



Multifamily Selling and Servicing Guide

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TABLE OF CONTENTS

| | |
|------------------------------------------------------------------------|----|
| Part III Chapter 9 Small Mortgage Loans | 3 |
| Section 901 Generally | 3 |
| 901.01 Description | 3 |
| 901.02 Applicability | 3 |
| Section 902 Key Principal Guaranty Obligation | 3 |
| Section 903 Occupancy | 3 |
| Section 904 Corporate Leases; Leases to One Entity | 4 |
| Section 905 Property Income Analysis | 4 |
| 905.01 Small Mortgage Loan Underwritten NCF (Underwritten NCF) | 4 |
| 905.02 Underwritten DSCR | 10 |
| Section 906 Property Management | 11 |
| Section 907 Property Condition | 12 |
| 907.01 Site Inspection by Lender or Other Third Party | 12 |
| 907.02 Site Inspection by Borrower | 13 |
| 907.03 PCA | 14 |
| Section 908 Replacement Reserve | 14 |
| Section 909 Environmental Matters and Inspections | 14 |
| Section 910 Borrower, Key Principals, Guarantors, and Principals | 16 |
| 910.01 Borrower Organizational Structure | 16 |
| 910.02 Co-Tenant Borrowers | 16 |
| 910.03 Key Principals | 16 |
| 910.04 Principals | 17 |
| 910.05 Financial Statements | 17 |
| 910.06 Net Worth and Liquid Assets | 17 |
| Section 911 Credit Reports | 18 |
| 911.01 Credit Report | 18 |
| 911.02 FICO Scoring | 18 |
| 911.03 Reviewing the Credit Report | 19 |
| GLOSSARY | 20 |



Chapter 9 Small Mortgage Loans

Section 901 Generally

901.01 Description

Requirements

A Small Mortgage Loan is a Mortgage Loan with an original loan amount of less than or equal to \$6 million and underwritten per this Chapter.

901.02 Applicability

Requirements

You may use this Chapter to underwrite conventional Mortgage Loans and the following products:

- MH Communities;
- MAH Properties; and
- market rate Cooperative Properties that are not Limited Equity Cooperative Properties.

Section 902 Key Principal Guaranty Obligation

Requirements

Per Form 4660, each Key Principal must execute either

- a Payment Guaranty (Form 6020 series) for all recourse lending, or
- a Guaranty of Non-Recourse Obligations (Form 6015 series) for all non-recourse lending.

Section 903 Occupancy

Requirements

Small Mortgage Loans must achieve Stabilized Residential Occupancy as follows:



| If the Property contains... | Then it must have... |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10 or more units | at least 90% physical occupancy by Qualified Occupants for the 90 days immediately before the Commitment Date. |
| Less than 10 units | <ul style="list-style-type: none"> • no more than 1 vacant unit as of the Commitment Date, and • an average occupancy by Qualified Occupants of at least 90% for the 12-month period immediately before the Commitment Date. |

If a Small Mortgage Loan is secured by an MH Community, then Stabilized Residential Occupancy must comply with [Part II, Chapter 1: Attributes and Characteristics, Section 104: Minimum Occupancy](#).

Section 904 Corporate Leases; Leases to One Entity

Guidance

Entity leases are permitted; but you should analyze the effect of leasing

- more than 10% of the total residential units in the Property to corporations, partnerships, trusts, and other entities, or
- more than 5% of the total residential units to any single corporation, partnership, trust, or other entity.

Entity leases of residential units for residential purposes are considered residential space.

Section 905 Property Income Analysis

905.01 Small Mortgage Loan Underwritten NCF (Underwritten NCF)

Requirements

You must calculate Underwritten NCF as follows:

- for a MAH Property, per [Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703: Property Income and Underwriting](#); except that Replacement Reserves may be calculated per the table in this Section;
- for a MH Community, per [Part III, Chapter 6: Manufactured Housing Communities, Section 606: Property Income and Underwritten NCF](#);



- for a Cooperative Property, per Part III, Chapter 8: Cooperative Properties, Section 804: Income Analysis; and
- for all conventional Small Mortgage Loans, you must use the following table.

| REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS) | | |
|---------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Item | Function | Description |
| CALCULATION OF NET RENTAL INCOME | | |
| 1 | | GROSS RENTAL INCOME the lesser of <ul style="list-style-type: none"> • actual rents in place, or • market rents for occupied units, plus market rents for vacant units based on a current rent roll (multiplied by 12).¹ |
| 2 | PLUS | To the extent deducted as an operating expense, rents for other non-revenue units. For example: <ul style="list-style-type: none"> • model units deducted in the model apartment operating expense in the general and administrative category; • owner-occupied units² deducted in the general and administrative category; and • employee units³ deducted in the employee operating expense in the payroll and benefits category. |
| | EQUALS | GROSS POTENTIAL RENT (GPR) |
| 3 | MINUS | Premiums and corporate premiums. |
| 4 | MINUS | Physical vacancy market rents for vacant units based on a current rent roll (multiplied by 12). ⁴ |
| 5 | MINUS | Concessions the aggregate amount of forgone residential rental income resulting from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc. ⁴ |
| 6 | MINUS | Bad debt the aggregate amount of unpaid rental income determined to be uncollectable: include any adjustments to other income for bad debt. ⁴ |



**REQUIRED UNDERWRITTEN NET CASH FLOW
(SMALL MORTGAGE LOANS)**

| Item | Function | Description |
|------|----------|-------------------------|
| | EQUALS | NET RENTAL INCOME (NRI) |

1 (a) In the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA, you may use actual rents in place plus projected increases for rent-regulated units that have rent increases scheduled before, or through, the first 12 months of the loan term. Any units subject to rent regulation on the Commitment Date must be treated as rent-regulated for this calculation even if converting to market rate after origination.

(b) For Properties located in New York City that are currently subject to the J51 Tax Incentive Program, you must ensure that the Gross Rental Income complies with [Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis](#).

2 You must deduct owner-occupied units as an expense unless the Mortgage Loan is:

- a Tier 3 or Tier 4 Mortgage Loan;
- secured by a Property containing 24 units or more; or
- secured by a Property that
 - contains less than 24 units,
 - is a Tier 2 Mortgage Loan, and
 - requires full personal liability of the Borrower.

3 You must deduct as an expense the portion of the market rent used as employee compensation.

4 The total of Items 4, 5, and 6 must be greater than or equal to

- 3% of GPR for the New York-Northern New Jersey-Long Island, NY-NJ-PA and San Francisco-Oakland-Fremont, CA, Metropolitan Statistical Areas (MSAs), if supported by market and property operations, or
- 5% of GPR for all other MSAs.

CALCULATION OF OTHER INCOME



| REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS) | | |
|-----------------------------------------------------------------------------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Item | Function | Description |
| 7 | PLUS | <p>Actual other income (except premiums and corporate premiums) generated through ongoing operations. The income must:</p> <ul style="list-style-type: none"> • be stable; • be common in the market; • exclude one-time extraordinary, non-recurring items; and • be supported by prior years. <p>You must assess the individual month other income within the prior full-year operating statement; or at a minimum, an operating statement covering at least the trailing 6 months (annualized).</p> |
| CALCULATION OF COMMERCIAL INCOME | | |
| 8 | PLUS | Actual income from occupied commercial space (and parking revenue for commercial spaces, if applicable). |
| 9 | PLUS | Actual income from STR units. |
| 10 | MINUS | 10% of the actual commercial income (total of Items 8 plus 9). ⁵ |
| 5 If net commercial income is greater than 20% of EGI, then reduce to 20% of EGI. | | |
| 11 | PLUS | Laundry and vending, parking, and all other income as detailed in Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis . |
| | EQUALS | EFFECTIVE GROSS INCOME (EGI) |
| CALCULATION OF OPERATING EXPENSES | | |



| REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS) | | |
|---------------------------------------------------------------|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Item | Function | Description |
| 12 | MINUS | <p>Line-by-line stabilized operating expenses. Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a lease-up, rehabilitation, or other short-term positive or negative factors. Non-recurring, extraordinary operating expenses must not be included.</p> <p>You must assess:</p> <ul style="list-style-type: none"> • past operating history; • the appraisers expense analysis; • all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and • the Borrowers budget (in the case of an acquisition). <p>You must analyze historical operations at the Property and apply an appropriate increase over the prior years operations in determining an estimate.</p> <p>All expenses associated with STRs must be underwritten in their respective expense line items. These expenses include cleaning, furnishing, and repairs.</p> <p>You cannot include any operating expense that reflects blanket or bulk discounts that benefit the Borrower or Key Principal (e.g., blanket property or casualty insurance policies, or utilities purchased in bulk). Operating expenses must reflect the Property expenses on a stand-alone basis.</p> |



| REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS) | | |
|---------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Item | Function | Description |
| 13 | MINUS | <p>Property management fee equal to the greatest of:</p> <ul style="list-style-type: none"> • 3% of EGI; • actual property management fee (exclude any portion of a property management fee that is subordinated to the Mortgage Loan); or • market property management fee. |
| 14 | MINUS | <p>Real estate taxes based on the greatest of:</p> <ul style="list-style-type: none"> • actual future tax bill(s) covering a full calendar year; • prior full years taxes multiplied by 103% (the 3% trending is not required for trailing 12-month or year-to-date annualized expenses); or • in California, the greater of the Small Mortgage Loan amount or the assessed value, multiplied by the millage rate, plus any special assessments. <p>You must consider any automatic reassessment upon acquisition in the next 12-month period.</p> <p>You may use a reduced real estate tax payment if the Property's real estate tax abatements, exemptions, or deferrals meet the requirements in Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis.</p> |
| 15 | MINUS | <p>Insurance equal to:</p> <ul style="list-style-type: none"> • the quoted expense, for insurance policies with a bona fide written quote from a reputable broker for a new 12-month policy; or • 110% of the current expense, for insurance policies with a remaining term less than 6 months. |



| REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS) | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Item | Function | Description |
| 16 | MINUS | Utilities, water and sewer, repairs and maintenance, payroll and benefits, advertising and marketing, professional fees, general and administrative, ground rent, and all other expenses as detailed in Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis . |
| | EQUALS | UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI) |
| 17 | MINUS | Replacement Reserve expense equal to at least ⁶ <ul style="list-style-type: none"> • \$200 per unit, for a Property with an overall rating of 1, • \$250 per unit, for a Property with an overall rating of 2, or • \$300 per unit, for a Property with an overall rating of 3. <p>The Property ratings are the ratings reported on the Comprehensive Assessment Addendum (Comp Assmt Addendum) tab of the MBA Master Inspection Form.</p> |
| | EQUALS | UNDERWRITTEN NET CASH FLOW (UNDERWRITTEN NCF) |
| <p>⁶ If a PCA was completed, the Replacement Reserve must equal the amount required per Part II, Chapter 4: Inspections and Reserves, subject to a minimum of \$200 per unit.</p> | | |

905.02 Underwritten DSCR

Requirements

You must calculate Underwritten DSCR per the following table.



| UNDERWRITTEN DSCR ^{1,2} | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Item | Function | Description |
| 1 | | Underwritten NCF as calculated in Part III, Chapter 9: Small Mortgage Loans, Section 905.01: Small Mortgage Loan Underwritten NCF (Underwritten NCF) . |
| 2 | DIVIDED BY | <p>Annual debt service for the Mortgage Loan amount.</p> <p>You must base debt service on a level debt service payment, including amortization, and the greater of</p> <ul style="list-style-type: none"> • the actual note rate, or • the required Underwriting Interest Rate Floor.³ |
| <p>1For a Small Mortgage Loan secured by an MAH Property underwritten per this Chapter, you must comply with the minimum DSCR requirement for an MAH Property per Form 4660.</p> <p>2For shorter amortization terms, you must</p> <ul style="list-style-type: none"> • calculate the Underwritten DSCR based on the shorter period, and • comply with the minimum DSCR requirement per Form 4660. <p>The mandatory NRI adjustments in Part II, Chapter 2: Valuation and Income, for Properties with declining NRI do not apply.</p> <p>3For a Small Mortgage Loan secured by an MAH Property underwritten per this Chapter, you must comply with the required Underwriting Interest Rate Floor for an MAH Property per Form 4660.</p> | | |

Section 906

Property Management

Requirements

To ascertain the property management requirements, you must determine how many years of experience, as of the Commitment Date, the Borrower or any Key Principal has owning or managing at least 1 multifamily property that is similar in size to the Property, based on the following:

| Similar in Size | Unit Range |
|------------------|------------|
| Small Properties | 5-50 units |



| Similar in Size | Unit Range |
|-------------------|-------------------|
| Medium Properties | 51-100 units |
| Large Properties | 101 or more units |

As of the Commitment Date, a non-Local Borrower must have at least 2 years of multifamily property management experience with a property similar in size or larger than the Property.

Property management requirements are as follows.

| Property Size | Professional property management or qualified on-site manager required if... |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Less than 10 residential units | non-Local Borrower. |
| 10 or more residential units | <ul style="list-style-type: none"> • non-Local Borrower, or • Local Borrower with less than 2 years of experience with a property similar in size or larger. |

Guidance

A professional property management company should have an office within 100 miles of the Property and use a written management agreement that complies with [Part II, Chapter 1: Attributes and Characteristics, Section 108: Property Management and Agreement](#).

A qualified on-site manager

- is not required to be a Property resident,
- should generally be on-site during normal business hours, and
- for at least 2 years before the Commitment Date, should have either successfully managed the Property or have demonstrated management experience with a property similar in size or larger than the Property.

Section 907 Property Condition

907.01 Site Inspection by Lender or Other Third Party

Requirements

You must:

- Ensure a physical inspection of the Property is performed (including any



Property securing a Small Mortgage Loan that is also a Choice Refinance Loan).

- Ensure that 1 of the following completes the physical inspection and the MBA Master Inspection Form:
 - a qualified employee with the experience required for a third-party evaluator per [Part II, Chapter 4: Inspections and Reserves, Section 402: Property Condition Assessment \(PCA\)](#);
 - a qualified appraiser; or
 - qualified third-party inspector.

If a non-employee appraiser or other third-party inspector performs the physical inspection, you must also have an employee visit the Property.

The site inspection must provide you with enough information to complete the MBA Master Inspection Form, including:

- an assessment of the current condition of the Property;
- an identification and cost estimate of any Immediate Repairs, which must be included in the appropriate Completion/Repair Agreement; and
- a general estimate of anticipated replacement and major maintenance needs.

For any Property consisting of multiple buildings, the site inspection must address the condition of all roofs, HVAC equipment, exterior façades, parking lots, exterior walkways, and balconies.

If a Mortgage Loan has a term greater than 10 years, then you must ensure that a new site inspection is performed in the 10th year of the loan term.

The date of the site inspection must meet the timing requirements for a PCA in [Part II, Chapter 4: Inspections and Reserves, Section 402: Property Condition Assessment \(PCA\)](#).

You must not Deliver any Small Mortgage Loan secured by a Property that has:

- an overall rating of “4” or “5” reported on the Comp Assmt Addendum tab of the MBA Master Inspection Form; or
- deferred maintenance with repair costs greater than 10% of the UPB.

907.02 Site Inspection by Borrower

Requirements

You must ensure that the Borrower or the Key Principal:



- Conducts a physical inspection of the Property.
- Certifies in the Multifamily Underwriting Certificate (Form 6460) that the physical inspection has been performed.

907.03 PCA

Requirements

A PCA is required:

- if the site inspection
 - notes structural or physical concerns, or
 - results in an overall rating of 3 being reported on the Comp Assmt Addendum tab of the MBA Master Inspection Form; or
- for certain non-recourse lending per Form 4660.

Guidance

When a PCA is required, you may use:

- the Streamlined Property Condition Assessment Guidance (Form 4099.A), but the PCA must otherwise comply with Part II, Chapter 4: Inspections and Reserves, Section 402: Property Condition Assessment (PCA); and
- the Streamlined PCA Requirements (Form 4099.A) instead of the MBA Master Inspection Form, if you include the overall inspection rating as defined on the MBA Master Inspection Form.

Section 908 Replacement Reserve

Requirements

You must determine whether to require monthly deposits to the Replacement Reserve. If you do not require funding, then you and the Borrower must execute either

- the appropriate Modifications to Multifamily Loan and Security Agreement (Replacement Reserve – Partially or Fully Waived) (Form 6620 series), or
- the Modifications to Multifamily Loan and Security Agreement (Replacement Reserve – Alternative Funding) (Form 6221 series).



Section 909

Environmental Matters and Inspections

Requirements

Before the Commitment Date, you must:

- Obtain an Environmental Screening of the Property using the ASTM E-1528 protocol.
- Perform a physical site inspection of the Property.
- Notify the Appraiser of any Recognized Environmental Condition or “non-scope considerations” that would impact the value of the Property.
- Determine if an O&M plan is appropriate to address a Recognized Environmental Condition.
- Determine if the state where the Property is located has an environmental super-lien statute, and ensure that the Property conditions are not likely to result in such a lien.
- Disclose any actual or suspected environmental conditions not disclosed in the ESA.
- Evaluate the potential risk posed by any Recognized Environmental Conditions that could result in loss or liability to you, the Borrower, the Property, or Fannie Mae.
- Obtain a copy of any Phase I ESA that the Borrower has in its possession or can obtain.
- Determine, based on the findings of the environmental screening and analysis, whether a Phase I ESA is required and, if so, contract for the report.
- When indicated, contract for a Phase II ESA.
- Disclose any knowledge of actual or suspected environmental problems.

Guidance

You may contract portions of your environmental responsibilities to qualified parties. The environmental screening and analysis may be completed by:

- the engineer conducting the PCA (if one was required);
- a qualified employee; or
- a qualified non-employee.

Operating Procedures

If a qualified individual performs the environmental screening and analysis, you must:



- Identify the individual.
- Ensure that the individual certifies each environmental analysis.
- Submit a certified copy of each environmental analysis with Folder II of the Multifamily Mortgage Loan Delivery Package Table of Contents ([Form 6502](#)).

Section 910 Borrower, Key Principals, Guarantors, and Principals

Requirements

Except as described below, you must comply with all requirements for the Borrower, Key Principals, Guarantors, and Principals in [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals](#).

910.01 Borrower Organizational Structure

Requirements

Any individual Borrower must be a U.S. citizen.

Although a single asset entity is preferred, the Borrower may be a multi-asset entity.

Guidance

If the Borrower owns multiple assets, then you should obtain and underwrite the Borrower's complete schedule of owned real estate assets. Your underwriting should include the nature, location, cash flows, outstanding mortgage debt, and contingent liabilities of each asset.

910.02 Co-Tenant Borrowers

Requirements

If a Co-Tenant Borrower is not an individual or a trust holding title to assets of an individual, each Key Principal must execute the applicable Guaranty per [Part III, Chapter 9: Small Mortgage Loans, Section 902: Key Principal Guaranty Obligation](#).

Co-Tenant Borrowers must be

- individuals who are U.S. citizens,
- single-asset entities, or
- multi-asset entities.



910.03 Key Principals

Requirements

You must ensure that any individual Key Principal is a U.S. citizen.

910.04 Principals

Requirements

For Small Mortgage Loans, a Principal is any person or entity that holds direct or indirect interests of 50% or more in the Borrower.

910.05 Financial Statements

Requirements

For each Borrower, Key Principal, Guarantor and Principal, you must obtain

- a schedule of owned real estate assets, and
- financial statements.

Instead of signed financial statements, you may obtain an equivalent signed net worth statement or personal financial statement (such as a form bank application from the Borrower certifying to its financial condition) that conforms to the aging requirements in [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals](#).

910.06 Net Worth and Liquid Assets

Requirements

You must ensure that:

- the combined net worth of the Borrower and all Key Principals equals or exceeds the original principal amount of the Small Mortgage Loan; and
- the combined post-closing liquid assets (excluding any Small Mortgage Loan cash-out proceeds) of the Borrower and all Key Principals equal at least 9 monthly payments of P&I on the Small Mortgage Loan.

Guidance

You should:

- for net worth, consider the impact of current, long-term, and contingent liabilities compared to the Small Mortgage Loan amount;



- for liquidity, exclude the following unless you have reasonable justification:
 - retirement funds (such as IRAs and 401Ks); and
 - promissory notes payable to the Borrower or a Key Principal, whether secured or unsecured; and
- verify liquid assets for the 2-month period immediately preceding the Borrower's loan application by obtaining copies of all applicable:
 - bank statements; and
 - investment portfolio statements.

Section 911 Credit Reports

911.01 Credit Report

Requirements

Within 90 days before the Commitment Date, you must obtain credit reports for all individual

- Borrowers,
- Key Principals,
- Guarantors, and
- Principals

from at least 2 of the following credit information services:

- Equifax;
- Experian; or
- TransUnion.

911.02 FICO Scoring

Requirements

You must ensure that all individual Borrowers, Key Principals, Guarantors, and Principals meet the Minimum FICO Requirement in Form 4660.

Guidance

To determine that the Minimum FICO Requirement is met, follow these guidelines:



| If... | Then... |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| You obtain credit reports from 2 of the 3 credit information services for a Borrower, Key Principal, Guarantor, or Principal | Use the lower of the 2 scores. |
| You obtain credit reports from all 3 credit information services, for a Borrower, Key Principal, Guarantor, or Principal | Use the middle score. |

| If... | Then... |
|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| A Borrower, Key Principal, or Principal is married to another Borrower, Key Principal, Guarantor, or Principal | Use the lower FICO score of the 2 married individuals. |
| A Small Mortgage Loan has multiple individual Borrowers, Key Principals, Guarantors, or Principals | Use the average of their respective FICO scores. |

911.03 Reviewing the Credit Report

Requirements

You must analyze the credit report for each individual Borrower, Key Principal, Guarantor, and Principal.

If the answer to any of the following Guidance questions is “yes”, then the Borrower, Key Principal, Guarantor, or Principal must give you satisfactory explanations, even if they meet the Minimum FICO Requirement.

Guidance

As you analyze the credit report, consider the following questions:

- Have any mortgage late payments occurred in the previous 36 months?
- Have any revolving or installment late payments occurred within the previous 12 months?
- Do you consider any of the credit card or other unsecured debt balances excessive?
- Have any tax liens been filed or reported within the previous 5 years?
- Have any discharged bankruptcies or mortgage foreclosures occurred within the previous 10 years?
- Are there any outstanding judgments or collections higher than \$5,000?



Glossary

A

ASTM American Society for Testing Materials

B

Borrower Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

C

Choice Refinance Loan Mortgage Loan refinancing a Portfolio Mortgage Loan using the streamlined underwriting requirement per [Part III, Chapter 18: Choice Refinance Loans](#).

Synonyms

- Choice Refinance Loans

Co-Tenant Borrower Borrower consisting of tenants-in-common that own the Property in equal or unequal shares.

Synonyms

- Co-Tenant Borrowers

Commitment Date Date a Commitment is confirmed by Fannie Mae as described in [Part IV A, Chapter 3: Committing](#).



Completion/Repair Agreement

Document evidencing the Borrower's agreement to undertake Completion/Repairs and other identified capital improvements, the terms for funding the repairs, maintenance, or capital items, and the disbursement of funds from the Completion/Repair Escrow (e.g., Form 4505, or the applicable parts of the Multifamily Loan Agreement ([Form 6001 series](#)), including the Required Repair Schedule to the Multifamily Loan Agreement).

Synonyms

- Completion/Repair Agreements

Cooperative Property

Multifamily residential property owned by a Cooperative Organization.

Synonyms

- Coop
- Cooperative

F

Form 4660

Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the minimum underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans.

Synonyms

- Multifamily Underwriting Standards

G

Guarantor

Key Principal or other Person who executes a Payment Guaranty, a Non-Recourse Guaranty, or any other guaranty in connection with the Mortgage Loan.

Synonyms

- Guarantors



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

K

Key Principal Person(s) who control and/or manage the Borrower or the Property, are critical to the successful operation and management of the Borrower and the Property, and who may be required to provide a Guaranty.

Synonyms

- Key Principals

L

Local Borrower For Small Mortgage Loans, a Borrower or at least 1 Key Principal of the Borrower that has a primary residence located within 100 miles of the Property.

M

MBA Mortgage Bankers Association

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

Multifamily Mortgage Loan Delivery Package Table of Contents [Form 6502](#) or another Fannie Mae-approved Table of Contents for a Mortgage Loan Delivery Package.

Multifamily Underwriting Certificate Multifamily Underwriting Certificate ([Form 6460](#)), and/or other agreement approved by Fannie Mae that provides underwriting information for a Mortgage Loan.

P



| | |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| P&I | Principal and interest |
| Payment Guaranty | Guaranty executed by a Key Principal on Form 4502 series or Form 6020 series , or approved by Fannie Mae. |
| Phase I ESA | <p>Environmental report and site assessment performed according to the process described in current ASTM E 1527, including any report summarizing the conclusions of the assessment.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Phase I Environmental Site Assessment• Phase I ESAs |
| Phase II ESA | <p>Investigation performed according to current ASTM E 1903, or investigation other than a Phase I ESA, that may include analyzing soil, ground water, or building materials for contaminants, including any report summarizing the conclusions of the assessment.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Phase II Environmental Site Assessment |
| Principal | <p>Person who owns or controls specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Principals |
| Property | <p>Multifamily residential property securing the Mortgage Loan and including the land (or Leasehold interest in land), Improvements, and personal property (as defined in the Uniform Commercial Code).</p> <p>Synonyms</p> <ul style="list-style-type: none">• Properties• Property's |



Property Condition Assessment

Assessment of the current physical condition and historical operation of the Property.

Synonyms

- PCA
- PNA
- Physical Needs Assessment
- PCAs

R

Replacement Reserve

Custodial Account established by the Lender and funded by deposits from the Borrower over the term of the Mortgage Loan to fund the replacement of capital items at the Property.

Synonyms

- Replacement Reserves

S

Security

MBS, PFP MBS, or REMIC.

Small Mortgage Loan

Mortgage Loan with an original loan amount less than or equal to \$6 million and underwritten per [Part III, Chapter 9: Small Mortgage Loans](#).

Synonyms

- Small Mortgage Loans

Stabilized Residential Occupancy

Percentage of Property units physically occupied by Qualified Occupants, per [Part II, Chapter 1: Attributes and Characteristics, Section 104.02: Qualified Occupants](#) as adjusted for the applicable Part III products and features.

U

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Unpaid Principal Balance