Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 502 Property Inspections

502.01 Forms

Requirements

For all Property inspections, you must use

- the MBA Standard Inspection Form, or
- if a Catastrophic Event has occurred, the Multifamily Catastrophic Loss Inspection form (Form 4261).

For a Green Rewards Mortgage Loan, you must also submit the Green Rewards Verification Inspection Form (Form 4221) per Part V, Chapter 4: Asset Management: Loan Document Administration, Section 408.03I: Green Rewards Efficiency Measure Verification.

Operating Procedures

On the MBA Standard Inspection Form, you must:

1. Select the Fannie Mae Inspection option on the Tools tab.
2. Complete the tabs per the following table.

Tab to be Completed	Additional Tab Requirements
General Information	Include the inspector's first and last name.
Physical Condition & Deferred Maintenance	

Tab to be Completed	Additional Tab Requirements
Photos	• Ensure the minimum interior and exterior photo requirements are met per Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol. • Include photographs of surrounding neighborhoods, if desired. Note: Photographs of the surrounding neighborhood do not count toward the minimum photo requirements per Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol.
Rent Roll	Ensure the rent roll is: • obtained during the site inspection; and • retained in your Servicing File and available to Fannie Mae upon request.
Management Interview	
Multifamily	
Agency Assessment Addendum	Ensure all Seller/Servicer Certification information is • completed, and • reviewed and certified by someone other than the actual inspector.
Senior Supplement	Required only for a Seniors Housing Property.

3. Assign an overall rating per the MBA Rating Scale Definitions.

502.02 Property Condition Concerns

Operating Procedures

If the Property has...	You must...
• an inspection rating of 4 or 5 per the Agency Assessment Addendum tab of the MBA Standard Inspection Form; • incomplete repairs per the specified timing in the Loan Documents; • significant deferred maintenance; or • non-significant deferred maintenance that was not corrected within 12 months after notifying the Borrower.	• Inform Multifamily Inspections and Multifamily Loss Mitigation: - promptly after receiving notice of any Life Safety Issues per Part V, Chapter 5: Surveillance, Section 502.06F: Life Safety Issues; or - otherwise within 10 Business Days after becoming aware. • Reinstate any suspended Completion/Repair Escrow or Replacement Reserve if the Property inspection rating is 4 or 5, unless the rating resulted from a casualty loss (see Part V, Chapter 5: Surveillance, Section 502.06E: Collateral Analysis). • Inspect the Property as necessary to ensure the Borrower resolves any deferred maintenance. • Regardless of whether the Mortgage Loan is on a Watchlist, submit a request to Multifamily Loss Mitigation before ordering a PCA (excluding regularly-scheduled PCAs required per the Loan Documents). • Identify the appropriate Fannie Mae risk rating per Part VI, Chapter 1: Watchlist Management .

502.03 Property Inspection Protocol

Guidance

Property inspection frequency is based on

- the current Fannie Mae risk rating,
- the Property Condition Rating,
- the Mortgage Loan amount at the Mortgage Loan Origination Date, and
- a full inspection (unless otherwise noted) of the specified percentage of units per the Property Inspection Protocol table criteria, but not:
  - less than the specified minimum; and
  - more than the specified maximum.

If the scheduled inspection due date is within 6 months of the Maturity Date,

the MAMP inspection due date will be set to 6 months before the Maturity Date.

Operating Procedures

You must complete:

- a post-origination Property inspection within 12 months; and
- additional Property inspections per the Inspection Frequency column in the following table.

Property Inspection Protocol						
If the original Mortgage Loan Amount is greater than $30 million...						
Type	Fannie Mae Risk Rating	Inspection Frequency	Number of Units to Inspect		Minimum # of Photos Total (Interior/Exterior)	Inspector
			%	Min/Max		
All Mortgage Loans	• Pass, • Pass-Watch, or • Special Mention	Annual	5%	5/15	20 (5/15)	• Third-Party, or • In-House
	Substandard	Annual	10%	10/20	20 (5/15)	In-House Only
If the original Mortgage Loan Amount is greater than $6 million and less than or equal to $30 million...						
NOTE: DSCR is per the most recent annual financial statement submitted to Fannie Mae.						
Type	Fannie Mae Risk Rating	Inspection Frequency	Number of Units to Inspect		Minimum # of Photos Total (Interior/Exterior)	Inspector
			%	Min/Max		
Most recent Property Condition Rating of 3	• Pass, • Pass-Watch, or • Special Mention	Annual	10%	10/20	20 (5/15)	• Third-Party, or • In-House
Consecutive Property Condition Ratings of 3 or worse	All Ratings	Annual	10%	10/20	20 (5/15)	In-House Only

Property Inspection Protocol						
Most recent Property Condition Rating of 4 or 5	All Ratings	Annual	10%	10/20	20 (5/15)	In-House Only
• Seniors Housing, or • Rent-Stabilized	• Pass, • Pass-Watch, or • Special Mention	Annual	5%	5/15	20 (5/15)	• Third-Party, or • In-House
	Substandard	Annual	10%	10/20	20 (5/15)	In-House Only
Maturing	All Ratings	Within 12 months before Maturity Date	Per applicable Mortgage Loan type.			
All others	• Pass, Pass-Watch, or Special Mention; and • DSCR ≥ 1.35, or Co-op DSCR ≥ 1.00.	• Every 2 years; or • Annual if required annual Operating Statement not received.	5%	5/15	20 (5/15)	• Third-Party, or • In-House
	• Pass, Pass-Watch, or Special Mention; and • DSCR < 1.35, or Co-op DSCR < 1.00.	Annual	5%	5/15	20 (5/15)	• Third-Party, or • In-House
	Substandard	Annual	10%	10/20	20 (5/15)	In-House Only
If the original Mortgage Loan Amount is $6 million or less...						
NOTE: If the Property has 10 units or less, at least 2 units must be inspected.						
Type	Fannie Mae Risk Rating	Inspection Frequency	Number of Units to Inspect: %	Number of Units to Inspect: Min/Max	Minimum # of Photos: Total (Interior/Exterior)	Inspector

Property Inspection Protocol						
Most recent Property Condition Rating of 4 or 5 (unless Delivered Mortgage Loan Amount was less than $750,000)	All Ratings	Annual	10%	10/20	20 (5/15)	In-House Only
• Seniors Housing, or • Rent-Stabilized	• Pass, • Pass Watch, or • Special Mention	Annual	5%	5/15	20 (5/15)	• Third-Party, or • In-House
	Substandard	Annual	10%	10/20	20 (5/15)	In-House Only
Maturing	All Ratings	Within 12 months before Maturity Date	Per applicable Mortgage Loan type.			
All others	• Pass, Pass-Watch, or Special Mention; and • Delivered Mortgage Loan Amount < $750,000.	Walk Around every 5 years	N/A	N/A	15 (exterior photos only)	• Third-Party, or • In-House
	• Pass, Pass-Watch, or Special Mention; and • Delivered Mortgage Loan Amount ≥ $750,000.	Every 2 years	5%	2/5	15 (5/10)	• Third-Party, or • In-House
	Substandard	Annual	10%	2/5	15 (5/10)	In-House Only

502.04 Scheduling and Submissions

502.04A Scheduling

Operating Procedures

You must:

- ensure Property inspections are performed per Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol; and
- allow enough time to submit the Property inspection form by the MAMP submission due date.

Guidance

For scheduling efficiency, you may request 1 automatic extension for up to 60 days after the submission due date if:

- you request it before the original submission due date using the Modification Request tab within the MAMP;
- the Fannie Mae risk rating is not Substandard;
- the most recent Property inspection rating is:
  - 1 or 2; or
  - 3 if the inspection is less than 1 year old; and
- the extended MAMP submission due date is at least 6 months before the Maturity Date.

502.04B Submissions

Operating Procedures

You must:

- Submit via the MAMP:
  - the origination inspection form:
    - within 45 days after Fannie Mae purchases the Mortgage Loan and loads it into the MAMP; and
    - no later than the MAMP submission due date; and
  - each subsequent inspection form:
    - within 60 days after the Property inspection date; and
    - no later than the MAMP submission due date.

- Timely resolve all issues Fannie Mae identifies.

Guidance

See the MAMP User Guide for Property inspection form submission information.

If the Property inspection is inadequate, Fannie Mae may require you to obtain a new inspection at your expense.

502.05 Property Inspectors

502.05A Qualifications

Requirements

You must ensure any inspector:

- Meets 1 of the following:

1. Is certified by the:

   - Real Estate Assessment Center for HUD as a Certified Home Inspector;
   - American Society of Home Inspectors (ASHI); or
   - International Association of Certified Home Inspectors (InterNACHI).

2. Is a:

   - state-certified home inspector;
   - registered architect; or
   - civil engineer.

3. Successfully completed other acceptable training, including the MBA's School of Multifamily Property Inspections.

- Has the following minimum experience:

Type	Minimum Inspection Experience
Senior Housing Mortgage Loans	10 seniors housing property inspections
Substandard Fannie Mae Risk Rating	25 multifamily property inspections
All Others	10 multifamily property inspections

502.05B Third Parties

Requirements

Any third-party inspector must:

- have no financial interest in the inspected Property;
- have experience in the Property's market; and
- not reassign responsibility to another Person without your approval.

Guidance

Fannie Mae reserves the right, in its sole discretion, to notify you that a third-party inspector or inspection firm is unacceptable.

502.06 Content

502.06A Unit Selection

Operating Procedures

When selecting units:

- The inspector, not the Property manager, must select and inspect the interior of:
  - all down units (i.e., units that cannot currently be rented in the normal course of business);
  - at least the minimum, but no more than the maximum, number of occupied and vacant units per Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol; and
  - units where at least:
    - 50% are vacant (if existing); and
    - 2 are occupied.
- If substantial physical concerns exist, the inspector may inspect more than the maximum number of units per Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol.
- If a Property has Non-Contiguous Parcels or scattered sites, on each parcel or site:
  - inspect all buildings;
  - allocate the number of units to inspect in the same proportion as the

total Property units; and

- randomly select the units to be inspected.

502.06B Photos

Operating Procedures

You must submit at least the minimum number of photos per Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol with the Property inspection form. The photos must include views and captions of the Property's

- signage,
- frontage,
- site office and clubhouse (if applicable),
- amenities,
- typical building front,
- apartment interior,
- major building systems,
- deferred maintenance and life safety items,
- extraordinary repair or capital expenditure items, and
- all critical or substantial issues per the inspection report.

502.06C Interviews

Operating Procedures

Except for walk-around inspections, you must interview the Property manager and other on-site staff to:

- ascertain the Property's condition and performance; and
- confirm all life safety and deferred maintenance items per the most recent Property inspection were corrected.

502.06D Market Analysis

Operating Procedures

You must evaluate:

- the Property's neighborhood, submarket, and market to determine material shifts in economic and real estate conditions; and
- competitive properties to determine any changes in the Property's competitive position since
  - initial underwriting, or
  - the most recent Property inspection.

502.06E Collateral Analysis

Operating Procedures

If the Property needs repairs or maintenance:

Step	Activity	You must...
1	Notify Borrower	• Regardless of the property inspection rating, within 45 days after the inspection date, or within 30 days after you receive notice of a Fannie Mae reinspection: - identify the repair or maintenance issues; - include any photos; and - direct the Borrower to timely complete the work. • Use Form 4830 if the Property inspection rating is 3, 4, or 5.
2	Follow Up	• Follow up to ensure the Borrower responded and the work was successfully completed. If not: - notify the Borrower; - notify Multifamily Inspections; and - include your resolution recommendation. • Use Form 4831 or Form 4832 if the Property inspection rating is 3, 4, or 5.

Step	Activity	You must...
3	Set Rating	Set the Property inspection overall rating to 4 (or 5 depending on the severity or other existing issues) if: • 10% or more of the units are down for any reason; or • there is casualty damage equal to - 25% of the current UPB, or - $1 million.

Guidance

Setting the Property inspection rating to 4 or 5 does not:

- add the Mortgage Loan to Fannie Maes Watchlist;
- require an Action Plan; or
- require Replacement Reserves reinstatement if the rating is the result of a casualty loss unless you
  - identify other performance issues that increase credit risk, or
  - expect insufficient funds or insurance proceeds to restore the Property to its original condition.

502.06F Life Safety Issues

Requirements

If a third-party inspector identifies any Property issues that would be rated 3, 4, or 5 per the Life Safety section of the Agency Assessment Addendum of the MBA Standard Inspection Form, the inspector must notify you within 3 Business Days after completing the inspection.

502.07 Quality Control

502.07A Program

Requirements

You must:

- Have a quality control program to annually review the Property

inspections performed by third-party inspectors.

- Ensure every Property inspection complies with Fannie Maes requirements before submission.
- Show evidence and results of your quality control program if requested.

502.07B Inspection Form Retention

Operating Procedures

You must

- retain all Property inspection forms in your Servicing File for at least 2 inspection cycles, and
- submit them upon request.

502.07C Additional Inspections and Fees

Guidance

Property inspections are a regular asset management responsibility, and additional Property inspections may be required if circumstances warrant.

You may charge the Borrower a reasonable Property inspection fee if it is

- permitted per the Loan Documents or other written Borrower agreement, and
- not prohibited by Fannie Mae.

Glossary

A

Action Plan	Your report analyzing • the Mortgage Loan and Property issues, • your resolution strategy, and • related actions and outcomes. **Synonyms** • Action Plans

B

Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's
Business Day	Any day other than a • Saturday, • Sunday, • day when Fannie Mae is closed, • day when the Federal Reserve Bank of New York is closed, or • for any MBS and required remittance withdrawal, day when the Federal Reserve Bank is closed in the district where any of the MBS funds are held. **Synonyms** • Business Days

C

Catastrophic Event	Natural or man-made hazard resulting in an event of substantial extent causing • significant physical damage or destruction, • loss of life, or • drastic change to the natural environment, such as - earthquake, - flood, - terrorist attack, or - windstorm. **Synonyms** • Catastrophic Events
Collateral	Property, Personal Property, or other property securing a Mortgage Loan.
Completion/Repair Escrow	Custodial Account funded on the Mortgage Loan Origination Date for Completion/Repairs or capital improvements per the Loan Documents.
Completion/Repairs	Repairs or capital item replacements and deferred maintenance: • identified per the Property Condition Assessment; and • required per the - Completion/Repair Schedule, or - Completion/Repair Agreement. **Synonyms** • Completion/Repair
Control	Possessing, directly or indirectly, the power to direct or cause the management and operations of an entity (e.g., through the ownership of voting securities or other ownership interests, or by contract). **Synonyms** • Controlling • Controlled • Controls

Cooperative Property	Multifamily residential property owned by a Cooperative Organization. **Synonyms** • Co-op • Cooperative

D

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. **Synonyms** • DSCR
Delivered Mortgage Loan Amount	UPB of a Mortgage Loan when it is purchased by Fannie Mae.
Delivery	Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Maes satisfaction. **Synonyms** • Deliver • Delivered • Deliveries
Down Unit	Unit currently not rentable in the normal course of business due to requiring more than routine maintenance and repairs. **Synonyms** • Down Units

E

Efficiency Measures	Energy- and water-efficiency measures that the Borrower agrees to implement per the Multifamily Loan Agreement to qualify as a Green Rewards Mortgage Loan, and which project a reduction in the Property's annual energy or water consumption. **Synonyms** • Efficiency Measure

G

Green Rewards Mortgage Loan	Mortgage Loan secured by a Property where the Borrower agrees to undertake 1 or more Energy- and Water-Efficiency Measures that comply with Part III, Chapter 4: Green Mortgage Loans, Section 403: Green Rewards Mortgage Loans. **Synonyms** • Green Rewards Mortgage Loans • Green Rewards
Green Rewards Verification	Green Rewards Mortgage Loan Property inspection ensuring all Efficiency Measures were correctly installed.
Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

H

HUD	U.S. Department of Housing and Urban Development **Synonyms** • HUD's

L

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

M

MAMP	Multifamily Asset Management Portal used to submit • Property inspections, • operating statements, • requested modifications, • asset management reports, and • data corrections for loan or property attributes. **Synonyms** • Multifamily Asset Management Portal • MAMP's
Maturity Date	Date all Mortgage Loan amounts become fully due and payable per the Loan Documents. **Synonyms** • Maturity Dates
MBA	Mortgage Bankers Association **Synonyms** • MBA's

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
Mortgage Loan Origination Date	Date you fund a Mortgage Loan to the Borrower. **Synonyms** • Mortgage Loan's Origination Date • Origination Date
Multifamily Inspections	Team that can be contacted at mf_inspections@fanniemae.com.
Multifamily Loss Mitigation	Team that can be contacted at lm_watch@fanniemae.com.

N

Non-Contiguous Parcels	Multiple parcels of land securing a Mortgage Loan that do not share common boundaries or that are separated by dedicated or private streets that are major arterials. **Synonyms** • Non-Contiguous Parcel

Note	Instrument evidencing a Mortgage Loan obligation, including
	• Form 6010 series,
	• any other Fannie Mae-approved note, and
	• all applicable
	  - addenda,
	  - schedules, and
	  - exhibits.
	
	Synonyms
	• Notes

P

Person	Legal person, including an • individual, • estate, • trust, • corporation, • partnership, • limited liability company, • financial institution, • joint venture, • association, or • other organization or entity (whether governmental or private). **Synonyms** • Persons • Person's
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
Property Condition Rating	An assessment of the Propertys 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

R

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

S

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Seniors Housing Property	Multifamily residential rental property with any combination of Independent Living, Assisted Living, Alzheimers/Dementia Care, or Skilled Nursing units. **Synonyms** • Seniors Housing • Seniors Housing Properties
Servicer	Primary Person servicing the Mortgage Loan, including • the originator, • seller, or • a third party. **Synonyms** • Servicers • Servicer's
Servicing File	Your file for each Mortgage Loan serviced. **Synonyms** • Servicing Files

U

UPB	Unpaid Principal Balance **Synonyms** • UPBs

W

Watchlist	The risk rating classification if you or Fannie Mae determine the Mortgage Loan has heightened credit risk.