

Multifamily Selling and Servicing Guide

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502.06 Content

502.06A Unit Selection

S 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

Solution 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

Coperating 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

Coperating 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

Coperating Procedures

If the Property needs repairs or maintenance:



Step	Activity	You must
1	Notify Borrower	 Within 45 days after the inspection date, 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.
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:

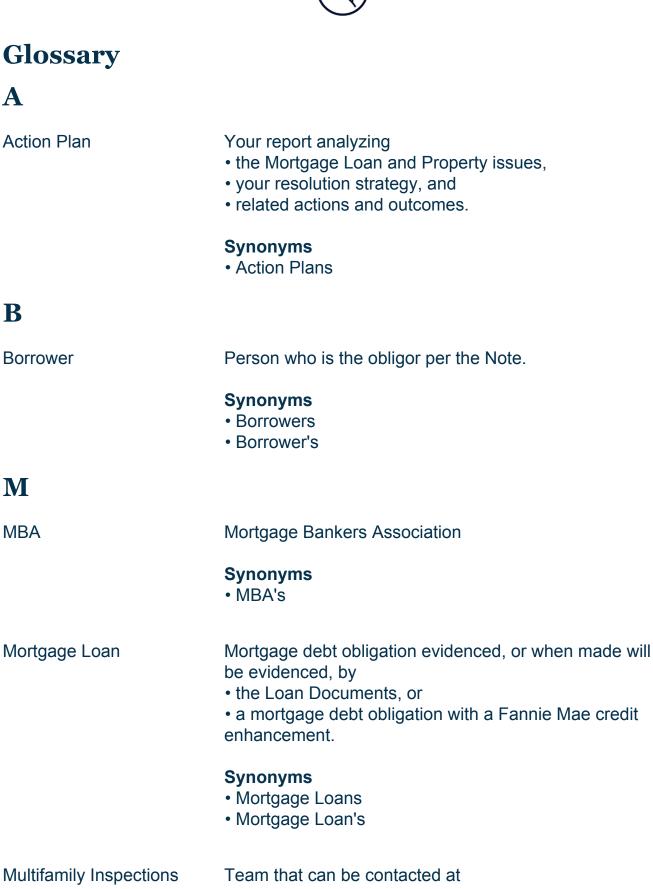
- add the Mortgage Loan to Fannie Mae's Watchlist;
- require an Action Plan; or
- require Replacement Reserves reinstatement if the rating is the result of a casualty loss unless you
 - identify other performance issues that increase credit risk, or
 - expect insufficient funds or insurance proceeds 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 Fannie Mae Assessment Addendum of the MBA Standard Inspection Form, the inspector must notify you within 3 Business Days after completing the inspection.



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		
Р			
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 		
U			
UPB	Unpaid Principal Balance		
	Synonyms • UPBs		
W			
Watchlist	The risk rating classification if you or Fannie Mae		

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