



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 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; and
- not Deliver any Mortgage Loan secured by a Property with an overall condition rating of 4 or 5 per the Comprehensive Assessment 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.



Physical Property Inspection	
For Properties with...	You must inspect at least...
10 - 100 units	the greater of <ul style="list-style-type: none"><li>• 5 units or</li><li>• 10% of all units.</li></ul>
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).



# 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

## 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

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