



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## Section 405 Completion/Repairs

### 405.01 Property Evaluation

#### Requirements

You must:

- assess the
  - Property's physical condition,
  - Borrower's financial condition, and
  - life safety Completion/Repairs;
- aggregate all Completion/Repairs expenses with the cost of all other Rehabilitation Work to determine if [Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans](#) also applies;
- include in the Completion/Repair Schedule:
  - Property needs identified as Immediate Repairs in the PCA, including:
    - life safety repairs;
    - critical repairs;
    - deferred maintenance; and
    - short-term replacement of capital items; and
  - any capital improvements not recommended by the PCA Consultant that
    - the Borrower will make after the Mortgage Loan Origination Date, and
    - you want the Appraiser to include in the Property's "as completed" market value; and
- ensure the Borrower completes the repairs and improvements identified on the Completion/Repair Schedule:
  - per the Completion/Repairs Timing table; and
  - assess any code violations and include them in the relevant category.



Completion/Repairs Timing	
For...	You must...
Life safety repairs in the PCA	Comply with <a href="#">Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 405.03: Life Safety Issues</a> .
Critical repairs in the PCA	Complete within 6 months after the Mortgage Loan Origination Date, or sooner if recommended by the PCA Consultant.
Repairs in the PCA required to: <ul style="list-style-type: none"> <li>• comply with <ul style="list-style-type: none"> <li>- the Americans With Disabilities Act, or</li> <li>- Fair Housing; or</li> </ul> </li> <li>• resolve code violations</li> </ul>	<ul style="list-style-type: none"> <li>• categorize as a critical repair; and</li> <li>• complete within 6 months after the Mortgage Loan Origination Date, or sooner if <ul style="list-style-type: none"> <li>- recommended by the PCA Consultant, or</li> <li>- required per applicable <ul style="list-style-type: none"> <li>▪ laws,</li> <li>▪ ordinances, or</li> <li>▪ building codes.</li> </ul> </li> </ul> </li> </ul>
Deferred maintenance or items of note in the PCA	Complete within 12 months after the Mortgage Loan Origination Date, or sooner if recommended by the PCA Consultant.
Short-term replacement of capital items in the PCA	Complete by the specific date recommended by the PCA Consultant, but may be longer than 12 months after the Mortgage Loan Origination Date.
Capital improvements that <ul style="list-style-type: none"> <li>• will be completed by the Borrower in addition to those in the PCA, and</li> <li>• are included in the Appraisal's "as completed" market value</li> </ul>	Comply with <a href="#">Part II, Chapter 2: Valuation and Income, Section 202.03A: Appraised Value</a> .



Completion/Repairs Timing	
For...	You must...
Completion/Repairs in the PCA that require compliance with Part III, Chapter 3 for a Moderate Rehabilitation Property	Comply with <a href="#">Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans</a> .
All other Rehabilitation Work not identified as a Completion/Repair in the PCA	Comply with <a href="#">Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans</a> .

## 405.02 Completion/Repairs Funding

### Requirements

When full or partial funding of the Completion/Repair Escrow is required, you must complete the Completion/Repair Schedule.

### Guidance

The amount funded into the Completion/Repair Escrow on the Mortgage Loan Origination Date should be at least 125% of the estimated cost of the required Completion/Repairs.

You may choose not to fund the Completion/Repair Escrow entirely if you determine the Borrower has the financial capacity to fully address all Completion/Repairs in the PCA.

### Requirements

If you choose not to fund the Completion/Repair Escrow entirely, you must obtain written assurances from the Borrower in the Multifamily Loan Agreement that all necessary Completion/Repairs will be completed within a stated period of time following the Mortgage Loan Origination Date.

## 405.03 Life Safety Issues

### Requirements

All life safety repairs must be completed

- for an Acquisition, within 60 days after the Mortgage Loan Origination Date, or
- in all other cases, before delivering the Mortgage Loan to Fannie Mae.



## → Guidance

You should consider requiring an escrow deposit (for at least 125% of estimated costs) to cover these required Completion/Repairs.

### 405.04 Verifying Completion/Repairs

#### Requirements

You must verify that the Borrower has made all required Completion/Repairs

- whether the Completion/Repair Escrow was funded or not, and
- during your Property inspections before the required completion date.



## Glossary

### A

#### Acquisition

Any Purchase of either the:

- Property's fee simple or leasehold interest via a deed transfer; or
- Controlling Interest in the Borrower.

#### **Synonyms**

- Acquisitions

#### Appraisal

Written statement independently and impartially prepared by a qualified Appraiser stating an opinion of the Property's market value

- as of a specific date, and
- supported by the presentation and analysis of relevant market information.

#### **Synonyms**

- Appraisals
- Appraisal's

#### Appraised Value

Appraiser's opinion of the Property's market value documented in the Appraisal, on an "as is" basis, unless use of an "as completed" basis is specifically permitted per the Guide.

#### **Synonyms**

- Appraised Values

#### Appraiser

Person engaged to estimate a Property's market value per USPAP.

#### **Synonyms**

- Appraiser's
- Appraisers

### B



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

**Synonyms**

- Borrowers
- Borrower's

**C**

**Completion/Repair Escrow** Custodial Account funded on the Mortgage Loan Origination Date for Completion/Repairs or capital improvements per the Loan Documents.

**Completion/Repair Schedule** The Required Repair Schedule to the Multifamily Loan Agreement ([Form 6001 series](#)) and the applicable parts of the Multifamily Loan Agreement, or other 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 Schedules

**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

**Multifamily Loan Agreement** Agreement evidencing Mortgage Loan terms using

- [Form 6001 series](#) Loan Documents, or
- another Fannie Mae-approved form.

**Synonyms**

- Multifamily Loan Agreements

## 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 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.