Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of October 26, 2026

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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 Borrowers 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

Moderate Rehabilitation Property	Property that will undergo at least $8,000 per unit of Rehabilitation Work. **Synonyms** • Moderate Rehabilitation

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
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

Property Condition Assessment	Assessment of the Property's physical condition and historical operation. **Synonyms** • PCA • PNA • Physical Needs Assessment • PCAs

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

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