



# Multifamily Selling and Servicing Guide

Effective as of August 1, 2019

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## 1402.05 Streamlined Underwriting

### 1402.05A Property

#### Requirements

Streamlined Underwriting	
Zoning	<p>You must perform a non-conforming use analysis and comply with <a href="#">Part II, Chapter 3: Legal Compliance, Section 301: Zoning and Legal Non-Conforming Uses</a> if the Property was rezoned after the Mortgage Loan Origination Date, either</p> <ul style="list-style-type: none"><li>• causing it to become a non-conforming use, or</li><li>• restricting the right to rebuild an existing non-conforming use.</li></ul> <p>A new zoning and non-conforming use analysis is not required if the zoning has not changed.</p>
Appraisal	<p>You must obtain a new Appraisal.</p>
Property Management	<p>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 108.01: Property Management</a>.</p>
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>



Streamlined Underwriting	
Replacement Reserves	<ul style="list-style-type: none"> <li>• If the PCA Report indicates a need to increase 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>
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 502: 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>• the Borrower executes an Environmental Indemnity Agreement (<a href="#">Form 6085 series</a>);</li> <li>• an environmental Transaction Screen using ASTM E-1528 Standard Practice for Limited Environmental Due Diligence is performed and finds no potential environmental concerns;</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	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.

**1402.05B** 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](#)) 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

You must contact Fannie Mae per [Part V, Chapter 7: Non-Performing Mortgage Loans, Section 704: Notice of Default; Reservation of Rights](#) if there has been:

- an unauthorized Transfer/Assumption; or
- any change in the organizational structure of the Borrower, Guarantor, or any Key Principal or Principal.



## 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

ASTM

American Society for Testing Materials

### B

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

**Synonyms**

- Borrowers
- Borrower's

### 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

## L

### 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

### Mortgage Loan Origination Date

Date the Lender funds a Mortgage Loan to the Borrower.

#### **Synonyms**

- Mortgage Loan's Origination Date
- Origination Date

## 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



**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





## 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**

### 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 resulting in a change in the ownership of the Borrower or Property.

### **Synonyms**

- Transfers/Assumptions

## **U**

### UPB

Unpaid Principal Balance