



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## Chapter 20 Condominium Properties

### Section 2001 Eligible Mortgage Loans

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#### Requirements

For any Condominium Property, you must:

- evaluate the Condominium Documents for compliance with the Condominium Document Review Checklist ([Form 6498](#));
- determine if it is a:
  - Residential Condominium where the Borrower owns:
    - 100% of the units (i.e., a Wholly-Owned Condominium); or
    - less than 100% but at least 80% of the units (i.e., a Fractured Condominium); or
  - Commercial Condominium where the Borrower owns 100% of the residential units but does not own any other unit;
- ensure each Condominium Property unit:
  - is a separate tax parcel; and
  - has a separate tax bill;
- confirm:
  - the entire Property is subject to the Condominium regime;
  - all assessments and payments due per the Condominium Documents are current;
  - future assessments and payments from the Borrower are subordinate to the Mortgage Loan;
  - the Borrower is:
    - complying with all Condominium Documents; and
    - not involved in any Condominium Property disputes that may
      - result in material litigation, or
      - materially adversely impact the Property; and
- retain [Form 6498](#) in your Servicing File.



## Section 2002 Control

### Requirements

Control Requirements	
For a...	To be eligible for Delivery, you must ensure the Borrower has...
Wholly-Owned Condominium	<p>Complete control to directly or indirectly manage and operate the Condominium Property, through voting rights, consent rights, or ownership, to control all:</p> <ul style="list-style-type: none"><li>• voting outcomes; and</li><li>• actions taken, including for:<ul style="list-style-type: none"><li>- Condominium termination;</li><li>- Condominium Document amendments;</li><li>- assessments and budgets;</li><li>- insurance requirements; and</li><li>- post casualty or condemnation:<ul style="list-style-type: none"><li>▪ restoration and repair; and</li><li>▪ proceeds or award application.</li></ul></li></ul></li></ul>



Control Requirements	
For a...	To be eligible for Delivery, you must ensure the Borrower has...
Fractured Condominium or Commercial Condominium	<p>Material control (including the requisite votes in any Person directly or indirectly governing the Condominium), either individually or with its mortgagee, to:</p> <ul style="list-style-type: none"> <li>• prevent:               <ul style="list-style-type: none"> <li>- Condominium termination; and</li> <li>- any Material Amendment to the Condominium Documents; and</li> </ul> </li> <li>• require, either directly or per the Condominium Documents:               <ul style="list-style-type: none"> <li>- Condominium repair and restoration, including common elements, for any casualty or condemnation damage equal to 80% or less of either the                   <ul style="list-style-type: none"> <li>▪ common elements, or</li> <li>▪ Borrower-owned Condominium units; and</li> </ul> </li> <li>- for any casualty or condemnation neither repairable nor restorable, timely distribution of insurance or condemnation proceeds to Condominium unit owners.</li> </ul> </li> </ul>

 Guidance

Condominium Document Review	
Topic	You should review the Condominium Documents to evaluate...
Governing Body	<p>Membership</p> <ul style="list-style-type: none"> <li>• composition,</li> <li>• appointment, and</li> <li>• removal.</li> </ul>



Condominium Document Review	
Topic	You should review the Condominium Documents to evaluate...
Voting	Thresholds for <ul style="list-style-type: none"><li>• making decisions,</li><li>• amending documents, and</li><li>• terminating the condominium structure.</li></ul>
Association	<ul style="list-style-type: none"><li>• Responsibilities for<ul style="list-style-type: none"><li>- collecting fees,</li><li>- managing maintenance tasks,</li><li>- obtaining adequate insurance, and</li><li>- mediating disputes.</li></ul></li><li>• Requirements and restrictions for<ul style="list-style-type: none"><li>- operations,</li><li>- physical appearance,</li><li>- common area alterations,</li><li>- unit alterations, and</li><li>- rebuilding.</li></ul></li></ul>
Assessment Fees	Provisions for <ul style="list-style-type: none"><li>• establishment,</li><li>• escalation, and</li><li>• special assessments.</li></ul>
Common Areas	Use of <ul style="list-style-type: none"><li>• shared amenities,</li><li>• ingress/egress, and</li><li>• parking.</li></ul>
Financials	Reasonableness of <ul style="list-style-type: none"><li>• annual budget,</li><li>• 3 years Condominium income/expense statements, and</li><li>• reserves.</li></ul>



Condominium Document Review	
Topic	You should review the Condominium Documents to evaluate...
Insurance Proceeds and Condemnation Awards	How funds are <ul style="list-style-type: none"> <li>• held,</li> <li>• applied, and</li> <li>• disbursed.</li> </ul>
Covenant Enforcement	Ability to, and history of, <ul style="list-style-type: none"> <li>• levying fines,</li> <li>• collecting interest, and/or</li> <li>• placing and foreclosing liens.</li> </ul>
Insurance	Coverage for <ul style="list-style-type: none"> <li>• property (e.g., accidents, fire, equipment failure, flood, wind, etc.),</li> <li>• liability (personal injury), and</li> <li>• director's and officer's (e.g., theft, fraud, etc.).</li> </ul>

## Section 2003 Loan Documents

### Requirements

Loan Documents	
For a...	You must ensure execution of...
Wholly-Owned Condominium	<ul style="list-style-type: none"> <li>• Modifications to Multifamily Loan and Security Agreement (Condominium Provisions) ( <a href="#">Form 6202</a> ); and</li> <li>• Modifications to Security Instrument (Condominium Subordination) (<a href="#">Form 6304</a>).</li> </ul>



Loan Documents	
For a...	You must ensure execution of...
Fractured Condominium or Commercial Condominium	<ul style="list-style-type: none"><li>• Modifications to Multifamily Loan and Security Agreement (Fractured/Commercial Condominium Provisions) ( <a href="#">Form 6258</a> );</li><li>• Estoppel Certificate attached to <a href="#">Form 6258</a> , executed by the condominium association;</li><li>• Modifications to Security Instrument (Condominium Subordination) ( <a href="#">Form 6304</a> );and</li><li>• Guaranty of Non-Recourse Obligations (<a href="#">Form 6015</a>).</li></ul>



# Glossary

## B

**Borrower** Person who is the obligor per the Note.

### **Synonyms**

- Borrowers
- Borrower's

## C

**Commercial Condominium** Mixed-use Condominium Property combining Borrower-owned multifamily residential units with 1 or more other uses (e.g., retail, hotel, office, etc.) which may not be Borrower-owned.

**Condominium** Statutorily established Property ownership regime where Condominium Documents designate:

- individual units for separate ownership; and
- common areas for shared use and joint ownership by the unit owners.

**Condominium Documents** Governing documents:

- for the Condominium and owners' association's
  - creation,
  - operation, and
  - management; and
- including Condominium instruments for Condominium governance, such as
  - declarations,
  - plats,
  - bylaws,
  - rules and regulations,
  - articles of incorporation, or
  - any other document required by law.

### **Synonyms**

- Condominium Document



**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

## D

**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 Mae's satisfaction.

**Synonyms**

- Deliver
- Delivered
- Deliveries

## F

**Fractured Condominium** Residential Condominium Property where the Borrower owns less than 100% of the units.

## G

**Guaranty** Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.

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

**Synonyms**

- DUS Guide

## L



Lien Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.

**Synonyms**

- Liens

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

**Synonyms**

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

## M

Material Amendment Change to the Condominium Documents pertaining to:

- modifying, after a casualty or condemnation,
  - insurance requirements,
  - use of insurance proceeds, or
  - rebuild requirements;
- altering or restricting the use of the
  - Condominium units,
  - common elements, or
  - other easements;
- decreasing mortgagee
  - rights, or
  - notices;
- altering or diluting
  - voting rights, or
  - the number of board seats;
- diluting Borrower's ownership interest in, or use of, common elements;
- changing the structure or methodology for determining assessments and special assessments; or
- causing or allowing termination of the Condominium structure without Borrower or mortgagee consent.



## 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

## N

### Non-Recourse Guaranty

Guaranty executed by a Key Principal on Form 4501 series or [Form 6015 series](#), or approved by Fannie Mae.

### **Synonyms**

- Guaranty of Non-Recourse Obligations

## 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

## R

**Residential Condominium** Condominium Property where all units are residential.

## S

**Security** MBS, PFP MBS, or REMIC.

**Synonyms**

- Securities

**Security Instrument** Instrument creating a lien or encumbrance on 1 or more Properties and securing the Loan Document obligations.

**Synonyms**

- Security Instruments
- Security Instrument's

**Servicing File** Your file for each Mortgage Loan serviced.

**Synonyms**

- Servicing Files

## W

**Wholly-Owned Condominium** Residential Condominium Property where the Borrower owns 100% of the units.