



Multifamily Selling and Servicing Guide

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Chapter 5 Surveillance

Section 501 General

Each Property securing a Mortgage Loan must be monitored by the Servicer to ensure that the Borrower continually manages and maintains the Property in accordance with the requirements of the applicable Loan Documents and the Guide. The Servicer is required to:

- perform inspections of the Property;
- perform a financial analysis of the operations of Property; and
- report the results of such inspections and financial evaluations to Fannie Mae as required by this Chapter.

The financial analysis of operations should include an annual and, if required for that Asset Class, quarterly analysis of the financial performance of the Property.

Property inspections generally should include:

- an on-site inspection;
- a current overall Property rating based on the condition of the Property as of the date of the inspection (and not on projected or budgeted repairs);
- an evaluation of the Property's market, submarket, and neighborhood; and
- an analysis of the competitive position of the Property.

Based upon the results of its inspections and financial analysis, the Servicer must evaluate the performance of the Property, and identify any Property that warrants special attention due to management or maintenance issues, or any financial decline that could materially adversely affect the collateral or performance of the Mortgage Loan. If follow-up action is required, the Servicer must notify Fannie Mae as provided in this Chapter, and initiate appropriate actions with the Borrower.

Section 502 Property Inspections

502.01 MBA Master Inspection Form

The Mortgage Bankers Association (MBA) Master Inspection Form must be used for all Property inspections, unless a Catastrophic Event has occurred, and the Servicer must complete the Fannie Mae Property inspection rating on the Fannie Mae Assessment Addendum ("Fannie Mae



Assmt Addendum”) tab of the MBA Master Inspection Form. For any inspection after a Catastrophic Event, the Servicer must instead use the Multifamily Catastrophic Loss Inspection form ([Form 4261](#)).

The following tabs of the MBA Master Inspection Form must be completed for all Property inspections:

- General Information Tab (“General Info”);
- Physical Condition & Deferred Maintenance Tab (“Physical Condition & DM”);
- Photos Tab (“Photos”);
- Rent Roll Tab (“Rent Roll”);
- Maps Tab (“Maps”);
- Management Interview Tab (“Mgmt Interview”);
- Multifamily Tab (“Multifamily”);
- Fannie Mae Assessment Addendum (“Fannie Mae Assmt Addendum”); and
- For Seniors Housing properties only: Seniors Supplement Tab (“Senior Supplement”).

502.02 Mortgage Loans with Property Condition Concerns (Not Limited to Watchlist Loans)

Regardless of whether or not the Mortgage Loan is listed on either the Servicer Watchlist or the Fannie Mae Watchlist, the Servicer must inform Multifamily Inspections and Multifamily Watchlist within 10 Business Days after becoming aware of any Mortgage Loan with:

- a Property inspection rating of 4 or 5 as shown on the Fannie Mae Assessment Addendum (“Fannie Mae Assmt Addendum”) tab of the MBA Master Inspection Form;
- Property repairs required by the Loan Documents not completed timely;
- any significant deferred maintenance;
- any non-significant deferred maintenance that has not been corrected within 12 months after notifying the Borrower of such maintenance obligation; or
- life safety concerns.

In addition, if any of the above Property condition concerns are present, the Servicer must:

- reinstate any suspended requirements for the



Completion/Repair Escrow or the Replacement Reserve unless the rating of 4 or 5 results from a casualty loss (see [Part V, Chapter 5: Surveillance, Section 502.06F: Analysis of Collateral](#));

- inspect the Property as frequently as necessary to ensure the Borrower is resolving outstanding deferred maintenance items; and
- prior to ordering a PCA (excluding regularly-scheduled PCAs required by the Loan Documents), submit a written request for approval to Multifamily Watchlist.

502.03 Property Inspection Protocols

The frequency of required Property inspections depends on the following:

- the Mortgage Loan’s Fannie Mae risk rating;
- the Mortgage Loan amount at the Mortgage Loan Origination Date; and
- other criteria outlined in the table below.

PROPERTY INSPECTION PROTOCOL						
Protocol if Original Mortgage Loan Amount is Greater than \$30,000,000						
Mortgage Loan Type	Fannie Mae Mortgage Loan Rating	Inspection Frequency	Min% of Total Units to be Inspected ¹	Min/Max Number of Units to be Inspected ²	Min Required Photos	Third-Party or In-House Inspector
All Mortgage Loans, other than Seniors Housing Mortgage Loans and DUS Plus	Pass or Special Mention	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
Seniors Housing Mortgage Loans	Pass or Special Mention	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
DUS Plus	All Ratings	Annual Full Inspection	10% (max of 20 units)	10/20	15	In-House Only
Protocol if Original Mortgage Loan Amount is Greater than \$6,000,000 and up to \$30,000,000						
(NOTE: When the inspection protocol below is based, in part, on the DSCR, the DSCR must be based on the most recent annual financial statement submitted to Fannie Mae. A Property with a most recent inspection rating of 4 or 5 must have an Annual Full Inspection, regardless of the DSCR test outlined below.)						



PROPERTY INSPECTION PROTOCOL						
Mortgage Loan Type	Fannie Mae Mortgage Loan Rating	Inspection Frequency	Min% of Total Units to be Inspected ¹	Min/ Max Number of Units to be Inspected ²	Min Required Photos	Third-Party or In-House Inspector
All Mortgage Loans other than Seniors Housing Mortgage Loans and DUS Plus	Pass or Special Mention; DSCR > 1.35 or Coop DSCR > 1.00	Full Inspection every 2 years; Annual Full Inspection if current year DSCR not available	5%	5/15	15	Third-Party or In-House
	Pass or Special Mention; DSCR < 1.35 or Coop DSCR < 1.00	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
Seniors Housing Mortgage Loans	Pass or Special Mention	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
DUS Plus	All Ratings	Annual Full Inspection	10%	10/20	15	In-House Only
All Maturing Mortgage Loans	All Ratings	Full Inspection due within the 12 months prior to Maturity Date ^{1,2}	Follow requirements for applicable Mortgage Loan type.			
Protocol if Original Mortgage Loan Amount is \$6,000,000 or Less						
Mortgage Loan Type	Fannie Mae Mortgage Loan Rating	Inspection Frequency	Min% of Total Units to be Inspected ¹	Min/Max Number of Units to be Inspected ²	Min Required Photos	Third-Party or In-House Inspector
All Mortgage Loans other than Seniors Housing Mortgage Loans	Pass or Special Mention, and original Mortgage Loan amount < \$750,000	Walk Around every 5 years	N/A	N/A	10	Third-Party or In-House
	Pass or Special Mention, and original Mortgage Loan amount \$750,000 to \$3,000,000	Full Inspection every 2 years	5%	2/5	10	Third-Party or In-House



PROPERTY INSPECTION PROTOCOL						
	Pass or Special Mention, and original Mortgage Loan amount <\$3,000,001 and <\$5,000,000 in Eligible MSAs	Full Inspection every 2 years	5%	2/5	10	Third-Party or In-House
	Substandard or Doubtful, and original Mortgage Loan amount < \$3,000,001 (\$5,000,000 in Eligible MSAs)	Annual Full Inspection	10%	2/5	10	In-House Only
Seniors Housing Mortgage Loans	Pass or Special Mention	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
All Maturing Mortgage Loans	All Ratings	Full Inspection due within 12 months prior to Maturity Date ³	Follow requirements for applicable Mortgage Loan type.			
<p>1 The number of units to be inspected based on the Minimum Percentage Requirement should not exceed the Maximum Number of Units.</p> <p>2 For a Property with 10 units or less, the minimum number of units to be inspected is 2 units. This minimum unit count is for occupied and vacant units. If the Property contains any down units, then all down units must be inspected in addition to the occupied and vacant units.</p> <p>3 If the next scheduled inspection due date for a Property is less than six months prior to the Maturity Date, then the next scheduled inspection due date shall be that date which is six months prior to the Maturity Date.</p> <p>NOTE: If a Property consists of Non-Contiguous Parcels or scattered sites:</p> <ul style="list-style-type: none"> • all buildings on each separate parcel or site must be inspected; • the total required number of units based on the above protocol must be allocated among each parcel in approximately the same proportion as the number of units at each parcel to the total number of units at the Property; and • the units to be inspected at each parcel must be selected randomly, according to the above inspection protocol. 						

502.04 Property Inspection Frequency; Submission of Property Inspection Forms

502.04A Timing of Property Inspections

Property inspections must be performed at the frequency per [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocols](#), and must be completed in sufficient time for the Property inspection form to be submitted by the “Submission Due Date”.

To facilitate more efficient scheduling of the physical inspections for Properties, the Servicer may request an extension of up to 60 days from



the “Submission Due Date”. The extension request will be automatically approved so long as:

- it is submitted prior to the original “Submission Due Date” by using the “Modification Request” tab within the particular work item in the MAMP;
- an extension was not already granted for the same Property inspection requirement;
- the Mortgage Loan is not rated Substandard or Doubtful, nor has a Property condition rating of:
 - 4 or 5 on the most recent inspection; or
 - 3 on an inspection more than one year old; and
- the extended “Submission Due Date” is not within the 6 months prior to the Maturity Date.

502.04B Submission of Property Inspection Forms

All Property inspection forms must be submitted to Fannie Mae through the MAMP. Origination inspections must be submitted within 45 days after the date the Mortgage Loan was purchased by Fannie Mae. Thereafter, each required Property inspection form must be submitted within 60 days after the date of the actual Property inspection, and no later than the “Submission Due Date” shown in the MAMP, unless an extension was granted by Fannie Mae. The Servicer must resolve any issues identified by Fannie Mae during its review of the Property inspection reports in a timely manner.

502.05 Property Inspector Qualifications

502.05A Minimum Inspector Experience

Inspections must be performed by either a qualified third party or Servicer staff as specified in the Property Inspection Protocol table in [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocols](#). The Servicer is responsible for ensuring that the inspector has at least the minimum level of experience required to conduct a Fannie Mae inspection. At a minimum, the inspector must have completed an acceptable “Property Inspection Risk Management” course or other acceptable training course, including the courses provided by the MBA, and must have previous inspection experience as follows:

Mortgage Loan Rating	Minimum Previous Inspection Experience
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Pass and Special Mention Mortgage Loans (except Seniors Housing Mortgage Loans)	10 multifamily property inspections
Substandard and Doubtful Mortgage Loans (except Seniors Housing Mortgage Loans)	25 multifamily property inspections
Seniors Housing Mortgage Loans	10 Seniors Housing property inspections

502.05B Third-Party Inspector Requirements

If the Property Inspection Protocol table in [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocols](#) permits a third-party inspector, the third-party inspector cannot reassign responsibilities to another person or entity without the Servicer's approval. Any third-party inspector must:

- have no financial interest in the Property to be inspected;
- demonstrate experience in multifamily real estate property inspections;
- be experienced in the market in which the Property is located; and
- either:
 - possess a professional certification from any one of the following:
 - Real Estate Assessment Center for HUD as a Certified Home Inspector;
 - American Society of Home Inspectors ("ASHI");
 - International Association of Certified Home Inspectors ("InterNACHI"); or
 - State certified home inspector;
 - be a registered architect;
 - be a civil engineer; or
 - have successfully completed an acceptable in-person training course in lieu of the above. (Note: On-line attendance at such course is not acceptable.) Acceptable training courses include the Fannie Mae approved inspection course provided by the MBA.



Fannie Mae reserves the right, in its sole discretion, to notify the Servicer that a third-party inspection firm is no longer acceptable to Fannie Mae.

502.06 Content of Property Inspections

502.06A Number of Units to be Inspected; “Down” Units

The requirements specified in the Property Inspection Protocol table in [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocols](#) are minimum numbers of occupied and vacant units that must be inspected. In addition to occupied and vacant units, all “down” units (i.e., units that are not rentable at the current time, or that cannot be rented in the normal course of business) must be inspected as part of the Property inspection. If the Property inspector notes substantial physical concerns that warrant further investigation, the Servicer must determine whether it is prudent to inspect additional units over and above the number of units required to be inspected.

502.06B Selection of Units to be Inspected

The MAMP will indicate, for each Property, the number of units required to be inspected. When units are required to be inspected, the Servicer must determine the appropriate combination of vacant and occupied units for inspection. The units selected for inspection must meet the following requirements:

- a minimum of 50% of all units inspected must be vacant units (if available);
- at least 2 occupied units must be inspected; and
- if selected, the interior of each unit must be inspected.

The Property inspector, not the Property manager, must select which vacant and occupied units will be inspected.

502.06C Photographs

The Property Inspection Protocol table in [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocols](#) indicates, for each Asset Class, the minimum number of photographs required to be submitted with the Property inspection form. Such photographs must include views and identifying captions of:

- signage;
- typical building front;
- site office and clubhouse (if applicable);



- Property frontage;
- apartment interior;
- amenities;
- major building systems;
- deferred maintenance and life safety items;
- extraordinary repair items or items requiring capital expenditure; and
- all critical or substantial issues noted in the inspection report.

502.06D Consultation with Property Manager and Staff

For Property inspections other than walk-around inspections, the Servicer must interview the Property manager and other on-site staff to obtain information regarding the Property's condition and performance, and to confirm that any life/safety repair and deferred maintenance items noted on the most recent Property inspection have been corrected.

502.06E Analysis of Market

The Servicer must evaluate the neighborhood, submarket, and market in which the Property is located to determine material shifts in demographics and real estate conditions. The Servicer must also evaluate competitive properties to determine any changes in the competitive position of the Property since the initial underwriting or the most recent Property inspection.

502.06F Analysis of Collateral

If the Servicer determines that repair or maintenance is required, the Servicer must notify the Borrower according to the notice provisions of the Loan Documents. The notice must:

- be sent within 45 days from the date of the actual inspection;
- identify the repair or maintenance issues;
- include any accompanying photos; and
- direct the Borrower to undertake timely corrective actions to remedy the issues.

The Servicer must follow-up until the work has been successfully completed. If the Borrower fails to perform all repairs or maintenance required by the Servicer within a specified period of time, the Servicer must notify Multifamily Inspections in writing with a recommendation for resolution.

The Property inspection overall rating must be set to 4 (or 5 depending on severity or other existing issues), if:



- a casualty loss causes damage in an amount equal to the lesser of (i) 25% of the current UPB, or (ii) \$1,000,000; or
- 10% or more of the units are down due to any reason.

Setting the rating to 4 (or 5, as applicable) will not automatically put the Mortgage Loan on Fannie Mae's Watchlist, nor will it trigger the requirement (i) for an Action Plan; or (ii) to reinstate the Replacement Reserve, as long as:

- no other performance related issues otherwise increase the credit risk; and
- the Servicer expects sufficient insurance proceeds will be available to restore the Property to its original condition.

If Fannie Mae determines that a Property inspection is inadequate, Fannie Mae reserves the right to require a new Property inspection be performed by either the Servicer or a third party designated by Fannie Mae at the expense of the Servicer.

502.06G Life Safety Issues

If the inspection is conducted by a third-party inspector and reveals any Property life safety issues, the inspection firm must notify the Servicer of such issues within 3 Business Days after completion of the inspection.

502.07 Servicer Property Inspection Quality Control Requirements

502.07A Review of Inspection Forms

All Property inspection forms, whether prepared by third parties or by the Servicer, must be reviewed internally by the Servicer prior to submission to Fannie Mae.

502.07B Quality Control Program

Servicers are required to have a quality control program in place to annually review the quality of the Property inspections performed by third-party inspectors. The Servicer must be prepared to show the evidence and results of such quality control program to Fannie Mae upon request.

502.08 Retention of Inspection Forms

All Property inspection forms must be maintained in the Servicing File for at least 2 inspection cycles and made available for verification by Fannie Mae upon request.

502.09 Other Property Inspections; Inspection Fees



In addition to performing the Property inspections required in this Section, Fannie Mae, in its sole discretion, may require that the Servicer perform additional Property inspections whenever circumstances warrant. In addition, the Servicer is expected to perform Property inspections as part of its regular asset management responsibilities whenever the Servicer determines it prudent to do so.

The Servicer may charge the Borrower a reasonable fee for performing Property inspections provided that charging a fee:

- is permitted under the Loan Documents or another written agreement with the Borrower; and
- is not specifically precluded by Fannie Mae.

502.10 PCA Frequency

A new PCA is required during the Mortgage Loan term in the following circumstances:

If the Property...	A new PCA must be performed...
Secures a Mortgage Loan with a term of more than 10 years	every 10 years, beginning in the 10th Loan Year.
Is a Multifamily Affordable Housing property	every 5 years, beginning in the 5th Loan Year.

The Servicer may use Streamlined PCA Guidance ([Form 4099.A](#)) if the most recent Property site inspection:

- was performed according to [Part II, Chapter 4: Inspections and Reserves, Section 401: Site Inspection](#);
- indicated an overall rating of 1 or 2; and
- did not reveal any adverse change in Property condition (except normal wear and tear) or life safety issues.

Section 503 Quarterly and Annual Financial Analysis of Operations

503.01 Electronic Reporting of Financial Analysis of Operations

The Servicer must submit quarterly and annual Financial Analysis of Operations reports (Form 4254) to Fannie Mae for each Property in accordance with the requirements of this Section. All reports are found on, and must be submitted electronically through, the MAMP.



503.02 Request for Waivers of Quarterly and Annual Reporting on Financial Analysis of Operations

503.02A Waivers for Reasons Other Than Unresponsive Borrowers

The Servicer must submit a waiver through the MAMP for each Property if a Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) is required by this Section, and:

- the Mortgage Loan was purchased from a Lender whose Lender Contract specifies that the collection of Property operating statements for any Mortgage Loan is not required;
- the Loan Documents either do not permit the Lender to collect, or require the Borrower to submit, financial reports; or
- the Mortgage Loan:
 - was liquidated in the current quarter (for waivers of quarterly reporting) or year (for waivers of annual reporting), prior to the Financial Analysis of Operations submission deadline;
 - was delivered under a Forward Commitment and has not yet converted to a permanent loan;
 - was defeased;
 - is subject to FHA or HUD risk sharing;
 - is being managed by Fannie Mae's Special Asset Management; or
 - was acquired by Fannie Mae in the current reporting year and less than 6 months of operating data is available for the Property.

503.02B Waivers due to Unresponsive Borrowers

If the Servicer is unable to submit an annual or quarterly Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) report for a Property because the Borrower failed to provide the requested operating statements, before submitting a waiver request, the Servicer should:

- for the annual Financial Analysis of Operations, wait until 6 months have passed from the submission due date to submit a waiver request in the MAMP; and
- for a quarterly Financial Analysis of Operations, wait until the following quarterly submission due date to submit a waiver request in the MAMP.

Delaying the submission of the waiver request will provide additional time to obtain and submit the operating statement data, if



received. If the Borrower fails to respond to at least 3 written requests within the applicable waiting period specified above, the waiver request should then be submitted, with the following condition:

“Unresponsive Borrower - The Borrower was contacted in writing at least 3 times and failed to provide the requested operating statements.”

Fannie Mae will review the waiver requests, and will notify the Servicer if additional information is required. If quarterly or annual operating statements are received after a waiver has been granted, the Servicer must submit the Financial Analysis of Operations report (Form 4254 or Form 4254.Seniors) upon receipt of such operating data.

503.03 Quarterly Reporting on Financial Analysis of Operations

503.03A Quarterly Reporting Requirements

The Servicer must submit detailed quarterly operating statements for each Property, normalized to account for any seasonal variations in income and expenses, in accordance with the requirements set forth for each Asset Class in the tables below. The reports must be submitted through the MAMP. All submitted operating statements will undergo automated quality control testing, and any quality control issues identified must be resolved timely.

The quarterly operating statements must reflect the actual physical occupancy level for the Property as of the end of each quarter, based on the most recently available rent roll. When quarterly reports are required, the Servicer must provide actual expenses, and must normalize certain expense items, including, but not limited to, real estate taxes, casualty insurance, Replacement Reserves, and management fees, consistent with the guidance provided in the MAMP for submitting annual financial statements. The Servicer must explain any seasonal data discrepancies, and provide comments if any of the following are observed:

- a variance of greater than 20% from the same reporting period in the prior year of any of Effective Gross Income, total operating expenses, Gross Potential Rent, Private Pay, Medicare/Medicaid, Repairs and Maintenance, Utilities, Water and Sewer, Real Estate Taxes and Property Insurance;
- a variance in physical occupancy of greater than 10% from the immediately preceding reporting period;
- a change in the Property's tax-exempt status (if applicable);
- a change in the required P&I payments during a reporting period (e.g., interest-only to amortizing);
- management fees of less than 3%;
- a change in any other pertinent information related to the



Property financial analysis; or

- the Mortgage Loan is on the Fannie Mae Watchlist.

Quarterly financial reporting is not required, and no waiver need be submitted, for any Mortgage Loan if it is secured by a Cooperative Property, or it is a Small Mortgage Loan, unless such Cooperative Property or Small Mortgage Loan is on the Fannie Mae Watchlist.

503.03B Quarterly Submission Requirements by Asset Class

1. All Asset Classes (except Seniors Housing Properties, Watchlist Properties, Credit Facilities, and Bulk Deliveries). The Servicer must submit detailed quarterly operating statements 75 days after the end of the second and third quarters, as set forth below.

All Asset Classes except Seniors Housing, Watchlist Properties, Credit Facilities, and Bulk Deliveries			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
Second	September 15	Financial operating statements for the period from January 1 through June 30	6 months year to date operating data
Third	December 15	Financial operating statements for the period from January 1 through September 30	9 months year to date operating data

*If any due date is not a Business Day, then the submission may be made on the next Business Day.

2. Seniors Housing Properties. For Seniors Housing Properties, the Servicer must submit detailed quarterly operating statements 75 days after the end of the first, second, third and fourth quarters, as set forth below.



Seniors Housing Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
First	June 15	Financial operating statements for the period from January 1 through March 31	Trailing 3 months operating data
Second	September 15	Financial operating statements for the period from April 1 through June 30	Trailing 3 months operating data
Third	December 15	Financial operating statements for the period from July 1 through September 30	Trailing 3 months operating data
Fourth	March 15	Financial operating statements for the period from October 1 through December 31	Trailing 3 months operating data
*If any due date is not a Business Day, then the submission may be made on the next Business Day.			

3. Watchlist Properties. For Watchlist Properties (including any Mortgage Loan secured by a Cooperative Property or any Small Mortgage Loans), the Servicer must submit detailed quarterly operating statements 90 days after the end of the first quarter, and 75 days after the end of the second and third quarters, as set forth below.



Watchlist Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
First	June 30	Financial operating statements for the period from January 1 through March 31	3 months year-to-date operating data
Second	September 15	Financial operating statements for the period from January 1 through June 30	6 months year-to-date operating data
Third	December 15	Financial operating statements for the period from January 1 through September 30	9 months year-to-date operating data
*If any due date is not a Business Day, then the submission may be made on the next Business Day.			

4. Credit Facilities and Bulk Deliveries. For Credit Facilities and Bulk Deliveries, the Servicer must submit both the detailed quarterly operating statements and the Deal Level Structured Transaction (BD/CF) Quarterly report, including the Structured Facilities Monitoring Narrative (Form 4801), Spreadsheet (Form 4802), and any other relevant documents, 75 days after the end of the first, second, third, and fourth quarters, as set forth below.



Credit Facility and Bulk Delivery Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
First	June 15	Financial operating statements for the period from January 1 through March 31, and deal level reports	Trailing 3 months operating data
Second	September 15	Financial operating statements for the period from April 1 through June 30, and deal level reports	Trailing 3 months operating data
Third	December 15	Financial operating statements for the period from July 1 through September 30, and deal level reports	Trailing 3 months operating data
Fourth	March 15	Financial operating statements for the period from October 1 through December 31, and deal level reports	Trailing 3 months operating data
*If any due date is not a Business Day, then the submission may be made on the next Business Day.			



503.04 Annual Reporting on Financial Analysis of Operations

The Servicer must submit a Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) annually to Fannie Mae for each Property for the previous calendar year or, if applicable, for the fiscal year ending in the previous calendar year.

503.04A Annual Financial Analysis Reporting Requirements

The Servicer must submit detailed operating statements for each Property, normalized to account for any seasonal variations in income and expense. The annual operating statements must reflect the actual physical occupancy rate for the Property as of the end of the reporting period, based on the most recent available rent roll. The Servicer must provide actual expenses and must also normalize certain expense items, including, but not limited to, real estate taxes, property casualty insurance, Replacement Reserves, and property management fees. The Servicer must provide comments if any of the following are observed:

- a variance of greater than 20% from the prior year of any of Effective Gross Income, total operating expenses, Gross Potential Rent, Private Pay, Medicare/Medicaid, Repairs and Maintenance, Utilities, Water and Sewer, Real Estate Taxes and Property Insurance;
- a variance in physical occupancy of greater than 10% from the reporting period immediately preceding the current reporting period;
- a change in the Property's tax-exempt status (if applicable) during the year;
- a change in the required P&I payments during the year (e.g., interest-only to amortizing);
- management fees of less than 3%;
- a change in any other pertinent information related to the Property financial analysis; or
- the Mortgage Loan is on the Fannie Mae Watchlist.

503.04B Submitting the Annual Financial Analysis of Operations

The following steps must be taken to complete and submit the annual Financial Analysis of Operations report (Form 4254 or Form 4254.Seniors) to Fannie Mae:

1. For a Mortgage Loan purchased by Fannie Mae on or before June 30 in any given year, the Annual Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) covering that first year must be submitted to Fannie Mae by June 1 of the following year, and the Servicer must



annualize the available operating data to represent a full 12 months of operations. If the Mortgage Loan was purchased by Fannie Mae on or after July 1 in any given year, the Servicer is not required to submit an annual Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) until June 1 of the second year after purchase in order to collect 12 months of actual operating data.

For all subsequent years, the Servicer must submit an annual operating statement for each Property to Fannie Mae on or before June 1 or, if applicable, within 150 days following the fiscal year-end for any Property owned by a Borrower with a non-calendar fiscal year. For any Borrower with a non-calendar fiscal year, the Servicer must submit a data change request through the MAMP requesting a change to the Borrower's fiscal year end.

2 The Servicer must analyze the operating statements submitted by the Borrower in accordance with the Multifamily Analysis of Operations Form 4254 and Form 4254.Senors Line Item Definitions (Form 4254.DEF), which is located at www.fanniemae.com/multifamily or the MAMP. The Servicer must indicate on the Borrower's operating statements the line item under which each of the Borrower's income and expense line items is included.

3. For each Property, the Servicer must access the MAMP and provide the pertinent income, expense, and other required data for the current reporting period. All submitted operating statements will undergo automated quality control testing, and any issues must be resolved timely.

503.04C Annual Review

Fannie Mae will notify the Servicer which Mortgage Loans are subject to the annual review. Within 15 Business Days after receiving notice, the Servicer must submit through the MAMP for each Mortgage Loan under review:

- the Borrower's operating statements, with each income and expense line item coded by the Servicer according to the line item definitions in the Multifamily Analysis of Operations Form 4254 and Form 4254.Seniors Line Item Definitions (Form 4254.DEF);
- an escrow activity reconciliation of the Borrower's operating statement data; and
- any other documentation requested by Fannie Mae.

503.04D Asset Management Testing

The Multifamily Asset Management team tests compliance with many areas of the Asset Management process to ensure Servicers are properly adhering to Fannie Mae's requirements. Testing results are



communicated through the Lender Assessment process, and recommendations, requirements for corrective action, or best practice enhancements are proposed and monitored through completion.

503.04E Maintenance of Records

The Servicer must maintain the Borrower's operating statements and reconciliation for the life of the Mortgage Loan.

Section 504 Compliance with Loan Agreement Requirements

504.01 General

The Servicer must ensure that the Borrower and any guarantor are in compliance with the Loan Documents. For all Mortgage Loans, the Servicer must:

- confirm that the Borrower complied with all quarterly and annual reporting requirements, which are primarily set out in Article 8 of the Multifamily Loan Agreement ([Form 6001 series](#)); and
- review all information required by the Loan Documents to be furnished by the Borrower.

To assist in compiling the financial records and other items required to be furnished by the Borrower, the Servicer may use the Annual Loan Agreement Certification ([Form 6620 series](#)).

504.02 Obtaining Required Financial and other Reporting Items

504.02A Notice to the Borrower

At the end of each fiscal year, the Servicer must send the Borrower, and all guarantors on a Mortgage Loan, a list of the financial reports required to be submitted and certified by each Borrower and guarantor. The list must be delivered in sufficient time to allow submission to the Servicer of the certified financial reports within 45 days after the end of each fiscal quarter, and 120 days after the end of each fiscal year.

504.02B Annual Reporting of Guarantor Financial Condition

Fannie Mae will provide the Servicer with an annual list of all Mortgage Loans for which the Servicer must submit the financial records and other required items for the past fiscal year by, or on behalf of, each guarantor of the Mortgage Loan. The guarantor financial information must be submitted through the MAMP, or as otherwise directed by Fannie Mae, by the June 1 deadline required for the annual Financial Analysis of Operations reports (Form 4254) for each Property. If Fannie Mae determines increased



credit risk for a Mortgage Loan not on the initial list provided to the Servicer, Fannie Mae may ask for the submission of the associated guarantor financial records at any other time during the year.

504.02C Failure of Borrower to Provide Required Guarantor Financial Reporting

The Lender must use its best efforts to obtain the required financial reports for any guarantor not included on Fannie Mae's list of Mortgage Loans for which the Servicer must submit the financial records of each guarantor of the Mortgage Loan.

For all Mortgage Loans included on Fannie Mae's list, the Servicer must contact Fannie Mae immediately upon the occurrence of any of the following events:

- the Borrower is unable to submit the required guarantor financial reports and other items by the date required in the Loan Documents;
- the Borrower or guarantor is unable to certify that each financial report is true, complete, and accurate in all material respects; or
- the Servicer believes the financial reports and other items are, inaccurate or misleading in any material way.

Upon the occurrence of any of the foregoing events, the Servicer must notify the Borrower, and the Borrower or guarantor shall have an additional 30 days after receipt of such written notice to deliver to the Servicer all required financial reports and other items, properly certified by the Borrower or guarantor. If the Servicer determines that the Borrower or guarantor is diligently attempting to deliver all required financial reports and other items, this 30 day period may be extended by the Servicer for up to an additional 30 days.

If the Borrower or a guarantor fails to (i) submit all required financial reports and other items, properly certified by the Borrower or guarantor, within the above time frame; or (ii) respond to at least 3 written requests for the delivery of the required information, the Servicer must request a waiver through the MAMP for the Borrower, or Multifamily Operating Statements for the guarantor. The Servicer must provide copies of all correspondence between the Servicer and the Borrower or any guarantor related to this matter to Fannie Mae.

504.02D Lender Review of Required Financial Reporting

The Servicer must promptly review all information submitted by the Borrower or guarantor. If the Servicer determines that no additional follow-up is required, the Servicer must submit the certified material for the Borrower and guarantors requested by Fannie Mae through the MAMP, or as otherwise directed by Fannie Mae. The Servicer must also place that



material, and the financial information for any other guarantor received by the Servicer, along with any explanatory schedules, in its Servicing File.

If the Servicer determines that additional follow-up is required to explain any submitted material, or that additional or supporting information is required (e.g., for a Lender using the [Form 6620 series](#), a required item the Borrower failed to attach to the submission, or an item to which the Borrower failed to certify), the Servicer must contact the Borrower or guarantor promptly to request additional information. Once the additional or resubmitted information is received, the Servicer must submit a copy of all financial reporting, explanatory schedules, and other supporting information furnished by the Borrower and guarantor to the MAMP for the Borrower, or to Multifamily Operating Statements for the guarantor.

504.02E Maintenance of Annual Financial Reporting Records

The Servicer must retain the original of all financial records, certifications, and related information furnished by the Borrower or guarantor (including each Annual Loan Agreement Certification, if used by the Servicer, and any explanatory schedules) in its Servicing File.



Glossary

A

Action Plan Servicer's report to Fannie Mae including detailed analysis of Mortgage Loan and Property issues, Servicer's strategy for resolving issues, and related actions and outcomes.

Synonyms

- Action Plans

Asset Class Type of Multifamily Property securing a Mortgage Loan (e.g., conventional, Seniors Housing, Manufactured Housing Community, Cooperative, etc.).

B

Borrower Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

Bulk Delivery Structured Transaction that:

- is governed by a Bulk Delivery Agreement; and
- includes the ability to
 - add Mortgage Loans in the future, or
 - substitute a new Property for an existing Property as collateral.

Synonyms

- Bulk Deliveries



Business Day

Any day other than a

- Saturday,
- Sunday,
- day on which Fannie Mae is closed,
- day on which the Federal Reserve Bank of New York is closed, or
- for any MBS and any required withdrawal for remittance thereunder, a day on which the Federal Reserve Bank is closed in the district where any funds are held for the MBS.

Synonyms

- Business Days

C

Catastrophic Event

Natural or man-made hazard resulting in an event of substantial extent causing significant physical damage or destruction, loss of life, or drastic change to the natural environment such as earthquake, flood, terrorist attack and windstorm.

Synonyms

- Catastrophic Events

Collateral

Property, Personal Property, or other property securing a Mortgage Loan.

Completion/Repair Escrow

Custodial Account established by the Lender and initially funded by an escrow deposit from the Borrower on the Mortgage Loan Origination Date to complete Completion/Repairs or other capital improvements at the Property.

Cooperative Property

Multifamily residential property owned by a Cooperative Organization.

Synonyms

- Coop
- Cooperative



Credit Facility

Structured Transaction that

- is governed by a Master Credit Facility Agreement, and
- includes cross-collateralized and cross-defaulted Mortgage Loans and Properties.

Synonyms

- Credit Facilities

D

DUS Plus

Mezzanine Financing option provided by the Fannie Mae-designated mezzanine Lender.

E

Effective Gross Income

On an annual basis or any specified period, the total of Net Rental Income plus other income per [Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis](#) and the applicable products and features in Part III.

Synonyms

- EGI

F

FHA

Federal Housing Administration

Forward Commitment

Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property per Part XV of the DUS Guide, subject to certain conditions.

Synonyms

- Forward Commitments

G



Gross Potential Rent On an annual basis or any specified period, the total actual and potential rent for a Property (per [Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis](#) and the applicable products and features in [Part III](#)).

Synonyms

- GPR

Guide Multifamily Selling and Servicing Guide and Delegated Underwriting and Servicing Guide, including any exhibits, appendices, or other referenced forms, as updated, amended, restated, modified, or supplemented by any lender memo; provided, however, if a topic is covered in the Multifamily Selling and Servicing Guide, that Guide shall control unless a Lender Contract specifically requires use of another Guide.

Synonyms

- DUS Guide

H

HUD U.S. Department of Housing and Urban Development

L

Lender Person approved by Fannie Mae to sell or service Mortgage Loans.

Synonyms

- Lenders
- Lender's



Lender Contract

Program Documents per the Mortgage Selling and Servicing Agreement.

Synonyms

- Lender's Contract
- Lender Contracts
- Contract
- MSSA

Loan Documents

All documents evidencing, securing, or guaranteeing the debt obligation executed for a Mortgage Loan and approved by Fannie Mae.

Synonyms

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

Loan Year

Period beginning on the date of the Note and ending on the last day of the month that is 12 full months after the date of the Note, and each successive 12-month period thereafter.

M

MAMP

Multifamily Asset Management Portal used to submit Property inspections, operating statements, and requested modifications; asset management reports; and data corrections related to loan or property level attributes.

Synonyms

- Multifamily Asset Management Portal

Maturity Date

Date all amounts due and owing under the Mortgage Loan become fully due and payable per the Loan Documents.

Synonyms

- Maturity Dates



MBA	Mortgage Bankers Association
Mortgage Loan	<p>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.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Mortgage Loans
Mortgage Loan Origination Date	<p>Date the Lender funds a Mortgage Loan to the Borrower.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Mortgage Loan's Origination Date• Origination Date
Multifamily Asset Management	<p>Team that can be contacted at drawer_am@fanniemae.com.</p>
Multifamily Inspections	<p>Team that can be contacted at mf_inspections@fanniemae.com.</p>
Multifamily Loan Agreement	<p>Agreement evidencing the terms of a Mortgage Loan using the Form 6001 series Loan Documents or another form approved by Fannie Mae.</p>
Multifamily Operating Statements	<p>Team that can be contacted at mf_operatingstatements@fanniemae.com.</p>
N	
Note	<p>Current instrument evidencing a Mortgage Loan obligation, including Form 6010 series, any other note approved by Fannie Mae, and all applicable addenda, schedules, and exhibits.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Notes



P

P&I Principal and interest

Property 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).

Synonyms

- Properties
- Property's

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

Servicer Primary Person responsible for servicing the Mortgage Loan (e.g., the originator, the selling Lender, or a third-party servicer).

Synonyms

- Servicers

Servicing File File for each Mortgage Loan serviced by the Lender.

Synonyms

- Servicing Files



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

Special Asset Management

Team that performs the work of the Special Servicer for Fannie Mae that can be contacted at sam_legal_mailbox@fanniemae.com.

Synonyms

- SAM
- Multifamily Special Asset Management

U

UPB

Unpaid Principal Balance

W

Watchlist

Mortgage Loan or Property exhibiting heightened credit risk as identified by the Lender or Fannie Mae.