



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of January 28, 2026

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Summary of Changes

Primary Audience: Asset Management

HIGHLIGHTS

Effective for Mortgage Loans as of January 28, 2026, updated Property evaluation information in:

- Part II, Chapter 4: Lease Audits, Inspections, and Reserves;
- Part V, Chapter 5: Surveillance;
- Instructions for Performing a Multifamily Property Condition Assessment (Form 4099); and
- Appendix G to Instructions for Performing a Multifamily Property Condition Assessment: Known Problematic Building Materials (Form 4099.G).

Primary Changes

Updated:

- ADA compliance requirements in:
 - Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 405.01: Property Evaluation; and
 - Instructions for Performing a Multifamily Property Condition Assessment (Form 4099);
- photo requirements for the MBA Standard Inspection Form in Part V, Chapter 5: Surveillance, Section 502.01: Forms; and
- Appendix G to Instructions for Performing a Multifamily Property Condition Assessment: Known Problematic Building Materials (Form 4099.G), adding:
 - requirements for aluminum branch wiring Immediate Repairs; and
 - recommended remediation for recalled electrical panels.

Questions

Please contact Brian Lenk at (636) 795-3638, or brian_lenk@fanniemae.com, with any questions.



Chapter 4 Lease Audits, Inspections, and Reserves

Section 401 Lease Audit

401.01 Generally

Requirements

Before the [Commitment Date](#), you must:

- complete a thorough lease audit to reconcile the rent roll with the [Property's](#) signed leases; and
- comply with the following table.

| Lease Audit Review | |
|------------------------|--|
| For Properties with... | You must review at least... |
| 5 - 9 units | all available leases. |
| 10 - 100 units | the greater of <ul style="list-style-type: none">• 5 units or• 10% of all leases. |
| 101 - 300 units | 10% of all leases. |
| 301 - 900 units | 40 leases. |
| 901+ units | 50 leases. |

When auditing the leases, you must:

- analyze the entire tenant file, including, whenever available
 - identification records,
 - verification of employment and income, and
 - credit verifications;
- audit leases for all inspected units;
- include new and recently renewed leases to verify rent trends;
- increase the number of leases reviewed if you find
 - material discrepancies, or



- lack of adequate documentation in the files;
- document your results in a lease audit form; and
- summarize the results in your Transaction Approval Memo, including any documents that were unavailable for review, and why.

If the management company engages a third party to review and approve the tenant qualification documents, you must:

- review the documents; and
- explain your rationale in the Transaction Approval Memo if any documents are unavailable for review (e.g., a national tenant qualification firm completed and documented the review, etc.).

401.02 Lease Audit Notification

Requirements

Before the inspection, you must email the [Borrower](#) and management company:

- specifying the minimum lease audit requirements; and
- requesting full records access to ensure your ability to perform additional due diligence for any identified critical issues.

401.03 Validating Rent Collections, Bad Debt, and Secondary Income

Requirements

When validating rent collections, you must:

- review 1 of the following:
 - a cash ledger;
 - receipts journal;
 - at least 3 months of bank statements confirming the rent deposits; or
 - similar documents;
- meet with the site manager to obtain and discuss:
 - an accounts receivable report; or



- past rent due report;
- compile a lease audit form or record to validate the lease terms against the [Property's](#) rent roll; and
- document your findings in the Transaction Approval Memo.

You must use the [Appraisal](#), other comparable [Property](#) information, or third-party data sources to validate secondary income related to:

- ratio utility billing system (RUBS);
- cable;
- laundry;
- parking; or
- any other tenant income.

Guidance

You should confirm the management company uses:

- acceptable practices for day-to-day operations; and
- industry-standard software systems to generate detailed reports.

You may obtain sample management company reports, such as

- rent rolls,
- operating statements,
- operating budgets,
- capital improvement plans, and
- marketing.

Section 402 Site Inspections

402.01 Physical Inspections

402.01A Generally

Requirements

You must:



- before the [Commitment Date](#), ensure your qualified employee per [Part V, Chapter 5: Surveillance, Section 502.05A: Qualifications](#):
 - performs a physical [Property](#) inspection;
 - confirms the status of all units selected for inspection below (e.g., whether occupied or vacant), per a current rent roll;
 - completes the [MBA](#) Standard Inspection Form using their own photos; and
 - compares the consistency of their photos with the
 - [PCA](#), and
 - [Appraisal](#);
- confirm the [MBA](#) Standard Inspection Form is accurate and complete; and
- not [Deliver](#) any [Mortgage Loan](#) with a [Property Condition Rating](#) of 4 or 5.

Guidance

You may allow the [PCA Consultant](#) to complete the General Information tab of the [MBA](#) Standard Inspection Form.

402.01B Selecting Units

Requirements

To determine the minimum number of units to inspect, you must:

- use the Physical Property Inspection table; and
- increase the number by 25% if some units are not accessible.

| Physical Property Inspection | |
|------------------------------|---|
| For Properties with... | You must inspect at least... |
| 5 - 9 units | all available units. |
| 10 - 100 units | the greater of <ul style="list-style-type: none">• 5 units or• 10% of all units. |



| Physical Property Inspection | |
|------------------------------|------------------------------|
| For Properties with... | You must inspect at least... |
| 101 - 300 units | 10% of all units. |
| 301 - 900 units | 40 units. |
| 901+ units | 50 units. |

When choosing which units to inspect, you must:

- randomly select floors and units;
- include:
 - all unit types and as many different floors as possible;
 - units from all buildings;
 - all units vacant for more than 90 days, unless the [Property](#) is a [Near Stabilized Property](#);
 - all down units (i.e., units that cannot currently be rented in the normal course of business); and
 - any additional units you deem appropriate based on
 - [Property](#) type,
 - other factors, or
 - the results of your initial inspection.

402.01C Inspection Notification

Requirements

Before the inspection, you must email the [Borrower](#) and management company to:

- request access to units selected for inspection; and
- notify them that, if any selected units are unavailable, an additional 25% of the units required to be sampled per [Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 402.01B: Selecting Units](#) must be inspected (e.g., for a 500 unit building requiring 40 units to be inspected, if selected units are unavailable, an additional 10 units must be inspected).



402.02 Capital Item Replacements

Requirements

For replacement of capital items, you must:

- for refinances, obtain:
 - an itemized list of capital items completed within the last 24 months; and
 - for any capital item replacements you cannot independently confirm were completed, the invoices showing the associated actual costs;
- use best efforts to obtain the [PCA Consultant's](#) written confirmation that capital items were completed;
- evaluate the [Property's](#) actual condition, considering:
 - the list of capital items reportedly completed within the last 24 months; and
 - their associated actual costs;
- confirm with the [Appraiser](#) that the actual cost of capital items completed within the last 12 months was factored into the [Appraised Value](#); and
- document your analysis in the Transaction Approval Memo.

| Transaction Approval Memo Documentation | |
|--|--|
| For... | You must document the... |
| Interior Unit Renovations | <ul style="list-style-type: none">• specific scope, and• estimated percentage of units updated. |
| Replacements of capital items for refinances | <ul style="list-style-type: none">• work has been completed based on:<ul style="list-style-type: none">- an inspection by<ul style="list-style-type: none">▪ you, or▪ the PCA Consultant, or- invoices or documentation; or• if the work completed cannot be verified, request invoices or other documentation to confirm its completion. |



Section 403

Brokered Transactions

Requirements

For any [Brokered Transaction](#), you must order:

- all third-party underwriting reports; and
- a [Brokered Transaction Inspection](#) per [Form 4229](#), unless the [Property](#):
 - is newly constructed (built within 2 years before the [Commitment Date](#)); or
 - had a [Property Condition Rating](#) of 1 on your most recent inspection per [Part V, Chapter 5: Surveillance, Section 502: Property Inspections](#), for a
 - [Supplemental Mortgage Loan](#), or
 - [Choice Refinance Loan](#).

Operating Procedures

To obtain a [Brokered Transaction Inspection](#), you must:

- use a Fannie Mae-approved [Brokered Transaction](#) inspector per [Form 4229](#);
- request an exterior inspection; and
- not discuss the [Property's](#) rating with the [Brokered Transaction](#) inspector.

Requirements

After receiving the [Brokered Transaction Inspection](#) report, you must:

- review
 - the [Brokered Transaction Inspection](#) report,
 - any required [PCA Report](#), and
 - the [MBA Standard Inspection Form](#);
- ensure all rating differences among these 3 reports are:
 - reconciled;



- approved by your Chief Underwriter; and
- documented in your Transaction Approval Memo; and
- not Deliver a Mortgage Loan if the Brokered Transaction Inspection's overall rating is 4 or 5.

You must:

- determine if any of these reports identifies
 - deferred maintenance,
 - near-term capital item replacement,
 - necessary life safety or critical repairs, or
 - major components exhibiting a declining trend;
- incorporate all associated costs into the
 - Completion/Repair Schedule, or
 - Replacement Reserve Schedule; and
- document the items in your Transaction Approval Memo.

Operating Procedures

At Delivery, upload the Brokered Transaction Inspection report to DUS DocWay.

| Data Entry | |
|---------------------|--|
| For... | You must complete the following data fields... |
| DUS Gateway | <ul style="list-style-type: none">• Broker/Correspondent Company Name; and• Broker/Correspondent Individual Name. |
| Acquisition Systems | <ul style="list-style-type: none">• Broker/Correspondent Company; and• fees paid to the Broker or Correspondent. |

Section 404 Property Condition Assessment (PCA)

404.01 When to Perform a PCA



☒ Requirements

Before the [Commitment Date](#), you must:

- complete a [PCA](#) for each [Property](#) unless it is a [Supplemental Mortgage Loan](#) that complies with [Part III, Chapter 13: Supplemental Mortgage Loans, Section 1302.05: Streamlined Underwriting](#); and
- ensure all:
 - [Potential Red Flags for Mortgage Fraud and Other Suspicious Activity](#) were considered; and
 - unresolved red flags were reported per [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 310: Compliance](#).

404.02 Date of PCA Report and PCA Site Visit

☒ Requirements

A [PCA Report](#) ([Form 4099](#)) containing an [HPB Module](#) (or any standalone [HPB Report](#)) must be dated as of the date of the site visit by the [PCA Consultant](#), and must be less than 6 months before the [Commitment Date](#).

A [PCA](#) report that does not include an [HPB Module](#) may be dated up to 12 months before the [Commitment Date](#) if you:

- ensure a site visit is performed within 90 days before the [Commitment Date](#); and
- confirm that there has been no material adverse change to the physical condition of the [Property](#) since the date of the [PCA](#) report.

404.03 Conducting the PCA

☒ Requirements

When conducting the [PCA](#), you must:

- comply with [Form 4099](#), and order all applicable [PCA](#) modules;
- identify all conditions that impact resident safety, marketability, or value of the [Property](#); and
- properly mitigate those conditions.



If you retain a [PCA Consultant](#) that does not meet the educational qualifications or professional certifications, registrations, or training required by [Form 4099](#), you must:

- determine that the [PCA Consultant](#) is qualified based on their alternative qualifications; and
- attach your description of the [PCA Consultant's](#) qualifications to the final [PCA](#).

You must have an annual quality control program to review

- the quality of the [PCAs](#) performed by your [PCA Consultant](#), and
- your compliance with the requirements in this Section and the [Form 4099](#).

Section 405 Completion/Repairs

405.01 Property Evaluation

☒ Requirements

You must:

- assess the
 - [Property's](#) physical condition,
 - [Borrower's](#) financial condition, and
 - life safety [Completion/Repairs](#);
- aggregate all [Completion/Repairs](#) expenses with the cost of all other [Rehabilitation Work](#) to determine if [Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans](#) also applies;
- include in the [Completion/Repair Schedule](#):
 - [Property](#) needs identified as Immediate Repairs in the [PCA](#), including:
 - life safety repairs;
 - critical repairs;
 - deferred maintenance; and
 - short-term replacement of capital items; and



- any capital improvements not recommended by the PCA Consultant that
 - the Borrower will make after the Mortgage Loan Origination Date, and
 - you want the Appraiser to include in the Property's “as completed” market value; and
- ensure the Borrower completes the repairs and improvements identified on the Completion/Repair Schedule:
 - per the Completion/Repairs Timing table; and
 - assess any code violations and include them in the relevant category.

| Completion/Repairs Timing | |
|--------------------------------|--|
| For... | You must... |
| Life safety repairs in the PCA | Comply with Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 405.03: Life Safety Issues. |
| Critical repairs in the PCA | Complete within 6 months after the Mortgage Loan Origination Date, or sooner if recommended by the PCA Consultant. |



| | |
|---|--|
| Repairs in the PCA required to: <ul style="list-style-type: none"> • comply with <ul style="list-style-type: none"> - the Americans With Disabilities Act, or - Fair Housing; or • resolve code violations | Complete within 90 days or less per <ul style="list-style-type: none"> • applicable laws, • ordinances, or • building codes. • categorize as a critical repair; and • complete within 6 months after the Mortgage Loan Origination Date, or sooner if <ul style="list-style-type: none"> - recommended by the PCA Consultant, or - required per applicable <ul style="list-style-type: none"> ▪ laws, ▪ ordinances, or ▪ building codes. |
| Deferred maintenance or items of note in the PCA | Complete within 12 months after the Mortgage Loan Origination Date, or sooner if recommended by the PCA Consultant. |
| Short-term replacement of capital items in the PCA | Complete by the specific date recommended by the PCA Consultant, but may be longer than 12 months after the Mortgage Loan Origination Date. |
| Capital improvements that <ul style="list-style-type: none"> • will be completed by the Borrower in addition to those in the PCA, and • are included in the Appraisal's "as completed" market value | Comply with Part II, Chapter 2: Valuation and Income, Section 202.03A: Appraised Value. |
| Completion/Repairs in the PCA that require compliance with Part III, Chapter 3 for a Moderate Rehabilitation Property | Comply with Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans. |



All other Rehabilitation Work not identified as a Completion/Repair in the PCA

Comply with Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans.

405.02 Completion/Repairs Funding

☑ Requirements

When full or partial funding of the Completion/Repair Escrow is required, you must complete the Completion/Repair Schedule.

➡ Guidance

The amount funded into the Completion/Repair Escrow on the Mortgage Loan Origination Date should be at least 125% of the estimated cost of the required Completion/Repairs.

You may choose not to fund the Completion/Repair Escrow entirely if you determine the Borrower has the financial capacity to fully address all Completion/Repairs in the PCA.

☑ Requirements

If you choose not to fund the Completion/Repair Escrow entirely, you must obtain written assurances from the Borrower in the Multifamily Loan Agreement that all necessary Completion/Repairs will be completed within a stated period of time following the Mortgage Loan Origination Date.

405.03 Life Safety Issues

☑ Requirements

All life safety repairs must be completed

- for an Acquisition, within 60 days after the Mortgage Loan Origination Date, or
- in all other cases, before delivering the Mortgage Loan to Fannie Mae.

➡ Guidance

You should consider requiring an escrow deposit (for at least 125% of estimated costs) to cover these required Completion/Repairs.



405.04 Verifying Completion/Repairs

☒ Requirements

You must verify that the [Borrower](#) has made all required [Completion/Repairs](#)

- whether the [Completion/Repair Escrow](#) was funded or not, and
- during your [Property](#) inspections before the required completion date.

Section 406 Replacement Reserve

406.01 Determining Replacement Reserve

☒ Requirements

You must ensure that the [Borrower](#) has sufficient reserves to cover anticipated capital replacement and major maintenance costs. The total amount in the [Replacement Reserve](#) should equal or exceed the anticipated costs (adjusted for inflation) of all necessary capital item replacements and major maintenance needs and repairs for the period from the [Mortgage Loan Origination Date](#) to whichever is sooner:

- 2 years after the [Maturity Date](#) of the [Mortgage Loan](#); or
- 12 years after the [Mortgage Loan Origination Date](#).

To determine the minimum amount of the [Replacement Reserve](#), you must:

- obtain a [PCA \(Form 4099\)](#); and
- complete the schedule of items to be included in the [Replacement Reserve Schedule](#)
 - using the cost estimates in the [PCA](#), and
 - taking into account any items not already included on the [Completion/Repair Schedule](#).

406.02 Replacement Reserve Funding

☒ Requirements

You must ensure that the costs of all items included in the [Replacement](#)



Reserve Schedule have been fully funded for

- any Tier 2 Mortgage Loan, and
- any Mortgage Loan, regardless of Tier, that requires Completion/Repairs costing more than
 - 4% of the Property's Underwriting Value for refinances, or
 - 6% of the Property's Underwriting Value for Acquisitions.

If you choose to modify the Loan Documents to not fund a Replacement Reserve for a Tier 3 or Tier 4 Mortgage Loan, you must use the appropriate Replacement Reserve Schedule.

➔ Guidance

You may choose not to fund a Replacement Reserve for any Tier 3 or Tier 4 Mortgage Loan if

- the required Completion/Repairs do not exceed the levels specified in this Section, and
- you determine that the Borrower has the financial capacity to fully address future capital expenditures as outlined in the PCA.

406.03 Alternative Replacement Reserve Funding

➔ Guidance

Instead of full funding, you may choose this alternative method for funding the Replacement Reserve.

Requirements

If you choose this alternative funding, you must have the Borrower deposit the following amounts on the Mortgage Loan Origination Date:

- Monthly deposits for at least 2 years.
- For any significant capital item replacement or major maintenance need that you deem appropriate, an amount sufficient to cover anticipated costs for the period from the Mortgage Loan Origination Date to whichever is sooner:
 - 2 years after the Maturity Date of the Mortgage Loan; or
 - 12 years after the Mortgage Loan Origination Date.



You must hold these amounts in the [Replacement Reserve](#) for the entire term of the [Mortgage Loan](#), and may not make them available for refund to the [Borrower](#) until the [Mortgage Loan](#) has been paid in full.

Section 407 Escrow Requirements for Taxes and Insurance

407.01 Escrows

Requirements

You must require any [Tier 2 Mortgage Loan Borrower](#) to make monthly escrow deposits for real estate taxes and insurance premiums.

407.02 Real Estate Tax Escrow Funding

Guidance

You may choose not to fund monthly escrow deposits for real estate taxes for a [Tier 3](#) or [Tier 4 Mortgage Loan](#).

Requirements

If you choose not to fund monthly deposits for real estate taxes then you must ensure all taxes are paid timely.

407.03 Insurance Escrow Funding

Guidance

You may choose not to fund monthly escrow deposits for insurance premiums for a [Tier 3](#) or [Tier 4 Mortgage Loan](#).

Requirements

If you choose not to fund monthly deposits for insurance premiums, you must require the [Borrower](#) to provide annual proof of payment of all insurance premiums.



Chapter 5 Surveillance

Section 501 Generally

Requirements

You must:

- Monitor the **Property** by:
 - inspecting it;
 - evaluating its financial performance; and
 - submitting the inspection and evaluation results per this Chapter.
- Ensure the **Borrower** manages and maintains the **Property** per the **Loan Documents**.

Section 502 Property Inspections

502.01 Forms

Requirements

For all **Property** inspections, you must use

- the **MBA Standard Inspection Form**, or
- if a **Catastrophic Event** has occurred, the Multifamily Catastrophic Loss Inspection form (**Form 4261**).

For a **Green Rewards Mortgage Loan**, you must also submit the Green Rewards Verification Inspection Form (**Form 4221**) per **Part V, Chapter 4: Asset Management: Loan Document Administration, Section 408.03I: Green Rewards Efficiency Measure Verification**.

Operating Procedures

On the **MBA Standard Inspection Form**, you must:

1. Select the “Fannie Mae Inspection” option on the Tools tab.
2. Complete the tabs per the following table.

| Tab to be Completed | Additional Tab Requirements |
|---------------------|-----------------------------|
|---------------------|-----------------------------|



| | |
|---|---|
| General Information | Include the inspector's first and last name. |
| Physical Condition & Deferred Maintenance | |
| Photos | <p>Ensure photos</p> <ul style="list-style-type: none"> • <u>Ensure the minimum interior and exterior photo requirements are met per Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol.</u> • <u>Include photographs of surrounding neighborhoods, if desired.</u> <p><u>Note: Photographs of the surrounding neighborhoods are included in addition to neighborhood do not count toward</u> the minimum interior and exterior photo requirements per Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol.</p> |
| Rent Roll | <p>Ensure the rent roll is:</p> <ul style="list-style-type: none"> • obtained during the site inspection; and • retained in your <u>Servicing File</u> and available to Fannie Mae upon request. |
| Management Interview | |
| Multifamily | |
| Fannie Mae Assessment Addendum | <p>Ensure all Seller/Service Certification information is</p> <ul style="list-style-type: none"> • completed, and • reviewed and certified by someone other than the actual inspector. |
| Senior Supplement | Required only for a <u>Seniors Housing Property</u> . |

3. Assign an overall rating per the MBA Rating Scale Definitions.



502.02 Property Condition Concerns

Operating Procedures

| If the Property has... | You must... |
|---|--|
| <ul style="list-style-type: none">• an inspection rating of 4 or 5 per the Fannie Mae Assessment Addendum tab of the MBA Standard Inspection Form;• incomplete repairs per the specified timing in the Loan Documents;• significant deferred maintenance; or• non-significant deferred maintenance that was not corrected within 12 months after notifying the Borrower. | <ul style="list-style-type: none">• Inform Multifamily Inspections and Multifamily Loss Mitigation:<ul style="list-style-type: none">- promptly after receiving notice of any Life Safety Issues per Part V, Chapter 5: Surveillance, Section 502.06F: Life Safety Issues; or- otherwise within 10 Business Days after becoming aware.• Reinstate any suspended Completion/Repair Escrow or Replacement Reserve if the Property inspection rating is 4 or 5, unless the rating resulted from a casualty loss (see Part V, Chapter 5: Surveillance, Section 502.06E: Collateral Analysis).• Inspect the Property as necessary to ensure the Borrower resolves any deferred maintenance.• Regardless of whether the Mortgage Loan is on a Watchlist, submit a request to Multifamily Loss Mitigation before ordering a PCA (excluding regularly-scheduled PCAs required per the Loan Documents).• Identify the appropriate Fannie Mae risk rating per Part VI, Chapter 1: Watchlist Management. |

502.03 Property Inspection Protocol

Guidance

[Property](#) inspection frequency is based on

- the current Fannie Mae risk rating,
- the [Mortgage Loan](#) amount at the [Mortgage Loan Origination Date](#), and
- a full inspection (unless otherwise noted) of the specified percentage



of units per the Property Inspection Protocol table criteria, but not:

- less than the specified minimum; and
- more than the specified maximum.

If the scheduled inspection due date is within 6 months of the [Maturity Date](#), the [MAMP](#) inspection due date will be set to 6 months before the [Maturity Date](#).

Operating Procedures

You must complete:

- a post-origination [Property](#) inspection within 12 months; and
- additional [Property](#) inspections per the Inspection Frequency column in the following table.

| Property Inspection Protocol | | | | | | |
|--|--|----------------------|----------------------------|---------|---|------------------------------|
| If the original Mortgage Loan Amount is greater than \$30 million... | | | | | | |
| Type | Fannie Mae Risk Rating | Inspection Frequency | Number of Units to Inspect | | Minimum # of Photos Total (Interior/Exterior) | Inspector |
| | | | % | Min/Max | | |
| All Mortgage Loans | • Pass, • Pass-Watch, or • Special Mention | Annual | 5% | 5/15 | 20 (5/15) | • Third-Party, or • In-House |
| | Substandard | Annual | 10% | 10/20 | 20 (5/15) | In-House Only |
| If the original Mortgage Loan Amount is greater than \$6 million and less than or equal to \$30 million... | | | | | | |
| NOTE: DSCR is per the most recent annual financial statement submitted to Fannie Mae. | | | | | | |
| Type | Fannie Mae Risk Rating | Inspection Frequency | Number of Units to Inspect | | Minimum # of Photos Total (Interior/Exterior) | Inspector |
| | | | % | Min/Max | | |
| Most Recent Inspection rating of 4 or 5 | All Ratings | Annual | 10% | 10/20 | 20 (5/15) | In-House Only |



| Property Inspection Protocol | | | | | | |
|---|---|--|--|---------|---|---------------------------------|
| • Seniors Housing, or • Rent-Stabilized | • Pass, • Pass-Watch, or • Special Mention | Annual | 5% | 5/15 | 20 (5/15) | • Third-Party, or • In-House |
| | Substandard | Annual | 10% | 10/20 | 20 (5/15) | In-House Only |
| Maturing | All Ratings | Within 12 months before Maturity Date | Per applicable Mortgage Loan type. | | | |
| All Others | • Pass, Pass-Watch, or Special Mention; and • DSCR \geq 1.35, or Co-op DSCR \geq 1.00. | • Every 2 years; or • Annual if required annual Operating Statement not received. | 5% | 5/15 | 20 (5/15) | • Third-Party, or • In-House |
| | • Pass, Pass-Watch, or Special Mention; and • DSCR $<$ 1.35, or Co-op DSCR $<$ 1.00. | Annual | 5% | 5/15 | 20 (5/15) | • Third-Party, or • In-House |
| | Substandard | Annual | 10% | 10/20 | 20 (5/15) | In-House Only |
| If the original Mortgage Loan Amount is \$6 million or less... | | | | | | |
| NOTE: If the Property has 10 units or less, at least 2 units must be inspected. | | | | | | |
| Type | Fannie Mae Risk Rating | Inspection Frequency | Number of Units to Inspect | | Minimum # of Photos Total (Interior/Exterior) | Inspector |
| | | | % | Min/Max | | |



| Property Inspection Protocol | | | | | | |
|---|---|---------------------------------------|--|-------|---------------------------|---------------------------------|
| Most Recent Inspection rating of 4 or 5 (unless Delivered Mortgage Loan Amount was less than \$750,000) | All Ratings | Annual | 10% | 10/20 | 20 (5/15) | In-House Only |
| • Seniors Housing, or • Rent-Stabilized | • Pass, • Pass Watch, or • Special Mention | Annual | 5% | 5/15 | 20 (5/15) | • Third-Party, or • In-House |
| | Substandard | Annual | 10% | 10/20 | 20 (5/15) | In-House Only |
| Maturing | All Ratings | Within 12 months before Maturity Date | Per applicable Mortgage Loan type. | | | |
| All Others | • Pass, Pass-Watch, or Special Mention; and • Delivered Mortgage Loan Amount < \$750,000. | Walk Around every 5 years | N/A | N/A | 15 (exterior photos only) | • Third-Party, or • In-House |
| | • Pass, Pass-Watch, or Special Mention; and • Delivered Mortgage Loan Amount ≥ \$750,000. | Every 2 years | 5% | 2/5 | 15 (5/10) | • Third-Party, or • In-House |
| | Substandard | Annual | 10% | 2/5 | 15 (5/10) | In-House Only |

502.04 Scheduling and Submissions

502.04A Scheduling



Operating Procedures

You must:

- ensure [Property](#) inspections are performed per [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol](#); and
- allow enough time to submit the [Property](#) inspection form by the [MAMP](#) submission due date.

Guidance

For scheduling efficiency, you may request 1 automatic extension for up to 60 days after the submission due date if:

- you request it before the original submission due date using the “Modification Request” tab within the [MAMP](#);
- the Fannie Mae risk rating is not Substandard;
- the most recent [Property](#) inspection rating is:
 - 1 or 2; or
 - 3 if the inspection is less than 1 year old; and
- the extended [MAMP](#) submission due date is at least 6 months before the [Maturity Date](#).

502.04B Submissions

Operating Procedures

You must:

- Submit via the [MAMP](#):
 - the origination inspection form:
 - within 45 days after Fannie Mae purchases the [Mortgage Loan](#) and loads it into the [MAMP](#); and
 - no later than the [MAMP](#) submission due date; and
 - each subsequent inspection form:
 - within 60 days after the [Property](#) inspection date; and
 - no later than the [MAMP](#) submission due date.



- Timely resolve all issues Fannie Mae identifies.

Guidance

See the MAMP User Guide for [Property](#) inspection form submission information.

If the [Property](#) inspection is inadequate, Fannie Mae may require you to obtain a new inspection at your expense.

502.05 Property Inspectors

502.05A Qualifications

Requirements

You must ensure any inspector:

- Meets 1 of the following:
 1. Is certified by the:
 - Real Estate Assessment Center for HUD as a Certified Home Inspector;
 - American Society of Home Inspectors (ASHI); or
 - International Association of Certified Home Inspectors (InterNACHI).
 2. Is a:
 - state-certified home inspector;
 - registered architect; or
 - civil engineer.
 3. Successfully completed other acceptable training, including the [MBA's School of Multifamily Property Inspections](#).
- Has the following minimum experience:

| Type | Minimum Inspection Experience |
|------------------------------------|---|
| Senior Housing Mortgage Loans | 10 seniors housing property inspections |
| Substandard Fannie Mae Risk Rating | 25 multifamily property inspections |



| Type | Minimum Inspection Experience |
|------------|-------------------------------------|
| All Others | 10 multifamily property inspections |

502.05B Third Parties

Requirements

Any third-party inspector must:

- have no financial interest in the inspected [Property](#);
- have experience in the [Property's](#) market; and
- not reassign responsibility to another [Person](#) without your approval.

Guidance

Fannie Mae reserves the right, in its sole discretion, to notify you that a third-party inspector or inspection firm is unacceptable.

502.06 Content

502.06A Unit Selection

Operating Procedures

When selecting units:

- The inspector, not the [Property](#) manager, must select and inspect the interior of:
 - all “down” units (i.e., units that cannot currently be rented in the normal course of business);
 - at least the minimum, but no more than the maximum, number of occupied and vacant units per [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol](#); and
 - units where at least:
 - 50% are vacant (if existing); and
 - 2 are occupied.
- If substantial physical concerns exist, the inspector may inspect more than the maximum number of units per [Part V, Chapter 5](#):



Surveillance, Section 502.03: Property Inspection Protocol.

- If a **Property** has **Non-Contiguous Parcels** or scattered sites, on each parcel or site:
 - inspect all buildings;
 - allocate the number of units to inspect in the same proportion as the total **Property** units; and
 - randomly select the units to be inspected.

502.06B Photos

Operating Procedures

You must submit at least the minimum number of photos per **Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol** with the **Property** inspection form. The photos must include views and captions of the **Property's**

- signage,
- frontage,
- site office and clubhouse (if applicable),
- amenities,
- typical building front,
- apartment interior,
- major building systems,
- deferred maintenance and life safety items,
- extraordinary repair or capital expenditure items, and
- all critical or substantial issues per the inspection report.

502.06C Interviews

Operating Procedures

Except for walk-around inspections, you must interview the **Property** manager and other on-site staff to:

- ascertain the **Property's** condition and performance; and
- confirm all life safety and deferred maintenance items per the most



recent [Property](#) inspection were corrected.

502.06D Market Analysis

Operating Procedures

You must evaluate:

- the [Property's](#) neighborhood, submarket, and market to determine material shifts in economic and real estate conditions; and
- competitive properties to determine any changes in the [Property's](#) competitive position since
 - initial underwriting, or
 - the most recent [Property](#) inspection.

502.06E Collateral Analysis

Operating Procedures

If the [Property](#) needs repairs or maintenance:

| Step | Activity | You must... |
|------|---------------------------------|---|
| 1 | Notify Borrower | <ul style="list-style-type: none">• Within 45 days after the inspection date,<ul style="list-style-type: none">- identify the repair or maintenance issues,- include any photos, and- direct the Borrower to timely complete the work.• Use Form 4830 if the Property inspection rating is 3, 4, or 5. |
| 2 | Follow Up | <ul style="list-style-type: none">• Follow up to ensure the Borrower responded and the work was successfully completed. If not:<ul style="list-style-type: none">- notify the Borrower;- notify Multifamily Inspections; and- include your resolution recommendation.• Use Form 4831 or Form 4832 if the Property inspection rating is 3, 4, or 5. |



| Step | Activity | You must... |
|------|------------|--|
| 3 | Set Rating | <p>Set the Property inspection overall rating to 4 (or 5 depending on the severity or other existing issues) if:</p> <ul style="list-style-type: none">• 10% or more of the units are down for any reason; or• there is casualty damage equal to<ul style="list-style-type: none">- 25% of the current UPB, or- \$1 million. |

Guidance

Setting the [Property](#) inspection rating to 4 or 5 does not:

- add the [Mortgage Loan](#) to Fannie Mae's [Watchlist](#);
- require an [Action Plan](#); or
- require [Replacement Reserves](#) reinstatement if the rating is the result of a casualty loss unless you
 - identify other performance issues that increase credit risk, or
 - expect insufficient funds or insurance proceeds to restore the [Property](#) to its original condition.

502.06F Life Safety Issues

Requirements

If a third-party inspector identifies any [Property](#) issues that would be rated 3, 4, or 5 per the "Life Safety" section of the Fannie Mae Assessment Addendum of the [MBA](#) Standard Inspection Form, the inspector must notify you within 3 [Business Days](#) after completing the inspection.

502.07 Quality Control

502.07A Program

Requirements

You must:



- Have a quality control program to annually review the [Property](#) inspections performed by third-party inspectors.
- Ensure every [Property](#) inspection complies with Fannie Mae's requirements before submission.
- Show evidence and results of your quality control program if requested.

502.07B Inspection Form Retention

Operating Procedures

You must

- retain all [Property](#) inspection forms in your [Servicing File](#) for at least 2 inspection cycles, and
- submit them upon request.

502.07C Additional Inspections and Fees

Guidance

[Property](#) inspections are a regular asset management responsibility, and additional [Property](#) inspections may be required if circumstances warrant.

You may charge the [Borrower](#) a reasonable [Property](#) inspection fee if it is

- permitted per the [Loan Documents](#) or other written [Borrower](#) agreement, and
- not prohibited by Fannie Mae.

Section 503 Financial Analysis of Operations

503.01 Reporting

Requirements

You must submit quarterly and annual Financial Analysis of Operations reports (Form 4254 or Form 4254.Seniors) for each [Property](#).

Operating Procedures



You must submit all Financial Analysis of Operations reports via the [MAMP](#). To ensure the operating statements are complete:

| Item | Activity | You must... |
|------|----------|--|
| 1 | Verify | Verify the operating statements reflect the Property's actual physical occupancy based on the most recent quarter-end rent roll. |
| 2 | Provide | Provide actual expenses, normalizing <ul style="list-style-type: none">• for seasonal variations, and• certain expenses including, but not limited to,<ul style="list-style-type: none">- real estate taxes,- property casualty insurance,- Replacement Reserves, and- property management fees. |



| Item | Activity | You must... |
|------|----------|---|
| 3 | Comment | <p>Comment if:</p> <ul style="list-style-type: none">• the Mortgage Loan is on Fannie Mae's Watchlist; or• per Form 4254.DEF there is a 20% or greater variance, either higher or lower, from the same reporting period in the prior year for<ul style="list-style-type: none">- Effective Gross Income,- Total Operating Expenses,- Capital Expenditures, or- Debt Service Coverage. <p>Comments should:</p> <ul style="list-style-type: none">• describe:<ul style="list-style-type: none">- the situation and the variance's root cause;- risk changes or trends;- any Property management changes;- the Borrower/Property manager's plan to improve cash flow if the Property is<ul style="list-style-type: none">▪ on the Watchlist, or▪ not performing as expected per original underwriting; and- the overall<ul style="list-style-type: none">▪ payment history,▪ debt service adjustments,▪ Property performance, or▪ significant financial changes; and• include:<ul style="list-style-type: none">- available market data, noting<ul style="list-style-type: none">▪ concerns or improvements, and▪ Property performance relative to competition;- normalization/annualization adjustments; and- applicable hedge data for rate cap income and/or escrow payments. |
| 4 | Resolve | Timely resolve any quality control issues. |

503.02 Quarterly Financial Analysis of Operations

Requirements



| Fannie Mae Watchlist Status or Product | Reporting |
|--|---|
| Fannie Mae Watchlist Property (All Products) | <p>You must submit detailed quarterly operating statements</p> <ul style="list-style-type: none">• 90 days after the end of the first quarter, and• 75 days after the end of the second and third quarters. |
| Cooperative Property | No quarterly financial reporting or waiver required. |
| Small Mortgage Loan | <p>If the original Mortgage Loan amount is:</p> <ul style="list-style-type: none">• equal to \$6 million or less, no quarterly financial reporting or waiver required; or• greater than \$6 million, you must submit detailed quarterly operating statements 75 days after the end of the second and third quarters. |
| Seniors Housing Property | You must submit detailed quarterly operating statements 75 days after the end of every quarter. |
| Credit Facility Property | <p>You must submit the Deal Level Structured Transaction Quarterly report 75 days after the end of every quarter, including the</p> <ul style="list-style-type: none">• detailed quarterly operating statements,• Structured Facilities Monitoring Narrative (Form 4801), and• Spreadsheet (Form 4802). |
| All Others | You must submit detailed quarterly operating statements 75 days after the end of the second and third quarters. |

Operating Procedures

You must adhere to the following due dates:



| Fannie Mae Watchlist Property | | | |
|-------------------------------|--------------------------|--|--|
| Reporting Quarter | Period Covered | Reporting Due Date for Property with 12/31 Fiscal Year End | Reporting Due Date for Property with non-12/31 Fiscal Year End |
| First | 1st quarter | June 30 | 90 days after 1st quarter end |
| Second | 2nd quarter year-to-date | September 15 | 75 days after 2nd quarter end |
| Third | 3rd quarter year-to-date | December 15 | 75 days after 3rd quarter end |

| Seniors Housing Property | | | |
|--------------------------|---|--|--|
| Reporting Quarter | Period Covered | Reporting Due Date for Property with 12/31 Fiscal Year End | Reporting Due Date for Property with non-12/31 Fiscal Year End |
| First | Trailing 3 months operating data covering the 1st quarter | June 15 | 75 days after 1st quarter end |
| Second | Trailing 3 months operating data covering the 2nd quarter | September 15 | 75 days after 2nd quarter end |
| Third | Trailing 3 months operating data covering the 3rd quarter | December 15 | 75 days after 3rd quarter end |



| Seniors Housing Property | | | |
|--------------------------|---|----------|-------------------------------|
| Fourth | Trailing 3 months operating data covering the 4th quarter | March 15 | 75 days after 4th quarter end |

| Credit Facility Property | | | |
|--------------------------|---|--|--|
| Reporting Quarter | Reporting Period | Reporting Due Date for Property with 12/31 Fiscal Year End | Reporting Due Date for Property with non-12/31 Fiscal Year End |
| First | Trailing 3 months operating data: <ul style="list-style-type: none"> • Property level statements covering the 1st quarter; and • Deal level Structured Facilities Monitoring Narrative and Spreadsheet (Form 4801 and Form 4802). | June 15 | 75 days after 1st quarter end |
| Second | Trailing 3 months operating data: <ul style="list-style-type: none"> • Property level statements covering the 2nd quarter; and • Deal level Structured Facilities Monitoring Narrative and Spreadsheet (Form 4801 and Form 4802). | September 15 | 75 days after 2nd quarter end |



| Credit Facility Property | | | |
|--------------------------|--|-------------|-------------------------------|
| Third | Trailing 3 months operating data: <ul style="list-style-type: none"> • Property level statements covering the 3rd quarter; and • Deal level Structured Facilities Monitoring Narrative and Spreadsheet (Form 4801 and Form 4802). | December 15 | 75 days after 3rd quarter end |
| Fourth | Trailing 3 months operating data: <ul style="list-style-type: none"> • Property level statements covering the 4th quarter; and • Deal level Structured Facilities Monitoring Narrative and Spreadsheet (Form 4801 and Form 4802). | March 15 | 75 days after 4th quarter end |

| All Others | | | |
|-------------------|--------------------------|--|--|
| Reporting Quarter | Period Covered | Reporting Due Date for Property with 12/31 Fiscal Year End | Reporting Due Date for Property with non-12/31 Fiscal Year End |
| Second | 2nd quarter year-to-date | September 15 | 75 days after 2nd quarter end |



| All Others | | | |
|------------|--------------------------|-------------|-------------------------------|
| Third | 3rd quarter year-to-date | December 15 | 75 days after 3rd quarter end |

Guidance

If any due date is not a [Business Day](#), you may submit the quarterly Financial Analysis of Operations on the next [Business Day](#).

503.03 Annual Financial Analysis of Operations

503.03A Reporting Period

Requirements

The annual Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) for each [Property](#) must cover the

- previous calendar year for a [Property](#) with a 12/31 fiscal year end, or
- fiscal year ending in the previous calendar year for a [Property](#) with a non-12/31 fiscal year end.

503.03B Submission

Operating Procedures

1. Comply with the Annual Reporting Protocol table.
2. Analyze the [Borrower's](#) operating statements per [Form 4254.DEF](#).
3. Indicate on each statement line which of the [Borrower's](#) income and expense items are included.
4. Provide the pertinent income, expense, and other required data for the current reporting period in the [MAMP](#).

| Annual Reporting Protocol | | |
|---------------------------|----------|-------------|
| For... | Due Date | You must... |
| First Year | | |



| Annual Reporting Protocol | | |
|---|---|--|
| For... | Due Date | You must... |
| A Mortgage Loan Fannie Mae purchases on or before June 30 | June 1 of the following year. | Annualize the operating data to represent 12 months of operations. |
| A Mortgage Loan Fannie Mae purchases on or after July 1 | June 1 of the second year after purchase. | Submit 12 months of actual operating data. |
| Subsequent Years | | |
| Every Property | <ul style="list-style-type: none">• June 1 for a Property with a 12/31 fiscal year end, or• for a Property with a non-12/31 fiscal year end:<ul style="list-style-type: none">- within 150 days after the fiscal year-end; and- submit a data change request via the MAMP to change the Borrower's fiscal year end. | Submit 12 months of actual operating data. |

503.03C Annual Review

Operating Procedures

Within 15 [Business Days](#) after Fannie Mae notifies you of a [Mortgage Loan](#) review, you must submit:

- the [Borrower's](#) operating statements, with each income and expense line item indicated per [Form 4254.DEF](#);
- the [Borrower's](#) escrow activity reconciliation; and
- any other requested documentation.



503.04 Waiver Request

Operating Procedures

| Waiver Reason | Action |
|-----------------------|---|
| Unresponsive Borrower | <ul style="list-style-type: none">• Request the Borrower provide the missing statements.• If the Borrower does not respond after 3 written requests, wait to submit a waiver request via the MAMP until:<ul style="list-style-type: none">- for an annual report, 6 months after the due date; or- for a quarterly report, the next due date.• Include “Unresponsive Borrower” as the waiver condition in the MAMP.• Provide copies of all relevant Borrower correspondence.• Provide any additional requested information. |
| All Others | <p>Submit a waiver request via the MAMP if:</p> <ul style="list-style-type: none">• Your Lender Contract does not require collecting Property operating statements.• The Mortgage Loan Documents do not permit you to collect, nor require the Borrower to submit, financial reports.• The Mortgage Loan:<ul style="list-style-type: none">- liquidated in the current quarter (for quarterly reporting waivers), or year (for annual reporting waivers), before the Financial Analysis of Operations submission due date;- was delivered per a Forward Commitment and has not yet converted to a permanent loan;- was defeased;- has FHA or HUD risk sharing;- is managed by Fannie Mae’s Special Asset Management; or- was acquired by Fannie Mae in the current reporting year, and less than 6 months of Property operating data is available. |

If you receive operating statements after a waiver was granted, you



must promptly submit the Financial Analysis of Operations report (Form 4254 or Form 4254.Seniors).

Section 504 Loan Agreement Compliance

504.01 Generally

Requirements

For all [Mortgage Loans](#), you must

- review all required [Borrower](#) or [Guarantor](#) information, and
- confirm compliance with the quarterly and annual reporting requirements per the [Loan Documents](#).

Guidance

You may use the Annual Loan Agreement Certification ([Form 6620 series](#)) when compiling the required financial reports and information.

504.02 Financial Reports and Information

504.02A Borrower and Guarantor Notices

Operating Procedures

You:

- Will receive an annual list of all [Mortgage Loans](#) requiring [Guarantor](#) financial records for the past fiscal year.
- Must send the [Borrower](#) and [Guarantors](#) a list of all required financial reports.
- Must provide the [Borrower](#) and [Guarantors](#) sufficient time for you to submit certified financial reports:
 - for [Borrowers](#),
 - within 45 days after the end of each fiscal quarter, and
 - 120 days after the end of each fiscal year; and
 - for [Guarantors](#), by June 1.
- Must use best efforts to obtain all required reports.
- Must promptly submit all [Guarantor](#) financial reports received



per Part V, Chapter 5: Surveillance, Section 504.02C: Review Financial Reporting.

504.02B Borrower Fails to Provide Guarantor Financial Reports

Operating Procedures

You must immediately notify Fannie Mae and the [Borrower](#) or [Guarantor](#) if:

- the [Borrower](#) fails to submit the required [Guarantor](#) financial reports and information by the date required per the [Loan Documents](#);
- the [Guarantor](#) fails to certify each financial report is true, complete, and accurate in all material respects; or
- you believe any financial report or information is materially inaccurate or misleading.

You must provide:

- the [Borrower](#) or [Guarantor](#) 30 days to deliver/certify all required financial reports and information; and
- Fannie Mae copies of all related correspondence with the [Borrower](#) or any [Guarantor](#).

| If the Borrower or a Guarantor... | You... |
|---|---|
| Fails to: <ul style="list-style-type: none">• timely submit all required information; or• respond to at least 3 written notices. | Must request a waiver through: <ul style="list-style-type: none">• the MAMP for financials required from the Borrower; or• Sponsor Financials for financials required from the Guarantors. |
| Is diligently attempting to deliver all required information. | May extend the 30-day period by an additional 30 days. |

504.02C Review Financial Reporting

Operating Procedures



After reviewing the [Borrower](#) or [Guarantor](#) information:

| If you determine... | You must... |
|--|---|
| No additional follow up is required | <ul style="list-style-type: none">• Submit the certified material through:<ul style="list-style-type: none">- the MAMP for the Borrower; and- Sponsor Financials for Guarantors.• Retain the information in your Servicing File. |
| Additional or supporting information is required | <ul style="list-style-type: none">• Promptly:<ul style="list-style-type: none">- contact the Borrower or Guarantor to request additional information; and- submit a copy of all financial reporting, explanatory schedules, and other supporting information through<ul style="list-style-type: none">▪ the MAMP for the Borrower, and▪ Sponsor Financials for Guarantors.• Retain the information in your Servicing File. |

504.02D Records

Requirements

For the [Mortgage Loan](#) term, your [Servicing File](#) must include the originals of the following [Borrower](#) and [Guarantor](#) information:

- financial records;
- certifications and certified material; and
- related information and explanatory schedules.

Section 505 Compliance

Requirements

You must:

- maintain effective [OFAC](#) compliance procedures;
- monthly screen:



- the Borrower, Key Principal, Guarantor, and Principals for Potential Red Flags for Mortgage Fraud and Other Suspicious Activity; and
 - all Persons per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 310: Compliance; and
- report:
- all unresolved red flags per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 310: Compliance; and
 - within 24 hours, any Blocked Person to Lender Assessment Oversight.