



Fannie Mae®

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# Multifamily Selling and Servicing Guide

Effective as of September 25, 2023

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## Summary of Changes

### HIGHLIGHTS

**Effective for all Mortgage Loans as of September 25, 2023**, clarifying updates were made to the identification and reporting requirements in:

- Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 308: Compliance; and
- Part V, Chapter 5: Surveillance, Section 505: Compliance.

### Primary Changes

- Added a new definition for "Blocked Person".
- Before Delivery and monthly thereafter, you must:
  - confirm every Borrower, Key Principal, Principal, and Guarantor is not a Blocked Person;
  - report any Blocked Person to Lender Risk Management within 24 hours; and
  - comply with all related processes and documentation requirements.

### Questions

If you have questions, please contact:

- the Fannie Mae Deal Team; or
- Lender Risk Management, at [lender\\_risk\\_management@fanniemae.com](mailto:lender_risk_management@fanniemae.com).



## Chapter 3

## Borrower, Guarantor, Key Principals, and Principals

### Section 301

### Generally

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#### Requirements

You must:

- perform a risk assessment of the [Borrower, Guarantor, Key Principals, and Principals](#) based solely on objective credit standards; and
- ensure all:
  - [Potential Red Flags for Mortgage Fraud and Other Suspicious Activity](#) were evaluated; and
  - unresolved red flags were reported per [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 308: Compliance](#).

Prohibited practices include:

- basing the risk assessment on any characteristic protected by any fair housing or fair lending law, including
  - race,
  - color,
  - religion,
  - sex,
  - handicap,
  - familial status, or
  - national origin of the prospective
    - [Borrowers](#),
    - [Guarantors](#),
    - [Key Principals](#),
    - [Principals](#),
    - [Property occupants](#), or
    - residents of the [Property's](#) neighborhood; or
- using



- unsupported assumptions,
- personal opinions, or
- unsupported perceptions.

### ➔ Guidance

You should:

- Complete a credit review by analyzing information about their
  - organizational structure,
  - multifamily business experience and qualifications,
  - general credit history, and
  - current and prospective financial condition.
- Ensure the financial strength, experience, qualifications, and credit history of the **Borrower**, **Guarantor**, **Key Principals**, and **Principals** support the size, complexity, structure, and risk of the transaction.

## Section 302 Borrower Organizational Structure

### 302.01 Single-Asset Entity

#### Requirements

You must ensure that

- the **Borrower** is a domestic single-asset entity, and
- if the **Borrower** is ultimately owned by foreign persons or entities, it has at least 1 domestic tier of ownership.

### ➔ Guidance

As you analyze the **Borrower** and its organizational documents to confirm that it is a single-asset entity, consider the following questions:

- Can the **Borrower** acquire any additional real property, personal property, or assets?
- Can the **Borrower** participate in any business other than managing



and operating the Property?

- Are the Borrower's assets or funds commingled with anyone else's? If so, can these assets or funds be separated and identified?
- Are the Borrower's financial statements, accounting records, and other organizational documents maintained with anyone else's?
- Except for the Mortgage Loan, has the Borrower assumed, guaranteed, or obligated itself to cover anyone else's liabilities?

#### Requirements

If the Borrower owns more than a single asset, the Borrower may still qualify as a single asset entity if you:

- Obtain an operating statement for each real property owned.
- Obtain proof that the Borrower has no existing debt secured by a Lien on any of the Borrower's real property, other than a Mortgage Loan purchased by Fannie Mae.
- Obtain proof that the Borrower does not have any direct or indirect equity interest subject to mezzanine financing.
- Ensure that the Loan Documents prohibit the Borrower from
  - acquiring any additional debt (except for supplemental debt on existing Fannie Mae loans),
  - increasing any existing debt, or
  - acquiring any additional real property.

#### Guidance

As you analyze the Borrower that owns more than a single asset, you should consider whether its other real estate assets are only

- multifamily properties, or
- other types of real estate that do not pose an environmental risk to the Borrower.

## 302.02 Co-Tenant Borrowers

#### Requirements



You must ensure that any **Co-Tenant Borrower** meets these eligibility requirements:

- the **Borrower** has no more than 10 co-tenants;
- no co-tenant is an individual;
- each co-tenant is a single-asset entity complying with **Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.01: Single-Asset Entity**; and
- each co-tenant has jointly and severally executed the **Loan Documents**.

### **302.02A** Tenancy-in-Common Agreement

#### Requirements

You must ensure that a validly executed Tenancy-in-Common Agreement is in place prior to or at the **Mortgage Loan** closing.

You must review the agreement to ensure that:

- Each co-tenant is bound by the terms of the agreement.
- The **Property** has a manager of its day-to-day business and affairs, which can be
  - a single co-tenant (or the **Key Principal** of such co-tenant) known as the “co-tenant representative”, or
  - a validly-appointed property manager.
- Distributions to the co-tenant representative are subordinate to
  - all payments under any **Mortgage Loan** secured by a **Lien** on the **Property**, and
  - the terms and conditions of any such **Mortgage Loan**.

#### Guidance

As you analyze the Tenancy-in-Common Agreement, consider the following questions. The term “co-tenant” also includes any **Key Principal** who has the rights of the co-tenant.

#### **Representation**

- Have the **Co-Tenant Borrowers** given the co-tenant representative





the power to deal with the Lender through the Tenancy-in-Common Agreement or an irrevocable power-of-attorney?

- Has each Co-Tenant Borrower waived its right to reside in the Property?

### Buy outs

- Does each Co-Tenant Borrower have buy out rights to any other co-tenant?
- Is each Co-Tenant Borrower financially able to buy out any other co-tenant?

### Communication

- Does each Co-Tenant Borrower have a name, address, telephone number, and percentage of ownership interest listed?
- Has each Co-Tenant Borrower agreed to promptly notify all other Co-Tenant Borrowers and you if their address or telephone number changes?
- Has a single Key Principal of the co-tenant representative agreed to receive any communication from you on behalf of all Co-Tenant Borrowers?

## 302.02B Key Principal Execution of Guaranty

### Requirements

You must ensure that:

- each Co-Tenant Borrower names at least 1 Key Principal; and
- if a Guaranty is required, each Key Principal must become a Guarantor and execute either a Non-Recourse Guaranty or Payment Guaranty.

## 302.03 Joint and Several Borrowers with Multiple Properties

### Requirements

If a Mortgage Loan not in a Credit Facility is secured by multiple Properties and any Property is owned by a different Borrower, you must require each Borrower to:

- execute a single set of Loan Documents with joint and several



liability for the [Mortgage Loan](#);

- comply with the “single purpose entity” requirements per [Modifications to Multifamily Loan and Security Agreement \(Co-Borrowers\) \(Form 6274\)](#);
- be owned by the same [Persons](#) having the same percentage ownership interests (whether direct or indirect);
- be [Controlled](#) by the same [Sponsor](#) or [Key Principal](#);
- execute [Form 6274](#), restricting [Property Transfer/Assumption](#) or release during the [Mortgage Loan](#) term;
- execute an acceptable [Contribution Agreement](#) complying with [Form 6274](#); and
- if separate [Security Instruments](#) are recorded to encumber [Properties](#) in different counties, execute separate [Modifications to Security Instrument \(Co-Borrowers\) \(Form 6322\)](#) for each [Security Instrument](#).

Each [Property](#) securing the [Mortgage Loan](#) must:

- be in the same State; and
- comply with [Part II, Chapter 1: Attributes and Characteristics, Section 102.01: Single Borrower Ownership](#).

## Section 303

### Key Principals, Principals, and Guarantors

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#### Requirements

For every [Mortgage Loan](#), you must:

- Identify and underwrite any [Guarantor](#) and all [Key Principals](#) and [Principals](#) of the [Borrower](#).
- Ensure the [Guarantor](#)
  - is not a foreign person or a foreign entity, and
  - either has an ownership interest in the [Borrower](#) or ensure that the [Guarantor](#) has adequate consideration to enter into the [Guaranty](#).

You must identify the [Principals](#) based on the aggregate of all direct and indirect ownership interests in the [Borrower](#) held per the following table.



If the Borrower is a...	Then a Principal is...
General Partnership or Joint Venture	any general partner or joint venturer.
Limited Partnership	all general partners and any Person who owns a 25% or more limited partnership interest.
Privately-Held Corporation	any Person who owns 25% or more of the voting stock.
Limited Liability Company	all non-member managers, member-managers, and any Person who owns a 25% or more membership interest.
Trust (other than a Land Trust)	the grantor (if the trust is a revocable trust or if the grantor or settlor has retained powers), any Person who has a 25% or more beneficial interest in the trust, and any trustee.
Land Trust	any Person who owns a 25% or more beneficial interest in the land trust.

### 303.01 Entity Review

#### ➔ Guidance

When you review an entity, consider the following questions:

- Is it an existing entity (e.g., a corporation, limited liability company, limited liability partnership, or other acceptable structure) that is not newly formed?
- Is it a well-capitalized, stable, on-going business that would be expected to:
  - Remain financially healthy?
  - Support the Property?
  - Meet all Guarantor requirements and obligations under the Guaranty?
  - Have assets and net worth that are significantly greater than what would be minimally acceptable for an individual Key Principal?

### 303.02 Fund



## → Guidance

When you review a fund, consider the following questions:

- What is the experience and performance history of the fund manager with similar funds?
- Can the fund raise equity from financially substantial investors?
- What is the performance of the fund?
- What is the leverage level of the fund?
- What is the net worth and liquidity of the fund?
- What is the type and quality of
  - the [Property](#) and market,
  - other existing properties and markets, and
  - any potential additional properties and markets targeted by the fund pursuant to its agreements?

Additionally, you should review the organizational documents and private placement memorandum (if applicable) for the following information:

- the fund's expiration date;
- any extension to the fund's existence and conditions to approve that extension; and
- the process for winding up the business affairs of the fund, including whether the fund is organized in a state that requires the orderly dissolution of investment funds, such as Delaware or Illinois.

## Section 304 Financial Statements

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### Requirements

You must:

- obtain signed financial statements from all parties relevant to the [Mortgage Loan](#); 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 308: Compliance.

If the financial statements...	Then...
Are dated less than 12 months before the Commitment Date	You do not need a signed "no material adverse change" certification.
Are dated 12 – 24 months before the Commitment Date	You must include a signed certification dated within 30 days before loan application that states they have experienced no material adverse change to their financial condition.
Are dated more than 24 months old	You cannot use them.

For all financial statements, you must collect:

- A schedule of real estate owned by the party providing the financial statement, including the loan information (such as lender, DSCR, and maturity date) for all assets on the schedule.
- A listing of all other assets, including
  - notes receivable from related entities, and
  - an estimate of the market value of each asset and the basis for calculating value estimates.
- All liabilities and contingent liabilities, including
  - debts under lines or letters of credit,
  - personal guaranties,
  - unmet obligations to partnerships or other entities, and
  - other future obligations (describe the amount and timing of these).
- Any other factors that may impact the party's financial position immediately or during the term of the Mortgage Loan (including any known threat of potential lawsuits that may arise from the parties' business operations).



## Section 305 Multifamily Underwriting Certificate

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### Requirements

You must obtain the appropriate [Multifamily Underwriting Certificate \(Form 6460\)](#) from the [Borrower](#) and each [Key Principal](#).

You must ensure that the [Form 6460](#) is

- signed and certified as true, correct, and complete, and
- dated within 90 days before the [Commitment](#) date.

If the 90-day limit is exceeded, the [Borrower](#) and [Key Principals](#) must certify that there has been no material adverse change to the financial condition shown in the [Form 6460](#).

You must keep a copy of the [Form 6460](#) in your [Servicing File](#).

## Section 306 Fraudulent Conveyance

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### Requirements

You must not obtain a [Commitment](#) for any [Mortgage Loan](#) if you believe that the [Borrower](#), [Key Principals](#), [Principals](#), or [Guarantors](#) intend to delay, hinder, or defraud creditors.

### Guidance

To show that you have made the [Mortgage Loan](#) in good faith, consider the following questions:

- Have you carefully reviewed the facts so that you have a clear defense to potential fraudulent conveyance or fraudulent transfer claims?
- Have you obtained a [Form 6460](#) that confirms the [Borrower's](#) good faith?

## Section 307 Applicant Experience Check

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### Requirements

For both initial applications, [Supplemental Mortgage Loans](#), and any [Transfer/Assumption](#), you must perform an [ACheck™](#) and receive a



"Continue Processing" response for

- the Borrower,
- each Key Principal of the Borrower,
- each Principal of the Borrower,
- each Guarantor, and
- any person who owns or controls an entity Key Principal.

## Operating Procedures

### **Where can you find ACheck?**

You can find the ACheck application at <https://multifamily.fanniemae.com/applications-technology/acheck>.

### **When do you use the ACheck application?**

As soon as you receive an application request and the necessary tax identification numbers and/or social security numbers, enter the information into ACheck.

- If you have not yet identified all parties at this stage, you must enter all Key Principals, Principals, and Guarantors of the Borrower into ACheck as soon as you identify them.
- If more than 90 days pass between the initial ACheck and Commitment Date, you must repeat an ACheck.

### **How do you view ACheck results?**

The ACheck application will provide either a "Continue Processing" or "Do Not Process" electronic response instantaneously.

#### ■ "Continue Processing" Response

You must receive a "Continue Processing" response in order to proceed with the application.

This does not mean that the Borrower, Key Principal, Principal, Guarantor, or Principal is approved; you are still required to complete full Mortgage Loan credit underwriting.

#### ■ "Do Not Process" Response

If you receive a response stating "do not continue processing an application for a Fannie Mae loan that involves this applicant" (or similar



wording), then:

- Do not proceed with the application, ~~and do not omit by omitting~~ any [Key Principal](#), [Principal](#), or [Guarantor](#) for which a “Do Not Process” response was given.
- Use the “Do Not Process” response to indicate that you need to have direct communication with Fannie Mae.
- Follow the instructions provided by the [ACheck](#) application and contact Fannie Mae before proceeding to underwrite the [Mortgage Loan](#).
- Never use the “Do Not Process” response as the sole reason for rejecting or denying credit in any cases not involving Fannie Mae.

You will not be provided any information as to why a particular [Borrower](#), [Key Principal](#), [Principal](#), or [Guarantor](#) received a “Do Not Process” response.

### **What about confidentiality?**

You must establish procedures to ensure that all [ACheck](#) responses obtained for [Borrowers](#), [Key Principals](#), [Principals](#), and [Guarantors](#) are kept confidential.

## **Section 308**

### **Compliance**

#### Requirements

You must ~~establish and maintain effective procedures and controls (including employee training), similar to those required by the [Bank Secrecy Act](#), to prevent, identify, and report potential:~~

- ~~mortgage fraud; and~~
- ~~other suspicious activity.~~

~~Fannie Mae will not purchase any [Mortgage Loan](#) with a [Borrower](#), [Key Principal](#), [Principal](#), or [Guarantor](#) that is:~~

- ~~sanctioned or blocked by [OFAC](#); or~~
- ~~on the~~





- FHFA SCP List,
- HUD "Limited Denial of Participation, Funding Disqualifications and Voluntary Abstentions List", or
- GSA "System for Award Management (SAM)" Exclusion List.
- unless you are subject to, and complying with, the Bank Secrecy Act, establish and maintain effective procedures and controls (including employee training), similar to those required by the Bank Secrecy Act, to prevent, identify, and report potential:
  - mortgage fraud; and
  - other suspicious activity; and
- confirm every Borrower, Key Principal, Principal, or Guarantor is not a Blocked Person.

### Operating Procedures

If you identify Potential Red Flags for Mortgage Fraud and Other Suspicious Activity:

1. Do not inform the Borrower, any Borrower Affiliate, Key Principal, Principal, or Guarantor.
2. Evaluate the red flags to determine if a plausible business explanation exists.
3. Immediately report any unresolved red flags indicative of mortgage fraud or other suspicious activity to:
  - <https://fims.my.salesforce-sites.com/MortgageFraudReport> or (800) 232-6643; and
  - Lender Risk Management.
4. Maintain all documentation relating to the potential mortgage fraud or other suspicious activity.
5. Promptly provide all related documentation to Fannie Mae upon request.
6. Do not provide any information to Fannie Mae that would indicate whether you have filed a Suspicious Activity Report (SAR) with the Financial Crimes Enforcement Network (FinCEN).

If you identify any Borrower, Key Principal, Principal, or Guarantor as a



### Blocked Person:

1. Report the Blocked Person to Lender Risk Management within 24 hours.
2. Maintain all documentation relating to your searches.
3. Promptly provide all related documentation to Fannie Mae upon request.
4. Do not
  - Deliver the Mortgage Loan, or
  - proceed with the Mortgage Loan by omitting any Key Principal, Principal, or Guarantor that is a Blocked Person.

## Section 309

### Execution of Non-Recourse Guaranty

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#### Requirements

You must obtain a Non-Recourse Guaranty from a Key Principal (the Guarantor) for any Mortgage Loan that has

- an Underwritten DSCR less than
  - 1.35 for fixed rate or
  - 1.10 for variable rate, or
- an LTV greater than 65%.

You do not need to obtain a Non-Recourse Guaranty if the Borrower is a Cooperative Organization or if the Key Principal (who would otherwise be the Guarantor) is a publicly traded entity.

## Section 310

### Conflict Mortgage Loans

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#### 310.01 Description

#### Requirements



Conflict Mortgage Loan Type	
Conflict Mortgage Loan	<ul style="list-style-type: none"> <li>• Any Mortgage Loan in which:               <ul style="list-style-type: none"> <li>- a Lender, any Lender Affiliate, or any Lender Senior Executive                   <ul style="list-style-type: none"> <li>▪ owns (or will own) any direct or indirect equity interest in the Borrower, or</li> <li>▪ directly or indirectly controls the Borrower; or</li> </ul> </li> <li>- any Lender employee, or group of employees, owns (or will own) more than a 5% direct or indirect equity interest in the Borrower.</li> </ul> </li> <li>• Any Mortgage Loan with DLA Mezzanine Financing.</li> </ul> <p>Any equity interest you acquire in the Borrower relating solely to obtaining the associated LIHTCs is not considered when determining if the Mortgage Loan is a Conflict Mortgage Loan (see Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 709: LIHTC Properties – Lender Equity Interest).</p>
Prohibited Conflict Mortgage Loan	<p>Any Mortgage Loan in which</p> <ul style="list-style-type: none"> <li>• the Lender or any single Lender Senior Executive owns more than a 5% direct or indirect equity interest in the Borrower,</li> <li>• any group of Lender Senior Executives together owns more than a 10% direct or indirect equity interest in the Borrower, or</li> <li>• the Lender or any Lender Affiliate is the Property manager.</li> </ul>



Conflict Mortgage Loan Type	
Controlling Conflict Mortgage Loan	<p>Any Conflict Mortgage Loan where:</p> <ul style="list-style-type: none"><li>• the Lender<ul style="list-style-type: none"><li>- can (other than through the exercise of a lender's rights and remedies under the <a href="#">Loan Documents</a>) require changes to the management, operations, or decision-making of the <a href="#">Borrower</a>, the <a href="#">Key Principal</a>, any <a href="#">Person</a> holding a <a href="#">Controlling Interest</a> in the <a href="#">Borrower</a> or <a href="#">Key Principal</a>, or any <a href="#">Principal</a> or <a href="#">Guarantor</a>, or</li><li>- owns any <a href="#">Preferred Equity</a> in the <a href="#">Borrower</a>;</li></ul></li><li>• any <a href="#">Lender Affiliate</a> or employee or group of employees of the <a href="#">Lender</a> or any <a href="#">Lender Affiliate</a><ul style="list-style-type: none"><li>- can require changes to the management, operations, or decision-making of the <a href="#">Borrower</a>, the <a href="#">Key Principal</a>, any <a href="#">Person</a> holding a <a href="#">Controlling Interest</a> in the <a href="#">Borrower</a> or <a href="#">Key Principal</a>, or any <a href="#">Principal</a> or <a href="#">Guarantor</a>,</li><li>- individually or together own a 25% direct or indirect equity interest in the <a href="#">Borrower</a> or in any <a href="#">Person</a> holding a <a href="#">Controlling Interest</a> in the <a href="#">Borrower</a> at or after loan origination (including any interest acquired as part of a <a href="#">Transfer/Assumption</a>),</li><li>- own any <a href="#">Preferred Equity</a> in the <a href="#">Borrower</a>, or</li><li>- exercises rights under <a href="#">DLA Mezzanine Financing</a> that results in a <a href="#">Controlling Conflict Mortgage Loan</a> under these requirements; or</li></ul></li><li>• any <a href="#">Lender Senior Executive</a> owns any direct or indirect equity interest in the <a href="#">Borrower</a>.</li></ul>

You must not



- Deliver a Prohibited Conflict Mortgage Loan, or
- cause any Portfolio Mortgage Loan to become a Prohibited Conflict Mortgage Loan.

## 310.02 Restrictions

### 310.02A Underwriting

#### Requirements

You must ensure that no Lender employee or other person involved in Conflict Mortgage Loan underwriting and approval owns any direct or indirect equity interest in the Borrower.

You must include the following in your Transaction Approval Memo:

- the amount of any direct or indirect equity interest in the Borrower owned by any Lender Senior Executive, other Lender employee or group of employees; and
- answers to the following questions, including an explanation if your answer to a question is yes:
  - Does any Lender Senior Executive, other Lender employee or group of employees, or any person who participated in the underwriting or approval of the Mortgage Loan, own any direct or indirect equity interest in the Borrower?
  - Can any Lender Senior Executive, other Lender employee or group of employees, or any person who participated in the underwriting or approval of the Mortgage Loan, require changes to the management, operations, or decision-making of the Borrower?

In addition, your underwriting submission must include:

- copies of the Borrower's organizational documents and financial statements;
- copies of all organizational documents and financial statements for any Lender Affiliate that holds a direct or indirect equity ownership interest in the Borrower; and
- an organizational chart or diagram showing
  - the complete ownership structure of the Borrower,
  - the relationship among the Lender, Borrower, and applicable



Lender Affiliate, and

- the percentage ownership of each entity.

### Operating Procedures

You must designate the **Mortgage Loan** as a Conflict Mortgage Loan in C&D.

## **310.02B** Servicing

### Requirements

As **Servicer** of a Controlling Conflict Mortgage Loan, you must not

- participate in loss mitigation or special asset management decisions if it becomes a **Non-Performing Mortgage Loan**, or
- be notified of, or participate in, any negotiations or communications between Fannie Mae and the **Borrower**, **Key Principal**, or **Principal** (or any **Affiliate** of any of them).

Fannie Mae will make reasonable efforts to provide copies of written communications between Fannie Mae and other parties.

These servicing restrictions apply as long as the **Mortgage Loan** is considered a Controlling Conflict Mortgage Loan.

### Operating Procedures

1. Fannie Mae has sole discretion to decide what action, if any, to take regarding any Controlling Conflict Mortgage Loan, any **Property** securing a Controlling Conflict Mortgage Loan, or any **Borrower** or **Guarantor**.
2. If Fannie Mae decides that a Controlling Conflict Mortgage Loan has a material risk of default or other characteristics of increased risk, it can
  - designate a substitute servicer or subservicer, or
  - terminate (with or without cause) your right to service the **Mortgage Loan**.
3. Fannie Mae will comply with the **Program Rules** Part 3 Sections B and C relating to Fannie Mae initiated servicing transfers. After



servicing is transferred, you will retain your loss sharing obligation.

### **310.02C** No First Right of Refusal

#### Requirements

You will not have any First Right of Refusal to purchase a [Property](#) that secured a Conflict Mortgage Loan, even if the Loss Sharing Addendum to the [MSSA](#) grants you this right.

### **310.02D** Additional Disclosure

#### Operating Procedures

For an [MBS](#) backed by a Conflict Mortgage Loan, you must indicate in C&D

- that additional disclosure is required, and
- whether it is the [Lender](#), a [Lender Affiliate](#), a [Lender Senior Executive](#), a [Lender](#) employee, or group of employees who has a [Controlling Interest](#) or a [non-Controlling Interest](#).

### **310.02E** Notifications

#### Requirements

If, after delivering a [Mortgage Loan](#), it becomes a Conflict Mortgage Loan, you must deliver all materials described in this Section to [Multifamily Asset Management](#) within 30 days after acquiring each equity interest.



## Chapter 5 Surveillance

### Section 501 Generally

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#### 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

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#### 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 following tabs:
  - “**General Information**”;
  - “**Physical Condition & Deferred Maintenance**”;





- “Photos”;
- ”Rent Roll”;
- “Management Interview”;
- “Multifamily”;
- “Fannie Mae Assessment Addendum”;
- “Senior Supplement”, for [Seniors Housing Properties](#).

3. Assign an overall rating per Fannie Mae’s Ratings Scale Definitions.

**502.02** Property Condition Concerns

 Operating Procedures

If the Property has...	You must...
<ul style="list-style-type: none"> <li>• an inspection rating of 4 or 5 per the Fannie Mae Assessment Addendum tab of the MBA Standard Inspection Form;</li> <li>• incomplete repairs per the specified timing in the Loan Documents;</li> <li>• significant deferred maintenance; or</li> <li>• non-significant deferred maintenance that was not corrected within 12 months after notifying the Borrower.</li> </ul>	<ul style="list-style-type: none"> <li>• Inform <a href="#">Multifamily Inspections and Multifamily Loss Mitigation</a>:               <ul style="list-style-type: none"> <li>- promptly after receiving notice of any Life Safety Issues per Part V, Chapter 5: Surveillance, Section 502.06F: Life Safety Issues; or</li> <li>- otherwise within 10 Business Days after becoming aware.</li> </ul> </li> <li>• Reinstate any suspended <a href="#">Completion/Repair Escrow or Replacement Reserve</a> 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).</li> <li>• Inspect the <a href="#">Property</a> as necessary to ensure the <a href="#">Borrower</a> resolves any deferred maintenance.</li> <li>• Regardless of whether the <a href="#">Mortgage Loan</a> is on a <a href="#">Watchlist</a>, submit a request to <a href="#">Multifamily Loss Mitigation</a> before ordering a <a href="#">PCA</a> (excluding regularly-scheduled PCAs required per the <a href="#">Loan Documents</a>).</li> <li>• Identify the appropriate Fannie Mae risk rating per Part V, Chapter 6: <a href="#">Watchlist Management</a>.</li> </ul>



## 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

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	Inspector
			%	Min/Max		
All Mortgage Loans	• Pass, • Pass-Watch, or • Special Mention	Annual	5%	5/15	15	• Third-Party, or • In-House
	Substandard	Annual	10%	10/20	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	Inspector
			%	Min/Max		
Most Recent Inspection rating of 4 or 5	All Ratings	Annual	10%	10/20	15	In-House Only



Property Inspection Protocol						
• Seniors Housing, or • Rent-Stabilized	• Pass, • Pass-Watch, or • Special Mention	Annual	5%	5/15	15	• Third-Party, or • In-House
	Substandard	Annual	10%	10/20	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	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	15	• Third-Party, or • In-House
	Substandard	Annual	10%	10/20	15	In-House Only
<b>If the original Mortgage Loan Amount is \$6 million or less...</b>						
<b>NOTE: If the Property has 10 units or less, at least 2 units must be inspected.</b>						
Type	Fannie Mae Risk Rating	Inspection Frequency	Number of Units to Inspect		Minimum # of Photos	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	15	In-House Only
• Seniors Housing, or • Rent-Stabilized	• Pass, • Pass Watch, or • Special Mention	Annual	5%	5/15	15	• Third-Party, or • In-House
	Substandard	Annual	10%	10/20	15	In-House Only
Maturing	All Ratings	Within 12 months before Maturity Date	Per applicable <a href="#">Mortgage Loan</a> type.			
All Others	• Pass, Pass-Watch, or Special Mention; and • <a href="#">Delivered Mortgage Loan Amount &lt; \$750,000.</a>	Walk Around every 5 years	N/A	N/A	10	• Third-Party, or • In-House
	• Pass, Pass-Watch, or Special Mention; and • <a href="#">Delivered Mortgage Loan Amount ≥ \$750,000.</a>	Every 2 years	5%	2/5	10	• Third-Party, or • In-House
	Substandard	Annual	10%	2/5	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 <a href="#">Borrower</a>	<ul style="list-style-type: none"><li>• Within 45 days after the inspection date,<ul style="list-style-type: none"><li>- identify the repair or maintenance issues,</li><li>- include any photos, and</li><li>- direct the <a href="#">Borrower</a> to timely complete the work.</li></ul></li><li>• Use <a href="#">Form 4830</a> if the <a href="#">Property</a> inspection rating is 3, 4, or 5.</li></ul>
2	Follow Up	<ul style="list-style-type: none"><li>• Follow up to ensure the <a href="#">Borrower</a> responded and the work was successfully completed. If not:<ul style="list-style-type: none"><li>- notify the <a href="#">Borrower</a>;</li><li>- notify <a href="#">Multifamily Inspections</a>; and</li><li>- include your resolution recommendation.</li></ul></li><li>• Use <a href="#">Form 4831</a> or <a href="#">Form 4832</a> if the <a href="#">Property</a> inspection rating is 3, 4, or 5.</li></ul>



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

### 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

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### 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 <a href="#">Property's</a> actual physical occupancy based on the most recent quarter-end rent roll.
2	Provide	Provide actual expenses, normalizing <ul style="list-style-type: none"><li>• for seasonal variations, and</li><li>• certain expenses including, but not limited to,<ul style="list-style-type: none"><li>- real estate taxes,</li><li>- property casualty insurance,</li><li>- <a href="#">Replacement Reserves</a>, and</li><li>- property management fees.</li></ul></li></ul>



Item	Activity	You must...
3	Comment	Comment if: <ul style="list-style-type: none"> <li>• the <a href="#">Mortgage Loan</a> is on Fannie Mae's <a href="#">Watchlist</a>;</li> <li>or</li> <li>• there is a:               <ul style="list-style-type: none"> <li>- greater than 20% variance from the same reporting period in the prior year for (per <a href="#">Form 4254.DEF</a>)                   <ul style="list-style-type: none"> <li>▪ <a href="#">Effective Gross Income</a>,</li> <li>▪ total operating expenses,</li> <li>▪ <a href="#">Gross Potential Rent</a>,</li> <li>▪ private pay,</li> <li>▪ Medicare/Medicaid,</li> <li>▪ repairs and maintenance,</li> <li>▪ utilities,</li> <li>▪ water and sewer,</li> <li>▪ real estate taxes, or</li> <li>▪ <a href="#">Property</a> insurance;</li> </ul> </li> <li>- greater than 10% variance in physical occupancy from the immediately preceding reporting period;</li> <li>- change in the <a href="#">Property's</a> tax-exempt status;</li> <li>- change in the required <a href="#">P&amp;I</a> payments during a reporting period (e.g., interest-only to amortizing);</li> <li>- property management fee less than 3%; or</li> <li>- relevant change in the <a href="#">Property's</a> financial performance.</li> </ul> </li> </ul>
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"> <li>• 90 days after the end of the first quarter, and</li> <li>• 75 days after the end of the second and third quarters.</li> </ul>
Cooperative Property	No quarterly financial reporting or waiver required.
Small Mortgage Loan	<p>If the original <a href="#">Mortgage Loan</a> amount is:</p> <ul style="list-style-type: none"> <li>• equal to \$6 million or less, no quarterly financial reporting or waiver required; or</li> <li>• greater than \$6 million, you must submit detailed quarterly operating statements 75 days after the end of the second and third quarters.</li> </ul>
Seniors Housing Property	You must submit detailed quarterly operating statements 75 days after the end of every quarter.
Credit Facility or Bulk Delivery Property	<p>You must submit the Deal Level Structured Transaction (BD/CF) Quarterly report 75 days after the end of every quarter, including the</p> <ul style="list-style-type: none"> <li>• detailed quarterly operating statements,</li> <li>• Structured Facilities Monitoring Narrative (<a href="#">Form 4801</a>), and</li> <li>• Spreadsheet (<a href="#">Form 4802</a>).</li> </ul>
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 or Bulk Delivery 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"> <li>• Property level statements covering the 1st quarter; and</li> <li>• Deal level Structured Facilities Monitoring Narrative and Spreadsheet (Form 4801 and Form 4802).</li> </ul>	June 15	75 days after 1st quarter end
Second	Trailing 3 months operating data: <ul style="list-style-type: none"> <li>• Property level statements covering the 2nd quarter; and</li> <li>• Deal level Structured Facilities Monitoring Narrative and Spreadsheet (Form 4801 and Form 4802).</li> </ul>	September 15	75 days after 2nd quarter end





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



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"> <li>• June 1 for a <b>Property</b> with a 12/31 fiscal year end, or</li> <li>• for a <b>Property</b> with a non-12/31 fiscal year end:               <ul style="list-style-type: none"> <li>- within 150 days after the fiscal year-end; and</li> <li>- submit a data change request via the <b>MAMP</b> to change the <b>Borrower's</b> fiscal year end.</li> </ul> </li> </ul>	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"><li>• Request the <b>Borrower</b> provide the missing statements.</li><li>• If the <b>Borrower</b> does not respond after 3 written requests, wait to submit a waiver request via the <b>MAMP</b> until:<ul style="list-style-type: none"><li>- for an annual report, 6 months after the due date; or</li><li>- for a quarterly report, the next due date.</li></ul></li><li>• Include “Unresponsive Borrower” as the waiver condition in the <b>MAMP</b>.</li><li>• Provide copies of all relevant <b>Borrower</b> correspondence.</li><li>• Provide any additional requested information.</li></ul>
All Others	<p>Submit a waiver request via the <b>MAMP</b> if:</p> <ul style="list-style-type: none"><li>• Your <b>Lender Contract</b> does not require collecting <b>Property</b> operating statements.</li><li>• The <b>Mortgage Loan Documents</b> do not permit you to collect, nor require the <b>Borrower</b> to submit, financial reports.</li><li>• The <b>Mortgage Loan</b>:<ul style="list-style-type: none"><li>- liquidated in the current quarter (for quarterly reporting waivers), or year (for annual reporting waivers), before the Financial Analysis of Operations submission due date;</li><li>- was delivered per a <b>Forward Commitment</b> and has not yet converted to a permanent loan;</li><li>- was defeased;</li><li>- has <b>FHA</b> or <b>HUD</b> risk sharing;</li><li>- is managed by Fannie Mae’s <b>Special Asset Management</b>; or</li><li>- was acquired by Fannie Mae in the current reporting year, and less than 6 months of <b>Property</b> operating data is available.</li></ul></li></ul>

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"> <li>• timely submit all required information; or</li> <li>• respond to at least 3 written notices.</li> </ul>	Must request a waiver through: <ul style="list-style-type: none"> <li>• the <b>MAMP</b> for financials required from the <b>Borrower</b>; or</li> <li>• <b>Sponsor Financials</b> for financials required from the <b>Guarantors</b>.</li> </ul>
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"><li>• Submit the certified material through:<ul style="list-style-type: none"><li>- the <a href="#">MAMP</a> for the <a href="#">Borrower</a>; and</li><li>- Sponsor Financials for <a href="#">Guarantors</a>.</li></ul></li><li>• Retain the information in your <a href="#">Servicing File</a>.</li></ul>
Additional or supporting information is required	<ul style="list-style-type: none"><li>• Promptly:<ul style="list-style-type: none"><li>- contact the <a href="#">Borrower</a> or <a href="#">Guarantor</a> to request additional information; and</li><li>- submit a copy of all financial reporting, explanatory schedules, and other supporting information through<ul style="list-style-type: none"><li>▪ the <a href="#">MAMP</a> for the <a href="#">Borrower</a>, and</li><li>▪ Sponsor Financials for <a href="#">Guarantors</a>.</li></ul></li></ul></li><li>• Retain the information in your <a href="#">Servicing File</a>.</li></ul>

## 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](#):



- screen the Borrower, Key Principal, Guarantor, and Principals for Potential Red Flags for Mortgage Fraud and Other Suspicious Activity; and
- report all unresolved red flags Persons per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 308: Compliance; and
- ~~confirm the Borrower, Key Principal, Guarantor, and Principals are not:~~
  - ~~sanctioned or blocked by OFAC; or~~
  - ~~on the:~~
    - ~~FHFA SCP List;~~
    - ~~HUD "Limited Denial of Participation, Funding Disqualifications and Voluntary Abstentions List;" or~~
    - ~~GSA "System for Award Management (SAM)" Exclusion List.~~
- report:
  - all unresolved red flags per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 308: Compliance; and
  - within 24 hours, any Blocked Person to Lender Risk Management.





## GLOSSARY

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### ■ **Blocked Person**

Any Person who is:

- on the FHFA SCP List;
- sanctioned or blocked by OFAC; or
- identified on:
  - HUD's "Limited Denial of Participation, HUD Funding Disqualifications and Voluntary Abstentions List"; or
  - General Services Administration's "System for Award Management (SAM) exclusion list".

### ■ **HUD**

U.S. Department of Housing and Urban Development

#### **Synonyms**

HUD's