



Multifamily Selling and Servicing Guide

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Section 1804 Streamlined Underwriting

1804.01 Zoning

Requirements

You must perform a non-conforming use analysis and comply with the requirements of [Part II, Chapter 3: Legal Compliance, Section 301: Zoning and Legal Non-Conforming Uses](#) if the Property has been rezoned since the Mortgage Loan Origination Date of the Portfolio Mortgage Loan

- causing the Property to become a non-conforming use, or
- further restricting the ability of an existing non-conforming use to be rebuilt.

1804.02 Property Condition Assessment (PCA)

Guidance

You may use the Streamlined Physical Condition Assessment Requirements ([Form 4099.A](#)).

1804.03 Environmental Site Assessment

Requirements

A Phase I Environmental Site Assessment is not required if:

- the Borrower enters into an Environmental Indemnity Agreement ([Form 6085](#));
- you perform an environmental database search per the Instructions for Performing a Multifamily Property Condition Assessment – Environmental Matters ([Form 4251](#)), and determine that there are no adverse conditions requiring further due diligence; and
- you confirm that the Borrower is appropriately implementing any existing O&M Plans for the Property.

1804.04 Survey

Requirements

[Part II, Chapter 3: Legal Compliance, Section 305: Survey](#) does not



apply if the:

- new mortgagee title insurance policy includes all title exceptions, including those that would appear based upon the most recent survey provided by the Borrower (whether it is the original survey for the Portfolio Mortgage Loan or a subsequent one);
- Borrower certifies that there have been no changes or improvements to the Property since the later of the date of the survey
 - referenced in the original title policy, or
 - most recently completed; and
- Property inspection report reveals no evidence of new construction or encroachments on the site from construction on adjoining properties.

1804.05 Borrower Structure and Experience

Requirements

You must:

- Obtain a new Multifamily Underwriting Certificate ([Form 6460](#)) from the Borrower, any Guarantor, and any Key Principal.
- Obtain updated copies of the organizational documents of the Borrower and the Key Principal, and confirm that the Borrower's organizational structure complies with [Part II, Chapter 3: Legal Compliance](#).
- Confirm that no unauthorized change has been made to the Borrower's organizational structure or documents.
- Obtain a new good standing certificate from the jurisdiction where the Borrower is organized.

1804.06 Borrower Credit

Requirements

You must obtain and review new financial statements for all parties relevant to the transaction.

For Small Mortgage Loans, you must:

- confirm that the FICO scores of any such individuals comply with [Part III, Chapter 9: Small Mortgage Loans, Section 911.02: FICO Scoring](#); and
- ensure that the net worth and liquidity complies with [Part III, Chapter 9: Small Mortgage Loans, Section 910.06: Net Worth and Liquid Assets](#).



→ Guidance

If the Borrower or any Key Principal, Guarantor, or Principal submitted financial statements within the past 12 months, then in lieu of new financial statements, you may accept a certification that there has been no material adverse change from the financial condition or credit standing reflected in the financial statements.

1804.07 Property Management

→ Guidance

You may elect not to review the Property management or agreement per [Part II, Chapter 1: Attributes and Characteristics, Section 108: Property Management and Agreement](#).

1804.08 Replacement Reserve

☑ Requirements

You must ensure the Replacement Reserve is funded as follows:

If...	Then...
<p>The Property</p> <ul style="list-style-type: none">• is located in a Pre-Review Market that is not eligible for delegation at any Tier per Section II of the Form 4660, and• the market was a Pre-Review Market when the Portfolio Mortgage Loan was originated.	<p>The Borrower must fully fund the Replacement Reserve.</p>
<p>The Property</p> <ul style="list-style-type: none">• is located in a Pre-Review Market that is not eligible for delegation at any Tier per Section II of the Form 4660, but• the market was not a Pre-Review Market when the Portfolio Mortgage Loan was originated.	<p>You must determine the Replacement Reserve funding per Part II, Chapter 4: Inspections and Reserves, Section 404: Replacement Reserve.</p>



If...	Then...
<p>The Property is located in</p> <ul style="list-style-type: none">• a Strong Market,• a Nationwide Market, or• a Pre-Review Market that is eligible for Tier 3 and Tier 4 Mortgage Loans on a delegated basis per Section II of the Form 4660.	<p>You must determine the Replacement Reserve funding per Part II, Chapter 4: Inspections and Reserves, Section 404: Replacement Reserve.</p>

1804.09 Real Estate Tax and Insurance Escrows

Requirements

You must require T&I escrow deposits for a Tier 2 Choice Refinance Loan unless Fannie Mae waived the T&I escrow for the Portfolio Mortgage Loan. If you do not require T&I escrow deposits, then you must comply with [Part II, Chapter 4: Inspections and Reserves, Section 405: Escrow Requirements for Taxes and Insurance](#).



Glossary

B

Borrower Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

C

Choice Refinance Loan Mortgage Loan refinancing a Portfolio Mortgage Loan using the streamlined underwriting requirement per [Part III, Chapter 18: Choice Refinance Loans](#).

Synonyms

- Choice Refinance Loans

E

Environmental Site Assessment Report (either a Phase I ESA or a Phase II ESA) identifying whether a Property is subject to Recognized Environmental Conditions or Business Environmental Risks.

Synonyms

- ESA

G

Guarantor Key Principal or other Person who executes a Payment Guaranty, a Non-Recourse Guaranty, or any other guaranty in connection with the Mortgage Loan.

Synonyms

- Guarantors

K



Key Principal

Person(s) who control and/or manage the Borrower or the Property, are critical to the successful operation and management of the Borrower and the Property, and who may be required to provide a Guaranty.

Synonyms

- Key Principals

M

Mortgage Loan Origination Date

Date the Lender funds a Mortgage Loan to the Borrower.

Synonyms

- Mortgage Loan's Origination Date
- Origination Date

Multifamily Underwriting Certificate

Multifamily Underwriting Certificate ([Form 6460](#)), and/or other agreement approved by Fannie Mae that provides underwriting information for a Mortgage Loan.

P

Portfolio Mortgage Loan

Mortgage Loan that was purchased by Fannie Mae and is held as of a certain date regardless of whether it is a Cash Mortgage Loan or an MBS Mortgage Loan.

Synonyms

- Portfolio Mortgage Loans

Pre-Review

Requirement that the Lender obtain Fannie Mae's approval before Rate Lock of a Mortgage Loan.

Principal

Person who owns or controls specified interests in the Borrower per [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors](#).

Synonyms

- Principals



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

Property Condition Assessment

Assessment of the current physical condition and historical operation of the Property.

Synonyms

- PCA
- PNA
- Physical Needs Assessment
- PCAs

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

T

Taxes and Insurance

Taxes or assessments that may become a Lien on the Property and insurance premiums.

Synonyms

- T&I
- Tax and Insurance