



# Multifamily Selling and Servicing Guide

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## 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 <sup>1</sup>	Min/Max Number of Units to be Inspected <sup>2</sup>	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



PROPERTY INSPECTION PROTOCOL						
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
<b>Protocol if Original Mortgage Loan Amount is Greater than \$6,000,000 and up to \$30,000,000</b>						
(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.)						
Mortgage Loan Type	Fannie Mae Mortgage Loan Rating	Inspection Frequency	Min% of Total Units to be Inspected <sup>1</sup>	Min/ Max Number of Units to be Inspected <sup>2</sup>	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 <sup>1,2</sup>	Follow requirements for applicable Mortgage Loan type.			
<b>Protocol if Original Mortgage Loan Amount is \$6,000,000 or Less</b>						
Mortgage Loan Type	Fannie Mae Mortgage Loan Rating	Inspection Frequency	Min% of Total Units to be Inspected <sup>1</sup>	Min/Max Number of Units to be Inspected <sup>2</sup>	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



PROPERTY INSPECTION PROTOCOL						
	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
	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 <sup>3</sup>	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"> <li>• all buildings on each separate parcel or site must be inspected;</li> <li>• 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</li> <li>• the units to be inspected at each parcel must be selected randomly, according to the above inspection protocol.</li> </ul>						

## 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:

<b>Mortgage Loan Rating</b>	<b>Minimum Previous Inspection Experience</b>
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.



# 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

## 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.

## **D**

DUS Plus

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

## **H**

HUD

U.S. Department of Housing and Urban Development

## **L**

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** 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 Origination Date** Date the Lender funds a Mortgage Loan to the Borrower.

**Synonyms**

- Mortgage Loan's Origination Date
- Origination Date

**Multifamily Inspections** Team that can be contacted at [mf\\_inspections@fanniemae.com](mailto:mf_inspections@fanniemae.com).

## N



**Note** 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.

**Synonyms**

- Notes

## **P**

**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

**U**

**UPB** Unpaid Principal Balance

**W**

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