



Multifamily Selling and Servicing Guide

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TABLE OF CONTENTS

Part V Section 408.03 Completion/Repair Agreement	3
408.03A General	3
408.03B Extensions for Completion/Repair Agreement	3
408.03C Amendments to Completion/Repair Agreements	3
408.03D Servicer’s Administrative Requirements	4
408.03E Processing Borrower Requisitions	5
408.03F Inspections	7
408.03G Fees	8
408.03H Default under Completion/Repair Agreement	9
GLOSSARY	10



408.03 Completion/Repair Agreement

408.03A General

The Servicer must administer the Completion/Repair Agreement to ensure the timely implementation of all Completion/Repairs.

408.03B Extensions for Completion/Repair Agreement

The Servicer is delegated the authority to extend the time limits for making Completion/Repairs if:

- the Completion/Repairs subject to the extension request do not involve life safety issues; and
- the Mortgage Loan does not have a Fannie Mae risk rating of Substandard or Doubtful.

Notwithstanding the above, the Servicer is delegated the authority to grant a one-time extension of 30 days for a life safety issue if the Borrower is diligently pursuing completion of the related Completion/Repair.

The duration of any permitted non-life safety extension may not exceed:

- 1 year past the completion date specified in the Completion/Repair Agreement for that Completion/Repair, for a Mortgage Loan with no Loss Sharing; and
- 2 years past the completion date specified in the Completion/Repair Agreement for that Completion/Repair, for any Mortgage Loan with Loss Sharing.

The Servicer is not delegated the authority to extend the time limit for any Completion/Repairs that are Efficiency Measures which the Borrower agreed to implement in order to qualify as a Green Rewards Mortgage Loan or a Green Preservation Plus Mortgage Loan. Fannie Mae will generally not approve any waiver request to extend the time limit for implementing an Efficiency Measure.

408.03C Amendments to Completion/Repair Agreements

Servicers are delegated the authority to move required Completion/Repairs from the Completion/Repair Agreement to the Replacement Reserve Schedule, and the associated deposit from the Completion/Repair Escrow into the Replacement Reserve, provided:

- the Completion/Repair does not involve life safety issues;



- delaying the Completion/Repair will not materially negatively impact the Property; and
- the total amount of Completion/Repairs being transferred does not exceed the lesser of (i) 25% of the original Completion/Repairs total, or (ii) \$75,000.

Notwithstanding the above, the Servicer is not delegated the authority to move required Completion/Repairs to the Replacement Reserve Schedule for any Efficiency Measures that the Borrower agreed to implement in order to qualify as a Green Rewards Mortgage Loan or a Green Preservation Plus Mortgage Loan.

The Servicer must submit the amended Completion/Repair Agreement through the MAMP, and retain a copy in its Servicing File.

408.03D Servicer's Administrative Requirements

For any Completion/Repair Agreement, the Servicer must:

- retain a copy of the executed Completion/Repair Agreement in its Servicing File;
- hold all Completion/Repair Escrow funds in an account that meets the Custodial Account requirements of [Part V, Chapter 3: Custodial Account Requirements](#);
- ensure that all necessary permits are obtained, and that all required work is satisfactorily completed in a good and workmanlike manner by the completion dates stipulated in the Completion/Repair Agreement;
- process Borrower requisitions for funds in accordance with the terms and conditions of the Completion/Repair Agreement;
- perform required inspections of completed work and, if appropriate, work in progress and, if necessary, arrange inspections by qualified professionals;
- ensure that the work done under the Completion/Repair Agreement does not result in any mechanics' Liens, materialmen's Liens, or other Liens that have not been acceptably bonded over;
- promptly notify Fannie Mae of any default under the Completion/Repair Agreement in accordance with the requirements of [Part V, Chapter 7: Non-Performing Mortgage Loans](#);
- take appropriate steps to remedy or address any default under the Completion/Repair Agreement; and
- perform all other administrative duties required by the



Completion/Repair Agreement.

408.03E Processing Borrower Requisitions

1. General

Completion/Repair Escrow funds are available to reimburse the Borrower for costs incurred for Completion/Repairs that are specifically identified in the Completion/Repair Agreement. The Servicer may authorize the release of funds to cover the costs of other reasonable and necessary repairs, replacements, or improvements that are not specified in the Completion/Repair Agreement only if the Completion/Repair Agreement provides for such disbursements, and all conditions are fully satisfied.

2. Required Documentation for Disbursement

To obtain reimbursement, the Borrower must submit a written requisition specifying the Completion/Repairs for which reimbursement is being sought, including:

- the specific Completion/Repairs completed;
- the quantity and price of all materials (grouped by type or category) or specific replacement items (e.g., appliances) purchased in connection with the Completion/Repairs; and
- the cost of all contracted labor or other services involved in completing the Completion/Repairs.

The Borrower requisition for the specified Completion/Repairs for which reimbursement is being sought must be accompanied by:

- a Borrower certification that the specific Completion/Repairs have been completed:
 - in a good and workmanlike manner;
 - in accordance with any plans and specifications previously approved by the Servicer; and
 - in compliance with all applicable laws, ordinances, rules, and regulations of any governmental authority, agency, or instrumentality having jurisdiction over the Property;
- copies of invoices and evidence of payment for all items and materials purchased and all labor and services provided, the cost of which exceeds the



lesser of \$25,000 or 1% of the UPB; and

- a release of Lien from each contractor, subcontractor, or materialman providing services or materials, the cost of which exceeds the lesser of \$25,000 or 1% of the UPB.

3. Disbursement of Funds (Excluding Final Disbursement)

The Servicer may disburse funds to the Borrower only if it has received all required documentation and determined that all applicable conditions for disbursement have been met, including (but not limited to) the following:

- all Completion/Repairs covered by the requisition have been completed in a good and workmanlike manner, as evidenced by the Borrower's submission and, if appropriate, an inspection of the completed work (see guidance on inspections below);
- all related invoices for items and services covered by the requisition have been paid, unless the Borrower has satisfied any applicable pre-conditions of the Completion/Repair Agreement for issuance of a joint check(s), made payable to the Borrower and the Person owed funds under such invoices;
- no mechanics' Liens, materialmen's Liens, or other Liens exist, unless acceptably bonded over; and
- no default exists under any Loan Document, including the Completion/Repair Agreement.

The amount disbursed to the Borrower for any requisition, other than the final requisition, may not exceed the actual cost of the Completion/Repairs, and may be less than the actual cost if, after disbursement, the amount of funds remaining in the Completion/Repair Escrow would be less than the anticipated cost of completing all remaining Completion/Repairs plus any holdback specified in the Completion/Repair Agreement.

Notwithstanding the above, once 75% of the total dollar amount of Completion/Repairs is disbursed, the Servicer may release funds in the Completion/Repair Escrow, provided:

- funds are only released for Completion/Repairs that have been fully completed;
- the Servicer has complied with all other disbursement requirements;
- the Servicer completes an analysis showing that the



remaining amount in the Completion/Repair Escrow is sufficient to complete all remaining Completion/Repairs;

- the Borrower affirms in writing its obligation to complete the remaining Completion/Repairs by the required completion dates; and
- the Completion/Repair is not an Efficiency Measure the Borrower agreed to implement in order to qualify as a Green Rewards Mortgage Loan, as the Servicer is not delegated the authority to release any Completion/Repair Escrow related to any Efficiency Measures.

4. Final Disbursement of Funds

Before making the final disbursement of funds from the Completion/Repair Escrow, the Servicer must confirm and document the absence of any mechanics' and materialmen's Liens by requiring the Borrower to obtain an updated title report or a title policy endorsement showing that no such Liens exist. The Servicer may waive the updated title report or endorsement for Secondary Risk Mortgage Loans when the total scope of work is less than \$75,000. If the Borrower fails to provide the required title documentation, the Servicer must obtain a title report or title policy endorsement, and may charge the Borrower for the cost.

The Servicer may make a final disbursement of all remaining funds upon satisfactory completion of all required Completion/Repairs, and satisfaction of all other applicable release conditions contained in the Completion/Repair Agreement.

5. Maintenance of Servicing File

The Servicer must document the action taken with respect to each Borrower requisition for funds from the Completion/Repair Escrow in its Servicing File.

408.03F Inspections

1. Use of Third Party

The Servicer may inspect the Property, or have a qualified independent third party inspect the Property, to confirm that the Completion/Repairs covered by the requisition have been satisfactorily completed. The Servicer is responsible for monitoring the third-party's performance.

2. When Periodic Inspections Are Required

Periodic inspections must be performed as the work



progresses if the Completion/Repairs:

- exceed in the aggregate the lesser of:
 - \$500,000, or 20% of the UPB of a Secondary Risk Mortgage Loan; or
 - \$250,000, or 10% of the UPB of a Primary Risk Mortgage Loan; and
- are likely to require more than 6 months to complete.

Inspections must occur at least every 3 months, or more frequently at the Servicer's discretion.

3. When a Final Inspection Is Required

An inspection must be performed to ensure that all Completion/Repairs have been satisfactorily completed before approving and disbursing the final requisition when the Completion/Repairs exceed the lesser of:

- \$500,000, or 20% of the UPB of a Secondary Risk Mortgage Loan; or
- \$250,000, or 10% of the UPB of a Primary Risk Mortgage Loan.

4. Confirming Completion/Repairs if Inspection Is Not Required

Even if an inspection is not required by this Section, the Borrower must provide evidence to the Servicer that all Completion/Repairs covered by the requisition have been satisfactorily completed. If not inspected sooner, the Servicer must confirm the satisfactory completion of the Completion/Repairs during the next regularly scheduled Property inspection.

5. Documenting the Servicing File

In all instances, the Servicer must document in its Servicing File whether all work was satisfactorily completed.

408.03G Fees

Completion/Repair Agreement funds may not be used to cover any administrative or inspection fees due to the Servicer unless expressly permitted in the Completion/Repair Agreement, or the Borrower agrees in writing. If permitted, the Servicer may charge the Borrower and deduct the following from any disbursement of funds:

- reasonable fees to cover the Servicer's costs of administering the Completion/Repair Agreement; and



- additional fees to cover any reasonable inspection costs that are not adequately covered by general administrative fees collected from the Borrower.

408.03H Default under Completion/Repair Agreement

1. Notification of Default to Fannie Mae

The Servicer must immediately notify Fannie Mae of any default under the Completion/Repair Agreement in accordance with the requirements of [Part V, Chapter 7: Non-Performing Mortgage Loans](#).

2. No Release of Funds to Borrower

No funds may be released to the Borrower while the Borrower is in default under any of the Loan Documents.



Glossary

B

Borrower Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

C

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



Custodial Account

Accounts established by the Servicer for depositing P&I payments, T&I funds, Collateral Agreement deposits, and other similar funds.

Synonyms

- Custodial Accounts

E

Efficiency Measures

Energy- and water-efficiency measures that the Borrower agrees to implement, and which project a reduction in the Property's annual energy or water consumption.

Synonyms

- Efficiency Measure

G

Green Rewards Mortgage Loan

Mortgage Loan secured by a Property on which the Borrower agrees to undertake 1 or more Energy- and Water-Efficiency Measures (Efficiency Measures or EWEM) that comply with [Part III, Chapter 4: Green Mortgage Loans, Section 403: Green Rewards Mortgage Loans](#).

Synonyms

- Green Rewards Mortgage Loans
- Green Rewards

L

Lien

Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.

Synonyms

- Liens



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

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

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

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



Preservation

Renewal or continuation of rent, income and/or occupancy restrictions on multifamily rental housing eligible as an MAH Property, but

- is potentially at risk of being lost from the affordable housing inventory through conversion to market-rate housing, and
- is not receiving new LIHTC.

Primary Risk Mortgage Loan

Mortgage Loan where Fannie Mae bears all losses or where the Lender and Fannie Mae share losses.

Synonyms

- Primary Risk Mortgage Loans
- Primary Risk

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



Replacement Reserve Schedule

The Required Replacement Schedule to the Multifamily Loan Agreement ([Form 6001 series](#)) a Replacement Reserve and Security Agreement (Form 4506), or another agreement approved by Fannie Mae, that evidences:

- the Borrower's agreement to undertake identified replacement of capital items and required maintenance;
- the terms for funding such replacement of capital items and maintenance; and
- the disbursement of funds from the Replacement Reserve.

Synonyms

- Replacement Reserve Schedules

S

Secondary Risk Mortgage Loan

Mortgage Loan where the Lender bears all losses until the Lender's recourse obligations are exhausted.

Synonyms

- Secondary Risk Mortgage Loans
- Secondary Risk

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