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# Multifamily Selling and Servicing Guide

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## Section 303

## Rehabilitation Work Costing More than \$20,000 Per Unit

### 303.01 Rehabilitation Work Evaluation Report

#### Requirements

If the Rehabilitation Work will cost more than \$20,000 per unit and includes structural additions or modifications, then in addition to the other requirements in this Chapter, you must obtain a rehabilitation work evaluation report from either the PCA Consultant or a licensed architect or engineer.

This rehabilitation work evaluation report must include:

- a review and evaluation of the Property;
- the scope of Rehabilitation Work; and
- all significant construction contracts related to the Rehabilitation Work.

The report must also address, and you must evaluate, the following:

- Is the planned Rehabilitation Work structurally sound and physically feasible?
- Is the estimated cost of the Rehabilitation Work reasonable?
- Will the work be completed within the Borrower's scheduled time frame, but not later than 36 months after the anticipated Mortgage Loan Origination Date?
- Will the work comply with all zoning, building, and fire code regulations?
- Is there any additional work that is not already planned but that should be undertaken?

### 303.02 Rehabilitation Reserve Agreement

#### Requirements

You must ensure that the Borrower:

- Executes a Modifications to Multifamily Loan and Security Agreement (Rehabilitation Reserve – Moderate Rehabilitation) ([Form 6222](#)) that identifies the planned scope of the Rehabilitation Work on the Rehabilitation Work Schedule, including
  - all of the Rehabilitation Work items,



- estimated costs,
  - allowance for cost overruns, and
  - completion dates.
- Completes a budget for the planned Rehabilitation Work.
  - Funds a Rehabilitation Reserve Account with the:
    - entire budgeted amount (or a higher amount that you require) for all Rehabilitation Work that is not identified as Completion/Repairs by the PCA; and
    - estimated cost (or a higher amount that you require per [Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 405: Completion/Repairs](#)) for Completion/Repairs.



# Glossary

## B

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

### **Synonyms**

- Borrowers
- Borrower's

## C

**Completion/Repairs** Repairs or capital item replacements and deferred maintenance:

- identified per the Property Condition Assessment; and
- required per the
  - Completion/Repair Schedule, or
  - Completion/Repair Agreement.

### **Synonyms**

- Completion/Repair

## 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

**Mortgage Loan Origination Date** Date you fund a Mortgage Loan to the Borrower.

### **Synonyms**

- Mortgage Loan's Origination Date
- 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

## R

**Rehabilitation Reserve Account** Custodial Account established by the Lender and funded by deposits from the Borrower per the Rehabilitation Reserve Agreement to fund the Rehabilitation Work.

**Rehabilitation Work** Aggregate repairs, replacements, or improvements (including all Completion/Repairs) required to be performed and completed within a specified time period after the Mortgage Loan Origination Date for a Moderate Rehabilitation Property.

## S

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

**Synonyms**

- Securities