



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of April 30, 2026

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.



TABLE OF CONTENTS

Part II Section 301.03 Legal Non-Conforming Characteristics	3
GLOSSARY	5



301.03 Legal Non-Conforming Characteristics

Requirements

If the Property's characteristics are legally non-conforming, you must:

- ensure the Borrower executes the Modifications to Multifamily Loan and Security Agreement (Legal Non-Conforming Status) ([Form 6275](#));
- confirm whether, if fully or partially destroyed, the Property's Improvements can be fully rebuilt to the pre-casualty condition per current
 - laws,
 - zoning requirements, and
 - building codes; and
- if the Property's Improvements cannot be fully rebuilt to the pre-casualty condition,
 - evaluate if the as-rebuilt Property will support the Mortgage Loan at the current Tier, and
 - document your analysis in the Transaction Approval Memo.

Guidance

To assess the Borrower's ability to rebuild Improvements on a non-conforming Property to a level that will support the Mortgage Loan at the current Tier, you should consider:

- conducting a threshold analysis to determine the resulting actual amortizing DSCR if the reconstructed Improvements cannot be rebuilt as-is per current law;
- the likelihood of a casualty event (e.g., wind, earthquake, fire, flood, mine subsidence, etc.);
- the percentage of damage to the Improvements at which the Property's jurisdiction will require the Property be rebuilt to current zoning and land use requirements (i.e., the destruction threshold);
- which Property characteristics the destruction threshold percentage applies to, such as
 - market value,
 - assessed value,



- replacement cost, or
- unit count;
- for Properties with multiple buildings, if the destruction threshold percentage applies to
 - each building, or
 - all buildings as a whole;
- the replacement cost to rebuild per current requirements for
 - zoning, and
 - land use;
- the Property's continued
 - marketability, and
 - economic viability;
- the amount and type of Borrower-maintained insurance coverage required per [Part II, Chapter 5: Property and Liability Insurance, Section 501.02E: Ordinance or Law Insurance](#);
- insurance loss proceeds payout, compared to increased rebuilding costs, including from
 - building code changes,
 - Americans with Disabilities Act compliance, and
 - the municipality's local zoning requirements (e.g., green compliance for new buildings, etc.);
- the sufficiency of estimated insurance proceeds from ordinance or law insurance and other coverages to repay the Mortgage Loan in the event of partial or full
 - casualty, or
 - condemnation; and
- for a Tier 3 or Tier 4 Mortgage Loan, if requiring execution of the Limited Payment Guaranty ([Form 6020.LPG](#)) would mitigate the risk of the as-rebuilt Property not supporting a Tier 2 Mortgage Loan.



Glossary

B

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

I

Improvements Buildings, structures, improvements, and alterations, including the multifamily housing dwellings, now or hereafter constructed or placed on the Property, including all fixtures (as defined in the UCC).

Synonyms

- Improvements'

M

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

P

Payment Guaranty Guaranty executed by a Key Principal on Form 4502 series or [Form 6020 series](#), or approved by Fannie Mae.



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

S

Security

MBS, PFP MBS, or REMIC.

Synonyms

- Securities