Fannie Mae®

Multifamily Selling and Servicing Guide

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TABLE OF CONTENTS

Part II Section 402 Site Inspections 3
402.01 Physical Inspections 3
402.01A Generally 3
402.01B Selecting Units 3
402.01C Inspection Notification 4
402.02 Capital Item Replacements 5
GLOSSARY 7

Section 402 Site Inspections

402.01 Physical Inspections

402.01A Generally

Requirements

You must:

- before the Commitment Date, ensure your qualified employee per Part V, Chapter 5: Surveillance, Section 502.05A: Qualifications:
  - performs a physical Property inspection;
  - confirms the status of all units selected for inspection below (e.g., whether occupied or vacant), per a current rent roll;
  - completes the MBA Standard Inspection Form using their own photos; and
  - compares the consistency of their photos with the
    - PCA, and
    - Appraisal;
- confirm the MBA Standard Inspection Form is accurate and complete; and
- not Deliver any Mortgage Loan with a Property Condition Rating of 4 or 5.

Guidance

You may allow the PCA Consultant to complete the General Information tab of the MBA Standard Inspection Form.

402.01B Selecting Units

Requirements

To determine the minimum number of units to inspect, you must:

- use the Physical Property Inspection table; and
- increase the number by 25% if some units are not accessible.

Physical Property Inspection	
For Properties with...	You must inspect at least...
5 - 9 units	all available units.
10 - 100 units	the greater of • 5 units or • 10% of all units.
101 - 300 units	10% of all units.
301 - 900 units	40 units.
901+ units	50 units.

When choosing which units to inspect, you must:

- randomly select floors and units;
- include:
  - all unit types and as many different floors as possible;
  - units from all buildings;
  - all units vacant for more than 90 days, unless the Property is a Near Stabilized Property;
  - all down units (i.e., units that cannot currently be rented in the normal course of business); and
  - any additional units you deem appropriate based on
    - Property type,
    - other factors, or
    - the results of your initial inspection.

402.01C Inspection Notification

Requirements

Before the inspection, you must email the Borrower and management company to:

- request access to units selected for inspection; and
- notify them that, if any selected units are unavailable, an additional 25% of the units required to be sampled per Part II, Chapter 4: Lease Audits,

Inspections, and Reserves, Section 402.01B: Selecting Units must be inspected (e.g., for a 500 unit building requiring 40 units to be inspected, if selected units are unavailable, an additional 10 units must be inspected).

402.02 Capital Item Replacements

Requirements

For replacement of capital items, you must:

- for refinances, obtain:
  - an itemized list of capital items completed within the last 24 months; and
  - for any capital item replacements you cannot independently confirm were completed, the invoices showing the associated actual costs;
- use best efforts to obtain the PCA Consultant's written confirmation that capital items were completed;
- evaluate the Property's actual condition, considering:
  - the list of capital items reportedly completed within the last 24 months; and
  - their associated actual costs;
- confirm with the Appraiser that the actual cost of capital items completed within the last 12 months was factored into the Appraised Value; and
- document your analysis in the Transaction Approval Memo.

Transaction Approval Memo Documentation	
For...	You must document the...
Interior Unit Renovations	• specific scope, and • estimated percentage of units updated.

Transaction Approval Memo Documentation	
For...	You must document the...
Replacements of capital items for refinances	• work has been completed based on: - an inspection by ▪ you, or ▪ the PCA Consultant,or - invoices or documentation; or • if the work completed cannot be verified, request invoices or other documentation to confirm its completion.

Glossary

A

Appraisal	Written statement independently and impartially prepared by a qualified Appraiser stating an opinion of the Property's market value • as of a specific date, and • supported by the presentation and analysis of relevant market information. **Synonyms** • Appraisals • Appraisal's
Appraised Value	Appraiser’s opinion of the Property's market value documented in the Appraisal, on an “as is” basis, unless use of an “as completed” basis is specifically permitted per the Guide. **Synonyms** • Appraised Values
Appraiser	Person engaged to estimate a Property’s market value per USPAP. **Synonyms** • Appraiser's • Appraisers

B

Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

C

Commitment Date	Date a Commitment is confirmed by Fannie Mae per Part IV, Chapter 2: Rate Lock and Committing, Section 204: Commitments.

L

Lease	Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent. **Synonyms** • Leases

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

N

Near Stabilized Property	Newly constructed or recently rehabilitated Property, with all construction or rehabilitation complete, which is expected to achieve Stabilized Residential Occupancy and the applicable required Underwritten Debt Service Coverage Ratio within 120 days after the Mortgage Loan Origination Date.

P

PCA Consultant	Individual or firm conducting a PCA and preparing a PCA Report. **Synonyms** • PCA Consultant'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
Property Condition Rating	An assessment of the Property's overall condition per the MBA Standard Inspection Form, expressed on a scale from 1 (the best Property Condition Rating) to 5 (lowest Property Condition Rating). **Synonyms** • Property Condition Ratings

R

Replacements	Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required. **Synonyms** • Replacement