



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 1402.05A 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 112.01: 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 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>• 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>



# 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

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

## 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

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

## 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:

- 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

## U

### UPB

Unpaid Principal Balance

#### **Synonyms**

- UPBs