



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of June 7, 2024

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.



TABLE OF CONTENTS

Part II Section 201 Market and Valuation	3
201.01 Market Analysis	3
201.02 Appraisal	3
201.02A Appraiser Role and Qualifications	3
201.02B Valuation Date	4
201.02C Appraised Value	4
201.03 Underwriting Value	5
GLOSSARY	8



Section 201 Market and Valuation

201.01 Market Analysis

Requirements

You must:

- Evaluate the Property's market area, identifying its strengths and weaknesses.
- Take these characteristics into account when structuring the Mortgage Loan.

201.02 Appraisal

Requirements

You must:

- obtain an Appraisal that:
 - is prepared by a qualified, state-licensed or -certified appraiser;
 - conforms to the requirements in the USPAP; and
 - meets any governmental regulations in effect when the Mortgage Loan was originated, including the Financial Institutions Reform, Recovery, and Enforcement Act of 1989; and
- ensure all:
 - Potential Red Flags for Mortgage Fraud and Other Suspicious Activity were considered; and
 - unresolved red flags were reported per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 308: Compliance.

201.02A Appraiser Role and Qualifications

Requirements

You must:

- Provide the appraiser all documents needed to accurately assess



Property's value.

- Ensure the appraiser:
 - completely and accurately describes the Property and the market;
 - provides an opinion of the Property's market value, supported by
 - market data,
 - logical analysis, and
 - sound professional judgment; and
 - uses an industry standard form of Appraisal that is appropriate for the size and structure of the Mortgage Loan.

When selecting an appraiser, you must document that the appraiser is licensed or certified, as appropriate, per applicable state law.

When using an appraiser, you must ensure the appraiser (whether third-party or in-house):

- acts independently;
- does not participate in the Mortgage Loan approval; and
- is not a member of the loan origination or underwriting staff.

201.02B Valuation Date

Requirements

You must:

- update any Appraisal if the Appraisal Date is more than 6 months before the Commitment Date; and
- require a new Appraisal if the Appraisal Date is more than 12 months before the Commitment Date.

Guidance

For an Appraisal dated less than 12 months before the Commitment Date, you may obtain an updated Appraisal that complies with USPAP guidelines, dated within 6 months of the Commitment Date.

201.02C Appraised Value

Requirements



You must ensure the appraiser provides an opinion of the market value, on an “as is” basis, of:

- each separate Project per [Part II, Chapter 1: Attributes and Characteristics, Section 102.01: Single Borrower Ownership](#); and
- the aggregate market value of all Projects.

You may also request the appraiser provide an opinion of the Property's market value on an “as completed” basis, but you must only use an “as completed” Appraisal for the opinion of Appraised Value if all of the following conditions apply:

- less than 12 months have passed between the Borrower's acquisition of the Property and the Commitment Date;
- for any capital improvements made after the Mortgage Loan Origination Date to be considered in an “as completed” Appraisal, they must be:
 - Immediate Repairs listed in the PCA; or
 - improvements identified by the Borrower, if you agree the improvements will add Property value;
- all capital improvements are included in either the
 - Completion/Repair Schedule, or
 - Rehabilitation Reserve Agreement;
- sufficient funds to complete all capital improvements are deposited into either the Completion/Repair Escrow or the Rehabilitation Reserve Account:
 - for capital improvements identified as Immediate Repairs, the funds must cover any higher funding percentage you require; and
 - for capital improvements identified by the Borrower, the funds must cover the estimated cost (including an allowance for cost overruns); and
- all capital improvements are required to be completed in a timely manner:
 - those identified by the Borrower must be completed within 12 months after the Mortgage Loan Origination Date; and
 - for others identified as Immediate Repairs, a shorter time period may be required by [Part II, Chapter 4: Inspections and Reserves, Section 404: Completion/Repairs](#).

201.03 Underwriting Value



☑ Requirements

Your Underwriting Value must not exceed the Appraised Value, as reduced by any adjustments you deem necessary accounting for Property deficiencies that cannot be cured within 6 months after the Appraisal Date.

If less than 12 months have passed between the Borrower's acquisition of the Property and the Commitment Date, your Underwriting Value must not exceed the lower of the

- Appraised Value, or
- sum of the:
 - Property's acquisition price per the title company settlement statement;
 - cost of capital improvements or repairs that increase the Property's value, if
 - completed and fully paid, or
 - sufficient funds for completion are deposited in the Completion/Repair Escrow or reserve account; and
 - actual acquisition costs, not exceeding 3% of the acquisition price, including:
 - Origination Fee;
 - arm's length acquisition fee (generally 1% - 2%) paid to an unrelated Person if documented in the Settlement Statement;
 - third-party report fees;
 - Borrower-paid legal fees incurred on your behalf;
 - title search and title insurance fees;
 - survey fees;
 - real estate and stamp taxes;
 - deed-recording fees; and
 - credit report charges.

➔ Guidance

Actual acquisition costs should exclude any prepaid operating expenses or deposits applied toward future operating expenses or Property improvements, including:

- prepaid or escrowed



- real estate taxes, or
- insurance premiums;
- prepaid
 - utilities,
 - Mortgage Loan interest, including any interest rate buydown expense,
 - rents, or
 - security deposits;
- funded
 - Completion/Repair Escrow,
 - Replacement Reserve,
 - Interest Rate Cap cost,
 - operating or Restabilization Reserve, or
 - Borrower-controlled Property operating or capital accounts;
- fees included in the Gross Note Rate, including any
 - Origination Fee, or
 - broker fee;
- acquisition fees paid to a Borrower-Affiliate; and
- for an MAH Property, pre-paid Bond-related and compliance monitoring fees.



Glossary

A

Affiliate

When referring to an affiliate of a Lender, any other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender.

When referring to an affiliate of a Borrower or Key Principal:

- any Person that owns any direct ownership interest in Borrower or Key Principal;
- any Person that indirectly owns, with the power to vote, 20% or more of the ownership interests in Borrower or Key Principal;
- any Person Controlled by, under common Control with, or which Controls, Borrower or Key Principal;
- any entity in which Borrower or Key Principal directly or indirectly owns, with the power to vote, 20% or more of the ownership interests in such entity; or
- any other individual that is related (to the third degree of consanguinity) by blood or marriage to Borrower or Key Principal.

Synonyms

- Affiliates
- Affiliate's

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 Date

Effective date of value in the Appraisal.



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

B

Borrower

Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

C

Commitment Date

Date a Commitment is confirmed by Fannie Mae per [Part IV, Chapter 2: Rate Lock and Committing, Section 204: Commitments](#).

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

G

Gross Note Rate

Interest rate stated in the Loan Documents.

Guarantor

Key Principal or other Person executing a

- Payment Guaranty,
- Non-Recourse Guaranty, or
- any other Mortgage Loan guaranty.

Synonyms

- Guarantors

I

Interest Rate Cap

Interest rate agreement between the Borrower and a provider for which the Borrower receives payments at the end of each period when the interest rate exceeds the Cap Strike Rate. The Interest Rate Cap provides a ceiling (or cap) on the Borrower's Mortgage Loan interest payments.

Synonyms

- Interest Rate Caps
- Interest Rate Hedge
- Interest Rate Hedges
- Interest Rate Swap

M



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

O

Origination Fee

Fee you charge the Borrower for underwriting and originating the Mortgage Loan.

Synonyms

- Origination Fees

P



Person

Legal person, including an

- individual,
- estate,
- trust,
- corporation,
- partnership,
- limited liability company,
- financial institution,
- joint venture,
- association, or
- other organization or entity (whether governmental or private).

Synonyms

- Persons
- Person's

Project

Multifamily buildings

- on multiple Properties,
- owned by the same Borrower, and
- that comply with [Part II, Chapter 1: Attributes and Characteristics, Section 102.01: Single Borrower Ownership](#).

Synonyms

- Projects

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 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 Reserve Agreement Borrower's agreement to undertake identified Rehabilitation Work, the terms for funding the Rehabilitation Work, and the disbursement of funds from the Rehabilitation Reserve Account (e.g., [Form 6222](#) or [Form 4523](#)).

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

Synonyms

- Replacement Reserves

U

Underwriting Value Value of the Property determined by the Lender to size the Mortgage Loan per [Part II, Chapter 2: Valuation and Income, Section 201: Market and Valuation](#).

USPAP Uniform Standards of Professional Appraisal Practice