



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 1302.05 Streamlined Underwriting

### 1302.05A Property

#### Requirements

Streamlined Underwriting	
Appraisal	You must obtain a new Appraisal.
Property Management	If there has been or will be a Property management change, you must comply with <a href="#">Part II, Chapter 1: Attributes and Characteristics, Section 113.01: Property Management</a> .
Property Condition Assessment Report	<p>You must obtain a PCA Report if the Supplemental Mortgage Loan Property inspection reveals any adverse change in property condition or life safety issues.</p> <p>A PCA Report is not required if:</p> <ul style="list-style-type: none"><li>• there has been no adverse change;</li><li>• the existing PCA Report is less than 3 years old;</li><li>• all Immediate Repairs identified in the existing PCA Report have been satisfactorily completed; and</li><li>• the most recent Property inspection indicates an overall rating of 1 or 2.</li></ul>
Replacement Reserves	<ul style="list-style-type: none"><li>• If the PCA Report indicates a need to modify the existing or fund an initial Replacement Reserve, you must ensure the funding by amending the Replacement Reserve Schedule.</li><li>• Even if there is no funding or only partial funding for a Pre-Existing Mortgage Loan, you must fully fund the Replacement Reserve if the combined DSCR and LTV for all Pre-Existing Mortgage Loans and the Supplemental Mortgage Loan is Tier 2.</li></ul>



Streamlined Underwriting	
Environmental Site Assessment (ESA)	<p>You must obtain a new or updated ESA and comply with <a href="#">Part II, Chapter 5: Property and Liability Insurance, Section 504: Environmental Matters</a> unless all the following are met:</p> <ul style="list-style-type: none"><li>• an ESA was performed for a Pre-Existing Mortgage Loan;</li><li>• an Environmental Professional performs an environmental database review and identifies no<ul style="list-style-type: none"><li>- potential environmental concerns (as defined in ASTM E1528 - Standard Practice for Limited Environmental Due Diligence: Transaction Screen), or</li><li>- adverse conditions requiring further due diligence;</li></ul></li><li>• the Borrower executes an Environmental Indemnity Agreement (<a href="#">Form 6085</a>);</li><li>• you confirm that any disclosed Prohibited Activities or Conditions per the Loan Documents are adequately addressed through an O&amp;M Plan being implemented at the Property; and</li><li>• the Borrower certifies, and you confirm, that all appropriate O&amp;M Plans are in place and being fully and properly implemented.</li></ul>
Property and Liability Insurance	<p>You must base the required amounts and coverages of all property and liability insurance on the combined UPB of the Supplemental Mortgage Loan and all Pre-Existing Mortgage Loans.</p>
Title Insurance	<p>You must ensure the Borrower obtains a new title insurance policy.</p>

### 1302.05B Borrower, Guarantor, Key Principals, and Principals

#### Requirements

You must:

- identify all Key Principals and Principals of the Borrower and Guarantor;
- confirm the original underwriting of the Borrower, Guarantor, and each Key Principal and Principal per [Part I, Chapter 3: Borrower](#),



### Guarantor, Key Principals, and Principals;

- obtain updates to the:
  - financial statements for all parties relevant to the transaction;
  - Multifamily Underwriting Certificates ([Form 6460 series](#)) for the Borrower, Guarantor, and each Key Principal;
  - organizational documents of the Borrower, Guarantor, and each Key Principal; and
  - good standing certificate from the jurisdiction where an entity Borrower and Guarantor are organized;
- confirm that the organizational structure of the Borrower, Guarantor, and each Key Principal complies with [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals](#); and
- confirm that no unauthorized change has been made to the organizational structure or organizational documents of the Borrower or the Guarantor.

### Operating Procedures

If there was...	You must...
<ul style="list-style-type: none"><li>• an unauthorized Transfer/Assumption ; or</li><li>• any change in the organizational structure of the Borrower, Guarantor, or any Key Principal or Principal</li></ul>	<p>notify Fannie Mae per:</p> <ul style="list-style-type: none"><li>• Part VI, Chapter 3: Non-Performing Primary Risk Mortgage Loans, Section 305: Notice of Default ; or</li><li>• Part VI, Chapter 5: Non-Performing Secondary Risk Mortgage Loans, Section 505: Notice of Default .</li></ul>



# Glossary

## A

**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's

**ASTM** American Society for Testing Materials

## B

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

### Synonyms

- Borrowers
- Borrower's

## E

**Environmental Site Assessment** Investigation and resulting report (Phase I ESA or Phase II ESA) conducted per Environmental Due Diligence Requirements ([Form 4251](#)), identifying if a Property has Recognized Environmental Conditions or Business Environmental Risks.

### Synonyms

- ESA
- Environmental Site Assessments

## G



## Guarantor

Key Principal or other Person executing a

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

### **Synonyms**

- Guarantors

## K

## Key Principal

Person who

- controls and/or manages the Borrower or the Property,
- is critical to the successful operation and management of the Borrower and the Property, and/or
- may be required to provide a Guaranty.

### **Synonyms**

- Key Principals
- Key Principal's

## L

## Loan Documents

All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.

### **Synonyms**

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

## P

## PCA Report

Property Condition Assessment Report documenting the findings of a PCA.



Pre-Existing Mortgage Loan	<p>Multifamily residential real estate loan secured by Liens against the Property having higher priority than the Lien securing the Subordinate Loan purchased by Fannie Mae.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Pre-Existing Mortgage Loans</li></ul>
Principal	<p>Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per <a href="#">Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors</a>.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Principals</li></ul>
Property	<p>Multifamily residential real estate securing the Mortgage Loan, including the</p> <ul style="list-style-type: none"><li>• fee simple or Leasehold interest,</li><li>• Improvements, and</li><li>• personal property (per the Uniform Commercial Code).</li></ul> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Properties</li><li>• Property's</li></ul>
Property Condition Assessment	<p>Assessment of the Property's physical condition and historical operation.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• PCA</li><li>• PNA</li><li>• Physical Needs Assessment</li><li>• PCAs</li></ul>

## R



## Replacement Reserve

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

### Synonyms

- Replacement Reserves

## Replacement Reserve Schedule

The Required Replacement Schedule to the Multifamily Loan Agreement ([Form 6001 series](#)) and the applicable parts of the Multifamily Loan Agreement (or other agreement approved by Fannie Mae), that evidence the:

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

### Synonyms

- Replacement Reserve Schedules

## S

## Supplemental Mortgage Loan

Mortgage Loan purchased by Fannie Mae that is subordinated to, and has a Mortgage Loan Origination Date after, the Senior Mortgage Loan that is also owned by Fannie Mae.

### Synonyms

- Supplemental Mortgage Loans

## T

## Transfer/Assumption

Transaction changing the ownership of the Borrower or Property.

### Synonyms

- Transfers/Assumptions

## U



UPB

Unpaid Principal Balance

**Synonyms**

- UPBs