Fannie Mae®

Multifamily Selling and Servicing Guide

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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.
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.

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

D

Down Unit	Unit currently not rentable in the normal course of business due to requiring more than routine maintenance and repairs. **Synonyms** • Down Units

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G

Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

M

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
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

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

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.