



# Multifamily Selling and Servicing Guide

Effective as of November 25, 2019

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 .....	7



## 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.

#### 201.02A Appraiser Role and Qualifications

#### Requirements

You must:

- Provide the appraiser with all documents needed to accurately assess the value of the Property.
- Ensure the appraiser:
  - provides a complete, accurate description of the Property and the market;
  - provides an opinion of the market value of the Property, 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, under applicable state law.

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

- Acts independently.
- Does not participate in the Mortgage Loan approval.
- 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.

If the Appraisal Date is more than 12 months before the Commitment Date, then a new Appraisal of the Property is required.

### Guidance

For an Appraisal that is dated less than 12 months before the Commitment Date, you may have the appraiser provide an update that complies with USPAP guidelines, dated within 6 months of the Commitment Date.

## **201.02C** Appraised Value

### Requirements

You must ensure that the appraiser provides an opinion of the market value of the Property on an “as is” basis.

You may also request that the appraiser provide an opinion of the market value of the Property 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 when the Borrower acquired 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 concur that the improvements will add value to the Property;
- all capital improvements are included in either the Completion/Repair



Agreement or the 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 403: Completion/Repairs](#).

## 201.03 Underwriting Value

### Requirements

Your Underwriting Value must not exceed the Appraised Value, as reduced by any adjustments you deem necessary to account 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
- the sum of:
  - the Property acquisition price;
  - the cost of capital improvements or repairs which increase the value of the Property, if
    - they are completed and fully paid, or
    - sufficient funds to complete them are deposited in an escrow or reserve account; and
  - actual acquisition costs, not to exceed 3% of the acquisition price, such as:
    - loan origination fees;
    - appraisal fees;



- title search fees;
- title insurance fees;
- survey fees;
- taxes;
- deed-recording fees; and
- credit report charges.



## Glossary

### A

**Appraisal** Written statement independently and impartially prepared by a qualified appraiser stating an opinion as to the market value of the Property as of a specific date, 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 market value of the Property documented in the Appraisal, on an "as is" basis, unless use of an "as completed" basis is specifically permitted by the Guide.

**Synonyms**

- Appraised Values

### B

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

**Synonyms**

- Borrowers
- Borrower's

### C

**Commitment Date** Date a Commitment is confirmed by Fannie Mae as described in [Part IV A, Chapter 3: Committing](#).



## Completion/Repair Agreement

Document evidencing the Borrower's agreement to undertake Completion/Repairs and other identified capital improvements, the terms for funding the repairs, maintenance, or capital items, and the disbursement of funds from the Completion/Repair Escrow (e.g., Form 4505, or the applicable parts of the Multifamily Loan Agreement ([Form 6001 series](#)), including the Required Repair Schedule to the Multifamily Loan Agreement).

### **Synonyms**

- Completion/Repair Agreements

## 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.

## Completion/Repairs

Immediate Repairs identified by the Property Condition Assessment and required by the Lender to be included in the Completion/Repair Agreement (or a Certificate of Borrower, if applicable).

### **Synonyms**

- Completion/Repair

## **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 Origination Date

Date the Lender funds a Mortgage Loan to the Borrower.

### **Synonyms**

- Mortgage Loan's Origination Date
- Origination Date





## 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

**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.Mod](#), [Form 6222.Sub](#), or [Form 4523](#)).

## 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