural review assessing the Property's</p> <ul style="list-style-type: none"> • preliminary plans and specifications, • compliance with local building codes, • site characteristics, • choice of building materials and finishes, • asset quality, • marketability, and • overall design appropriateness for the intended use.
	During construction	Use a consulting architect for in-field inspections.
	Final inspection	<p>Require the consulting architect to conduct a final inspection confirming the Property:</p> <ul style="list-style-type: none"> • was built according to the approved plans and specifications; and • meets all applicable building codes and zoning requirements.
Appraisal	Before Commitment	Obtain an Appraisal per Part II, Chapter 2: Valuation and Income .
	Before conversion	<p>Obtain a new or updated Appraisal if</p> <ul style="list-style-type: none"> • you request an increase in the permanent Mortgage Loan amount above the Forward Commitment terms, or • Fannie Mae requires it.



Guidance



You may use the same consulting architect as the construction lender if the consulting architect:

- is independent and not an employee of the construction lender;
- is retained directly by you and engaged separately by the construction lender; and
- acknowledges they may be required to make recommendations that do not align with those of the construction lender.



Glossary

A

Appraisal

Written statement independently and impartially prepared by a qualified Appraiser stating an opinion of the Property's market value

- as of a specific date, and
- supported by the presentation and analysis of relevant market information.

Synonyms

- Appraisals
- Appraisal's

C

Commitment

Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan.

Synonyms

- Committed
- Commitments

E

Environmental Site Assessment

Investigation and resulting report (Phase I ESA or Phase II ESA) conducted per Environmental Due Diligence Requirements ([Form 4251](#)), identifying if a Property has Recognized Environmental Conditions or Business Environmental Risks.

Synonyms

- ESA
- Environmental Site Assessments

F



Forward Commitment

Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property.

Synonyms

- Forward Commitment's
- Forward Commitments

L

Lease

Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent.

Synonyms

- Leases

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

Phase I ESA

Environmental Site Assessment conducted per the current ASTM E-1527 standard and the resulting report.

Synonyms

- Phase I Environmental Site Assessment
- Phase I ESAs



Phase II ESA

Environmental Site Assessment conducted per the current ASTM E-1903 standard, or any other post-Phase I ESA, and the resulting report.

Synonyms

- Phase II Environmental Site Assessment

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 Assessment

Assessment of the Property's physical condition and historical operation.

Synonyms

- PCA
- PNA
- Physical Needs Assessment
- PCAs

R

Replacement Reserve Schedule

The Required Replacement Schedule to the Multifamily Loan Agreement ([Form 6001 series](#)) and the applicable parts of the Multifamily Loan Agreement (or other agreement approved by Fannie Mae), that evidence the:

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

Synonyms

- Replacement Reserve Schedules