



Fannie Mae®

Multifamily Selling and Servicing Guide

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TABLE OF CONTENTS

Part V Section 502.06 Content 3

 502.06A Unit Selection 3

 502.06B Photos 3

 502.06C Interviews 4

 502.06D Market Analysis 4

 502.06E Collateral Analysis 4

 502.06F Life Safety Issues 5

GLOSSARY 7



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	<ul style="list-style-type: none">• Within 45 days after the inspection date,<ul style="list-style-type: none">- 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	<ul style="list-style-type: none">• Follow up to ensure the Borrower responded and the work was successfully completed. If not:<ul style="list-style-type: none">- 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	<p>Set the Property inspection overall rating to 4 (or 5 depending on the severity or other existing issues) if:</p> <ul style="list-style-type: none">• 10% or more of the units are down for any reason; or• there is casualty damage equal to<ul style="list-style-type: none">- 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.



Glossary

A

Action Plan	Your report analyzing <ul style="list-style-type: none">• the Mortgage Loan and Property issues,• your resolution strategy, and• related actions and outcomes.
	Synonyms <ul style="list-style-type: none">• Action Plans

B

Borrower	Person who is the obligor per the Note.
	Synonyms <ul style="list-style-type: none">• Borrowers• Borrower's

M

MBA	Mortgage Bankers Association
	Synonyms <ul style="list-style-type: none">• MBA's
Mortgage Loan	Mortgage debt obligation evidenced, or when made will be evidenced, by <ul style="list-style-type: none">• the Loan Documents, or• a mortgage debt obligation with a Fannie Mae credit enhancement.
	Synonyms <ul style="list-style-type: none">• Mortgage Loans• Mortgage Loan's
Multifamily Inspections	Team that can be contacted at mf_inspections@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

P

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 determine the Mortgage Loan has heightened credit risk.