



Multifamily Selling and Servicing Guide

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Section 805 Appraisals, Inspections and Loan Documentation

805.01 Appraisal

An Appraisal is required for all In Place Loans.

805.02 Physical Condition Assessment

The Lender is required to obtain a PCA for all In Place Loans. It is particularly important that the Borrower makes all needed repairs and improvements, or funds a Completion/Repair Escrow in a sufficient amount so that the Property is either in good condition at refinancing or shortly thereafter. In addition, the Replacement Reserve must be fully funded in an amount that will ensure that the Property is maintained in good condition for the term of the In Place Loan.

805.03 Environmental Assessment

If no Phase I Environmental Site Assessment was performed for the original Portfolio Mortgage Loan, then a Phase I Environmental Site Assessment is required for the In Place Loan. If a Phase I Environmental Site Assessment (or, if applicable, a Phase II Environmental Site Assessment) was performed for the Portfolio Mortgage Loan, then it need only be updated by the Environmental Professional re-inspecting the Property to determine if:

- an O&M Plan, if any, has been followed or is now required;
- any other Recognized Environmental Conditions or Business Environmental Risks identified in the original Phase I Environmental Site Assessment, but not the subject of an O&M Plan, have become worse and whether an O&M Plan should be implemented;
- any new Recognized Environmental Condition or Business Environmental Risk is apparent; and
- any nearby land uses subject the Property to any Recognized Environmental Condition or Business Environmental Risk.

805.04 Mortgage Loan Documents

All new Loan Documents are required to document the In Place Loan.

805.05 Title Policy and Survey Requirements



805.05A Title Policy

A new mortgagee title insurance policy is required for all In Place Loans.

805.05B Survey

A new survey of the Property is required, unless:

- the new mortgagee title insurance policy for the In Place Loan includes all title exceptions, including those that would appear on the most recent survey provided by the Borrower to the Lender;
- the Borrower certifies that there have been no changes to the Property since the later of (i) the date of the survey referenced in the original title policy for the Portfolio Mortgage Loan, or (ii) the date of most recent survey of the Property; and
- the Lender's inspection of the Property reveals no evidence of new construction on the site or encroachments on the site from adjoining properties.

805.06 Subordinate Debt

If the original Portfolio Mortgage Loan has any existing Subordinate Loans approved by Fannie Mae which will remain after the financing of the In Place Loan, the subordinate lender must reaffirm the subordination using the appropriate Subordination Agreement. The combined DSCR of the Senior Mortgage Loan and all Subordinate Loans must be disclosed for pricing during the underwriting of the In Place Loan.



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

B

Borrower Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

Business Environmental Risk Risk of material environmental or environmentally-driven impact on the business or property associated with a Property or the past, current or planned use of a Property, including all “non-scope considerations” under current ASTM E 1527, asbestos or asbestos-containing materials, radon, lead-based paint, lead in drinking water, wetlands, regulatory compliance, health and safety, indoor air quality, biological agents, mold, etc.

Synonyms

- Business Environmental Risks

C

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.



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

I

In Place Loan

Mortgage Loan refinancing a Portfolio Mortgage Loan that does not meet Tier 2 underwriting requirements.

Synonyms

- In Place Loans

L

Lender

Person approved by Fannie Mae to sell or service Mortgage Loans.

Synonyms

- Lenders
- Lender's

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

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

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

Senior Mortgage Loan

Senior loan purchased by Fannie Mae.

Synonyms

- Senior Mortgage Loans