



Fannie Mae®

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# 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 | <ul style="list-style-type: none"><li>• Within 45 days after the inspection date,<ul style="list-style-type: none"><li>- identify the repair or maintenance issues,</li><li>- include any photos, and</li><li>- direct the Borrower to timely complete the work.</li></ul></li><li>• Use <a href="#">Form 4830</a> if the Property inspection rating is 3, 4, or 5.</li></ul>   |
| 2    | Follow Up       | <ul style="list-style-type: none"><li>• Follow up to ensure the Borrower responded and the work was successfully completed. If not:<ul style="list-style-type: none"><li>- notify the Borrower;</li><li>- notify Multifamily Inspections; and</li><li>- include your resolution recommendation.</li></ul></li><li>• Use <a href="#">Form 4831</a> or <a href="#">Form 4832</a> if the Property inspection rating is 3, 4, or 5.</li></ul> |
| 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"><li>• 10% or more of the units are down for any reason; or</li><li>• there is casualty damage equal to<ul style="list-style-type: none"><li>- 25% of the current UPB, or</li><li>- \$1 million.</li></ul></li></ul>  |

### 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

- 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

## 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](mailto: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.