Fannie Mae®

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 Part II, Chapter 1: Attributes and Characteristics, Section 114.01: Property Management.
Property Condition Assessment Report	You must obtain a PCA Report if the Supplemental Mortgage Loan Property inspection reveals any adverse change in property condition or life safety issues. A PCA Report is not required if: • there has been no adverse change; • the existing PCA Report is less than 3 years old; • all Immediate Repairs identified in the existing PCA Report have been satisfactorily completed; and • the most recent Property inspection indicates an overall rating of 1 or 2.
Replacement Reserves	• If the PCA Report indicates a need to modifythe existing or fund an initial Replacement Reserve, you must ensure the funding by amending the Replacement Reserve Schedule. • 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.

Streamlined Underwriting	
Environmental Site Assessment (ESA)	You must obtain a new or updated ESA and comply with Part II, Chapter 5: Property and Liability Insurance, Section 504: Environmental Matters unless all the following are met: • an ESA was performed for a Pre-Existing Mortgage Loan; • an Environmental Professional performs an environmental database review and identifies no - potential environmental concerns (as defined in ASTM E1528 - Standard Practice for Limited Environmental Due Diligence: Transaction Screen), or - adverse conditions requiring further due diligence; • the Borrower executes an Environmental Indemnity Agreement (Form 6085); • you confirm that any disclosed Prohibited Activities or Conditions per the Loan Documents are adequately addressed through an O&M Plan being implemented at the Property; and • the Borrower certifies, and you confirm, that all appropriate O&M Plans are in place and being fully and properly implemented.
Property and Liability Insurance	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.
Title Insurance	You must ensure the Borrower obtains a new title insurance policy.

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...
• an unauthorized Transfer/Assumption ; or • any change in the organizational structure of the Borrower, Guarantor, or any Key Principal or Principal	notify Fannie Mae per: • Part VI, Chapter 3: Non-Performing Primary Risk Mortgage Loans, Section 305: Notice of Default ; or • Part VI, Chapter 5: Non-Performing Secondary Risk Mortgage Loans, Section 505: Notice of Default .

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

D

Debt Service Coverage Ratio	On an annual basis or any specified period, the ratio of Net Cash Flow to the total of: principal, interest, and required Mezzanine Financing or Hard Pay Preferred Equity payments. **Synonyms** • DSCR

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

Loan-to-Value Ratio	Ratio of the actual aggregate UPB of the Mortgage Loan, plus any Pre-Existing Mortgage Loans, plus any Hard Pay Preferred Equity, plus any Mezzanine Financing, to the value of the Property, expressed as a percentage. **Synonyms** • LTV • LTV Ratio

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's

N

Non-Performing Mortgage Loan	Mortgage Loan with an uncured default. **Synonyms** • Non-Performing Mortgage Loans • Non-Performing Mortgage Loan's • Non-Performing

O

Operations and Maintenance Plan	Required plan for remediating a Recognized Environmental Condition or Business Environmental Risk as described in Environmental Due Diligence Requirements (Form 4251). **Synonyms** • O&M • O&M Plan • O&M Plans

P

PCA Report	Property Condition Assessment Report documenting the findings of a PCA.
Pre-Existing Mortgage Loan	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. **Synonyms** • Pre-Existing Mortgage Loans
Pricing and Underwriting Tier	Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660). **Synonyms** • Tier
Primary Risk Mortgage Loan	Mortgage Loan where Fannie Mae bears all losses or you and Fannie Mae share losses. **Synonyms** • Primary Risk Mortgage Loans • Primary Risk
Principal	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 Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors. **Synonyms** • Principals

Property	Multifamily residential real estate securing the Mortgage Loan, including the • fee simple or Leasehold interest, • Improvements, and • personal property (per the Uniform Commercial Code). **Synonyms** • Properties • Property's
Property Condition Assessment	Assessment of the Property's physical condition and historical operation. **Synonyms** • PCA • PNA • Physical Needs Assessment • PCAs

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: • Borrowers 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

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Replacements	Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required. **Synonyms** • Replacement

S

Secondary Risk Mortgage Loan	Mortgage Loan where you bear all losses until your recourse obligation is exhausted. **Synonyms** • Secondary Risk Mortgage Loans • Secondary Risk • Top Loss
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

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