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Notification 19-09: Inspection and Demand Letter Templates and Form 4804

Effective: 03/09/20
Retired: 03/18/22

Summary of Changes

HIGHLIGHTS
The following new template forms are available for your immediate use, but are required as of **March 9**, **2020**. There are 2 letters to use after a Property receives a Property Condition Rating (PCR) of 3, 4, or 5, and another to use when a Property Condition Assessment (PCA) Demand is made: • Initial Inspection Letter; • Follow-up Inspection Letter; and • PCA Demand Letter. The Reservation of Rights letter (Form 4804) was also updated to be more comprehensive.

Changes

New Template Inspection Letters

To establish uniform expectations of the Borrower when a Property receives a PCR of 3, 4, or 5, new template Inspection Letters are available. You may use these new forms following any inspection, however you must use the 2 new Inspection Letter forms for all Properties that receive a PCR of 3, 4, or 5. If a PCA is obtained, you should also use the new PCA Demand Letter.

- Initial Inspection Letter used to:
  - notify the Borrower of the inspection results and provide photos detailing the necessary repairs; and
  - request that the Borrower, within 30 days,
    - complete any life safety repairs, and
    - provide an action plan for the remaining repairs.
- **Follow-up Inspection Letter (Form 4831 for DUS Mortgage Loans, and Form 4832 for Non-DUS Mortgage Loans)** if the Borrower has not satisfactorily responded to the Initial Inspection Letter within 45 days, you must
  - issue this follow-up inspection letter, and

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- require a Borrower response within 15 days.

- **PCA Demand Letter (Form 4833 for 4000 Series Loan Documents and Form 4834 for 6000 Series Loan Documents)** - this letter:
  - notifies the Borrower of a demand to fund an escrow and complete repairs identified by the engineer;
  - references applicable Loan Document sections requiring the Borrower to maintain the property in good condition;
  - provides a deadline for receiving the Borrower's immediate repairs funds; and
  - notifies the Borrower of any increase in the monthly Replacement Reserve deposit.

Form 4804

Added common non-monetary defaults, including:

- code violations;
- unauthorized transfers;
- property management changes; and
- withholding financial statements.

Questions

Please contact Rod Roe at (972) 656-8816, or lm_watch@fanniemae.com, with any questions.