



Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 907 Property Condition

907.01 Site Inspection by Lender

Requirements

You must ensure:

- your qualified employee performs a physical Property inspection (including any Choice Refinance Loan) per [Part II, Chapter 4: Inspections and Reserves, Section 401: Site Inspection and Lease Audit](#); and
- the physical inspection addresses special hazards, zoning, building and fire code violations, and regulatory compliance per the Instructions for Performing a Multifamily Property Condition Assessment ([Form 4099](#)).

The site inspection must provide your qualified employee with enough information to complete the MBA Standard Inspection Form, including an:

- assessment of the current Property condition;
- identification and cost estimate of any Immediate Repairs, which must be included in the appropriate Completion/Repair Agreement; and
- 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 403: Property Condition Assessment \(PCA\)](#).

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

- an overall rating on the MBA Standard Inspection Form that does not comply with [Part II, Chapter 4: Inspections and Reserves, Section 401: Site Inspection and Lease Audit](#); or
- deferred maintenance with repair costs greater than 10% of the UPB.

Guidance



You may retain a third-party inspector to determine if a PCA

- is required, or
- should be performed.

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 Standard Inspection Form; or
- when a Replacement Reserve is required per [Part III, Chapter 9: Small Mortgage Loans, Section 908: Replacement Reserve](#).

➔ Guidance

For a required or optional PCA, 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 403: Property Condition Assessment \(PCA\)](#).



Glossary

B

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

C

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

Synonyms

- Choice Refinance Loans

Completion/Repair Agreement The 4000 series Completion/Repair Security Agreement (Form 4505), or Fannie Mae-approved agreement, evidencing:

- the Borrower's agreement to
 - fund the Completion/Repair Escrow, and
 - perform Completion/Repairs; and
- Completion/Repair Escrow disbursement terms.

Synonyms

- Completion/Repair Agreements

K

Key Principal Person who

- controls and/or manages the Borrower or the Property,
- is critical to the successful operation and management of the Borrower and the Property, and/or
- may be required to provide a Guaranty.

Synonyms

- Key Principals
- Key Principal's



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

Multifamily Underwriting Certificate

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

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

Property Condition Assessment

Assessment of the Property's physical condition and historical operation.

Synonyms

- PCA
- PNA
- Physical Needs Assessment
- PCAs

R

Replacement Reserve

Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.

Synonyms

- Replacement Reserves

S

Small Mortgage Loan

Mortgage Loan with an original loan amount less than or equal to \$9 million.

Synonyms

- Small Mortgage Loans

U



UPB

Unpaid Principal Balance

Synonyms

- UPBs