Fannie Mae

Multifamily Selling and Servicing Guide

Effective as of September 30, 2020

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Summary of Changes

HIGHLIGHTS
Effective for all Mortgage Loans Committed on or after September 30 2020, Fannie Mae updated information for: • Qualified Occupants and Phased Properties in Part II, Chapter 1: Attributes and Characteristics; and • site inspections in - Part II, Chapter 4: Inspections and Reserves, and - Part III, Chapter 9: Small Mortgage Loans.

Primary Changes

- Clarified information for Qualified Occupants and Phased Properties.
- Updated site inspection requirements as follows:
  - A physical site inspection must be conducted by
    - you, or
    - a qualified Non-Employee per the Program Rules.
  - When there is an overall rating of "4" or "5" on the Comprehensive Assessment tab of the MBA Standard Inspection Form, the Property is ineligible for Delivery.
  - For Small Mortgage Loans, you should address any:
    - special hazards;
    - zoning;
    - building and fire code violations; and
    - regulatory compliance as required in Instructions for Performing a Multifamily Property Condition Assessment (Form 4099).
- Updated the section numbers in Appendix A - Streamlined Multifamily Property Condition Assessment Guidance (Form 4099.A).

Questions

Please contact the Fannie Mae Deal Team with any questions.

Chapter 1 Attributes and Characteristics

Section 101 Generally

Requirements

For a Mortgage Loan to be eligible for purchase, it must be secured by a multifamily residential property that meets all of the following:

- contains at least 5 dwelling units;
- has suitable bathroom and cooking facilities located within each unit;
- is located in 1 of the 50 states of the United States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, or Guam;
- is located on a publicly dedicated, all-weather road, or is accessible by a satisfactory easement from this type of road;
- consists of either a single parcel or multiple parcels per Part II, Chapter 1: Attributes and Characteristics, Section 102: Multiple Parcels;
- any commercial space is physically part of, and connected to, the multifamily space, or a stand-alone building that is on the same tax parcel;
- has adequate water and sewer service, which may be delivered by a public utility or, where commercially acceptable for the market area, by a private system or utility;
- offers a suitable level of utility service (e.g., electrical, natural gas, plumbing, refuse removal, etc.) for the market area;
- either complies with all applicable statutes, rules, regulations, and housing and building codes, or is being appropriately remediated;
- does not contain any Modular Housing; and
- has access to police and emergency services.

Section 102 Multiple Parcels

Requirements

When a Property consists of non-contiguous multiple parcels, the multifamily units on each parcel must individually:

- comply with the minimum occupancy requirements in Part II, Chapter 1: Attributes and Characteristics, Section 105: Minimum Occupancy, orPart III, Chapter 9: Small Mortgage Loans, Section 903: Occupancy;

- be located in the same MSA; and
- have an acceptable Property condition based on your site inspection and any PCA.

Guidance

When a Property consists of non-contiguous multiple parcels, you should also consider whether the Property:

- has historically, and will continue to, operate as a single project;
- if separated by a major thoroughfare primarily intended for traffic traveling through the area (rather than a street primarily intended to provide access to the Property), can be managed effectively by the Borrower;
- has amenities located on any parcel that are available to all Property tenants;
- has reciprocal agreements and easements in place; and
- is adversely affected by material differences in rent among the parcels.

Section 103 Property Ownership; Leasehold

Requirements

You must ensure that the Property is owned in fee simple, unless the Property is held under an acceptable Leasehold estate.

Section 104 Ground Leased Properties

104.01 Generally

Requirements

If the Property has a Ground Lease, the Mortgage Loan collateral must include a Lien on the Leasehold estate.

You must ensure that the Ground Lease complies with the Ground Lease Review Checklist (Form 6479), unless

- the ground lessor joins with the Borrower in executing the Security

Instrument and grants a Lien on the ground lessor's fee estate, or

- the absence of the Leasehold estate would not have a material adverse effect on the operation or value of the Property.

104.02 Ground Lease Rents

Requirements

You must establish an escrow for ground rents and ensure that the Borrower deposits sufficient funds for you to make all payments due under the Ground Lease.

104.03 Ground Lease Estoppel Certificate

Requirements

You must obtain a Ground Lessor Estoppel Certificate that:

- follows Modifications to Multifamily Loan and Security Agreement (Ground Lease Defaults) (Form 6206); and
- includes any provisions required by Form 6479 that are not already contained in the Ground Lease.

104.04 Ground Lease Review

Requirements

You must:

- review and analyze the Ground Lease to ensure compliance with the requirements of this Section; and
- retain the completed Form 6479 in your Servicing File.

Section 105 Minimum Occupancy

105.01 Residential Occupancy

Requirements

You must ensure that the Property meets the following minimum occupancy levels:

- 85 % physical occupancy; and
- 70 % economic occupancy.

These minimum levels apply at the time of the Commitment and for the preceding 3-month period.

105.02 Qualified Occupants

Requirements

When calculating physical occupancy, you must only include tenants who

- physically occupy the unit, and
- ~~are~~ have commenced paying rent.

Guidance

You may include any tenant who:

- was under a standard lease for at least 6 months, then converted to a month-to-month lease when the lease expired; or
- is under a lease with a term of less than 6 months, if shorter-term leases
  - are commonly accepted in the market area, and
  - do not reflect weakness in the market.

You may include non-revenue producing units such as

- management units,
- employee occupied units,
- maintenance units, and
- model units.

Such units should not exceed what is usual and customary for stabilized properties in the market.

Section 106 Certificates of Occupancy

Requirements

For any Property with construction or rehabilitation work completed within the last 12 months, you must:

- ensure that all units have a certificate of occupancy;
- obtain copies of all certificates of occupancy from the Borrower; and
- retain them in your Servicing File.

For all other Properties, you must:

- determine whether each unit had a certificate of occupancy at some point;
- attempt to obtain copies of all certificates of occupancy; and
- retain them in your Servicing File.

Guidance

If you are unable to obtain copies of certificates of occupancy for a Property (for example, because of the age of the Property or the records of the jurisdiction where it is located), you should look for other evidence that certificates of occupancy had been issued.

If you cannot obtain a copy or other sufficient evidence of a certificate of occupancy, you should analyze the risk to the Property if one had never been issued, by considering whether:

- your physical inspection reveals any life safety issues;
- all units are accessible through normal access routes (and not, for example, through a former janitorial closet);
- the insurance excludes coverage of a casualty originating from a unit without a certificate of occupancy; and
- the Property is located in a market that exhibits low vacancies and barriers to entry.

You should exclude the income generated by any units without a certificate of occupancy but include all expenses (including replacement reserves) for the maintenance of such units.

Section 107 Phased Properties

Requirements

If the Property is a Phased Property, you must evaluate

- how the Property will be affected by other phases of the complex, and
- whether the Property will be able to succeed independently from other phases.

Guidance

In determining whether a Phased Property is viable as a separate Property, you should consider whether:

- its ownership and operation are separate from all other phases of the complex;
- the Borrower is able to provide a separate leasing office for the Property;
- your underwriting has discounted any benefits derived from staff or facilities that the Property shares with other phases;
- the records and accounts used to underwrite the Property are separate from the records and accounts of other phases;
- the Property is marketable to tenants or a new owner, separately from other phases;
- the Property is visible to the public without passing through another phase of the complex;
- the Property is accessible from a public roadway;
- any cross-easements for the complex will survive an adverse action against another phase; and
- any development of a future phase could materially interfere with or disturb the occupancy, marketability, or living environment of the Property.

In assessing the impact of future phases on a Property, you should consider

- the short-term impact of construction activity, and
- long-term implications for the continued economic viability of the Property, taking into account the allocation of costs for shared facilities (such as roadways).

Requirements

You may only Deliver a Mortgage Loan on a Phased Property if Fannie

Mae holds all other Mortgage Loans secured by other phases of the complex.

When the Phased Property is owned or Controlled by the same Borrower or Principals as the other phases in the complex:

- all Fannie Mae Mortgage Loans on each phase must be cross-defaulted and cross-collateralized; ~~and~~
- when any new Phased Property Mortgage Loan is underwritten, the actual amortizing DSCR (per Form 4254.DEF) and current LTV for all existing Mortgage Loans on each phase must comply with Form 4660 for the same loan term, product, and Pricing and Underwriting Tier, where each property value is determined by
  - dividing the current NCF by the capitalization rate (i.e., a Direct Cap with Sales Comparables analysis),
  - broker's opinion of value, or
  - most recent Appraisal; and
- the new Phased Property Mortgage Loan must have a Prepayment Premium Period End Date that is on or before the Prepayment Premium Period End Date of the other Mortgage Loans on the other phases.

Guidance

If a future phase is expected, consider issuing the first phase MBS with a potential future cross.

Section 108 Commercial Leases

108.01 Material Commercial Leases

108.01A Lease Review

Requirements

You must analyze all aspects of each Material Commercial Lease and the tenants. Tenant refers to each tenant, grantee, or other beneficiary of the Material Commercial Lease.

If Material Commercial Lease approval is required by the terms of Part II, Chapter 1: Attributes and Characteristics, Section 108.01B: Lease Approval you must:

- prepare a written summary of the material terms of the Material Commercial Lease; and
- keep a copy of your summary in your Servicing File.

Guidance

As you analyze the Material Commercial Lease, you should consider the following questions:

- Does each tenant have the ability to fulfill its financial and other performance obligations under the Material Commercial Lease?
- Are the insurance provisions of the Material Commercial Lease consistent with the insurance requirements in the applicable Loan Documents or otherwise prescribed by Fannie Mae?
- Is each tenant required to obtain the Lender's consent before making any assignment, sublease, subcontracting, or other transfer of the Material Commercial Lease?
- Does the tenant have early termination clauses and if so, what are the conditions under which the tenant can terminate? For example,
  - if there is a material casualty or condemnation, or
  - if the landlord cannot substantially restore the premises in a reasonable period of time following a casualty or condemnation.

108.01B Lease Approval

Requirements

Material Commercial Lease Type	
Lease with Property Assessed Clean Energy (PACE) Financing	You must not approve any Material Commercial Lease that includes PACE financing.
Other Material Commercial Leases	You must only approve other Material Commercial Leases if they comply with Part II, Chapter 1: Attributes and Characteristics, Section 108: Commercial Leases.

Guidance

Material Commercial Lease Type	
Solar Power or Other Power Generation Lease	You may underwrite and approve a solar power, thermal power generation, or co-power generation Material Commercial Lease and any related power purchase agreement.

108.01C Lease Modifications

Requirements

As you review each Material Commercial Lease modification, you must consider the following questions:

- Does it violate any of the requirements of this Section?
- Does it contain terms that are inconsistent with the Mortgage Loan?
- Does it present risks that are inappropriate for the Mortgage Loan?

If the answer to any of these questions is “yes”, then you must:

- require the Borrower to modify the Material Commercial Lease appropriately; or
- address the items in the Tenant Estoppel Certificate (Form 6413) and/or the Subordination, Non-Disturbance, and Attornment Agreement (Form 6415).

108.01D Tenant Estoppel Certificate

Requirements

You must obtain a Tenant Estoppel Certificate (Form 6413) for each Material Commercial Lease.

108.01E Subordination, Non-Disturbance and Attornment

Requirements

You must:

- evaluate whether an SNDA (Form 6415) is necessary to provide for subordination and attornment or would be beneficial for other reasons; and
- use Form 6415 if the Material Commercial Lease contains provisions

for the Borrower to assume liability or other risks as landlord that would not be acceptable to the Lender in case of a Foreclosure Event.

You must ensure that each Material Commercial Lease (including any renewal or extension):

- is subordinate to the Lien of the Security Instrument; and
- requires the tenant to attorn to the Lender under the Mortgage Loan.

108.02 Non-Material Commercial Leases

108.02A Tenant Estoppel Certificate; Lease Modification

Requirements

You must make reasonable efforts to get a Form 6413 for each non-Material Commercial Lease, other than leases relating only to equipment or maintenance services.

If a non-Material Commercial Lease has terms that are inconsistent with the terms of the Mortgage Loan or present inappropriate risks for the Mortgage Loan, then you must:

- require the Borrower to modify the lease appropriately; or
- address any inconsistencies or risks in a Form 6413.

108.02B Non-Material Commercial Lease Types

Requirements

Non-Material Commercial Lease Type	
Telecommunications and Cell Tower Leases	You must review any telecommunications and cell tower lease to ensure that it does not: • comprise more than 5% of the Property's Effective Gross Income; • negatively impact the value, visibility, livability, or marketability of the Property; • impose an undue financial or operating burden on the Property or the Borrower; • obligate the Borrower to rebuild any Improvements at the Property following a casualty or condemnation; • have a lease term (including extension options) in excess of 25 years; • contain a purchase option; or • convey any right to the tenant other than simple lessee rights (e.g., a perpetual easement, a purported sale of a portion of the Improvements, unjustified exclusivity, etc.).

Non-Material Commercial Lease Type	
Communications Service Agreement	You do not need to subordinate the service agreement to the Lien of the Security Instrument if: • the Borrower certifies to you that neither the Borrower nor any Key Principal or Principal is an Affiliate of the communications service provider; and • the lease does not contain provisions for the Borrower to assume liabilities and risks as landlord that would not be acceptable for you (as lender under the Mortgage Loan) in the context of a Foreclosure Event. If a communications service agreement is accompanied by a lease or easement, then the lease or easement must end automatically when the service agreement expires, unless the service agreement is subordinated to the Lien of the Security Instrument.

Non-Material Commercial Lease Type	
Mineral Rights; Oil and Natural Gas Leases	You must review each agreement or lease of mineral rights or rights relating to subsurface oil and natural gas to ensure that it does not: • comprise more than 5% of the Property's Effective Gross Income; • grant surface entry for any purpose (e.g., pipes, access across, or storage on the Property); • grant subsurface rights within 250 feet below the surface of the Property, or within 600 feet from any Property boundary line; • have a material adverse effect on public health and safety, air quality or noise levels, or on the marketability or occupancy of the Property; • permit oil or gas well activities that could have a negative effect on access, visibility, or storm water drainage at the Property; • have a negative effect on the zoning or allowable density of the Property; • facilitate drilling, storage, or processing of oil or gas on the Property or any adjacent property; or • fail to require the lessee to indemnify and hold harmless the Borrower, as lessor, for any damage to the Property or any other damage or liability caused directly or indirectly as a result of the oil and gas exploration or drilling activities. The Borrower must execute Form 6262 if a lease or deed reservation of rights allows for the subsurface exploration of oil, natural gas, or minerals, but no evidence of active or planned exploration or drilling exists on the Property.

Non-Material Commercial Lease Type	
Laundry Lease	You do not need to subordinate the lease to the Lien of the Security Instrument if you confirm that the lease: • is not with an Affiliate of the Borrower or any Key Principal or Principal; • has market terms; • contains an acceptable termination for cause provision; and • meets recognized industry standards.
Equipment or Related Maintenance Services Lease	You must ensure that the lease: • is subordinate to the Security Instrument; • contains an acceptable termination for cause provision; and • meets recognized industry standards.

Guidance

Non-Material Commercial Lease Type	
Storage Unit Lease	You do not need to subordinate the lease to the Lien of the Security Instrument if you determine that the unit is being leased pursuant to a residential Lease.

108.03 Short Term Rentals

Requirements

You must ensure that:

- the residential nature of any Property with units available for STR is maintained, even though any Lease of an STR unit will be
  - classified as a commercial lease, and
  - subject to the space and income limitations per Form 4660;
- no more than 5% of the Property's units (not counting recreational

vehicle sites) are available for STR; and

- the Underwritten NCF accurately incorporates all STR income.

You must include the following information in your underwriting analysis:

- a description of the STR arrangement;
- length of time the STR has been in place;
- Borrower's action plan for handling liability issues for
  - STR tenants at the Property, and
  - safety concerns for non-STR tenants;
- Borrower's strategy for implementing STR;
- whether the STR units are furnished or unfurnished;
- confirmation that the STR is legally permissible and in compliance with applicable laws and zoning;
- confirmation that the Borrower's or master tenant's insurance covers any STR; and
- confirmation that the Property is residential in nature (i.e., not operated as a hotel or other single room occupancy arrangement).

Guidance

Examples of an STR arrangement include an arrangement between the Borrower and:

- a tenant/master tenant, where the tenant/master tenant has an agreement with an STR provider or platform (such as Airbnb, VRBO®, etc.); or
- an STR provider or platform, where the Borrower's tenants may make their units available for STR.

You should seek to establish a leasing history of at least 12 months for any STR unit.

Section 109 Oil/Gas Wells and Mineral Exploration

109.01 Active Oil and Gas Wells

Requirements

You must ensure that the Property has no evidence of any surface entry related to active mineral, oil, or gas activities.

For Properties with mineral, oil, or gas exploration on an adjacent property, you must:

- Identify whether the mineral, oil, or gas exploration is active or inactive.
- Deliver a Phase I ESA for the Property reporting no Recognized Environmental Conditions.
- Confirm:
  - all mineral, oil, or gas equipment is located more than 600 feet from any Property boundary line;
  - the mineral, oil, or gas exploration on the adjacent property does not impact the health or safety of the Property's tenants or have a material adverse impact to its marketability;
  - the adjacent property is not owned by an Affiliate of the Borrower; and
  - either:
    - there is no history of spills or leaks; or
    - if spills or leaks have occurred, all applicable permits are in place.

Guidance

Evidence of active mineral, oil, or gas activities on the Property may include:

- wells associated with mineral, oil, or gas production, exploration, or extraction;
- actively storing or processing mineral, oil, or gas; or
- pits, ponds, or lagoons associated with oil and gas exploration or production.

109.02 Inactive Oil and Gas Wells

Requirements

You must ensure that the Property has no evidence of inactive mineral, oil, or gas equipment, unless:

- the Property's Phase I ESA is acceptable;
- if the Property is subject to an oil and gas lease, the lease complies with Part II, Chapter 1: Attributes and Characteristics, Section 108.02B: Non-Material Commercial Lease Types; and
- for a refinance, all mineral, oil, or gas equipment has been removed, capped, and closed per regulatory requirements before closing, and you have a permit or closure letter from the governing authority; or
- for an acquisition, you:
  - require the mineral, oil, or gas equipment/wells to be removed, capped, and closed per regulatory requirements within 180 days after the Mortgage Loan closing;
  - escrow the applicable cost to remove equipment, close wells, and remediate the site per regulatory requirements;
  - receive a permit or closure letter from the governing authority; and
  - modify the Environmental Indemnity Agreement as required by Fannie Mae.

Section 110 Property Management and Agreement

110.01 Property Management

Requirements

You must ensure that the Property's management team is adequate.

Guidance

Fannie Mae does not require an independent, professional management company. However, when analyzing Property management, you should consider whether the management team:

- has adequate experience to ensure effective administration, leasing, marketing, and maintenance of the Property; and
- is staffed appropriately for the type and size of the Property and the services provided.

110.02 Property Management Agreement

Requirements

If the Borrower is not the Property manager, you must ensure:

- that the Borrower has a written management agreement with a Property management company that allows for cancellation by the Lender without penalty or prior notice in case of a Borrower default under the Mortgage Loan; or
- the Borrower and Property manager complete the Assignment of Management Agreement (Form 6405).

Guidance

You should ensure that the Property management agreement clearly states

- the responsibilities of the Property manager, and
- the amount of the management fee (or describes the method for determining the fee).

Chapter 4 Inspections and Reserves

Section 401 Site Inspection

Requirements

Before the Commitment Date, you must ensure:

- a physical inspection of the Property ~~is~~was performed; ~~and~~by
  - you, or
  - a Non-Employee per the Program Rules; and
- the MBA Standard Inspection Form ~~is~~was completed.

You must not Deliver any Mortgage Loan secured by a Property that has an overall rating of "4" or "5" per the Comprehensive Assessment tab of the MBA Standard Inspection Form.

Section 402 Property Condition Assessment (PCA)

402.01 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 14: Supplemental Mortgage Loans, Section 1402.05: Streamlined Underwriting.

402.02 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.

402.03 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 403 Completion/Repairs

403.01 Property Evaluation

☑ Requirements

You must determine whether the Borrower will need to fund the Completion/Repair Escrow by evaluating

- the physical condition of the Property,
- the financial condition of the Borrower, and
- all necessary life safety Completion/Repairs.

You must include the estimated expense of all Completion/Repairs with the cost of all other Rehabilitation Work to determine whether you need to follow the requirements of Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans for a Moderate Rehabilitation Property.

Guidance

The Completion/Repair Agreement should include:

- 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 its opinion of the market value of the Property on an "as completed" basis.

You should ensure that the Borrower completes the repairs and improvements identified on the Completion/Repair Agreement as outlined below.

Type of item…	Complete as follows…
For items identified as life safety repairs in the PCA	Comply with Part II, Chapter 4: Inspections and Reserves, Section 403.03: Life Safety Issues.
For items identified as critical repairs in the PCA	Within 6 months after the Mortgage Loan Origination Date, or sooner if recommended by the PCA Consultant.

Type of item…	Complete as follows…
For items identified as deferred maintenance or items of note in the PCA	Within 12 months after the Mortgage Loan Origination Date, or sooner if recommended by the PCA Consultant.
For items identified as short term replacement of capital items in the PCA	By the specific date recommended by the PCA Consultant, but may be longer than 12 months after the Mortgage Loan Origination Date.
For capital improvements that are • to be made by the Borrower in addition to those included on the PCA, and • are included in the Appraisal opinion of the market value of the Property on an "as completed" basis	Comply with Part II, Chapter 2: Valuation and Income, Section 201.02C: Appraised Value.
For items identified as a Completion/ Repair by the PCA when the estimated expense requires you to comply with Part III, Chapter 3 for a Moderate Rehabilitation Property	Comply with Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans.
For all other Rehabilitation Work that was not identified as a Completion/Repair by the PCA	Comply with Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans.

403.02 Completion/Repairs Funding

☑ Requirements

When full or partial funding of the Completion/Repair Escrow is required, you must use a Completion/Repair Agreement.

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.

403.03 Life Safety Issues

Requirements

You must ensure that all life safety repairs and remediation work for code violations are included in the Completion/Repair Agreement.

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.

403.04 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 404 Replacement Reserve

404.01 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.

In order to determine the minimum amount of the Replacement Reserve, you must:

- Obtain a PCA (Form 4099).
- 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 in the Completion/Repair Agreement.

404.02 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 refinance transactions, or
  - 6 % of the Property's Underwriting Value for acquisition

transactions.

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.

404.03 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 405 Escrow Requirements for Taxes and Insurance

405.01 Escrows

Requirements

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

405.02 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.

405.03 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 9 Small Mortgage Loans

Section 901 Generally

901.01 Description

☑ Requirements

A Small Mortgage Loan is a Mortgage Loan with an original loan amount of less than or equal to $6 million and underwritten per this Chapter.

901.02 Applicability

☑ Requirements

You may use this Chapter to underwrite conventional Mortgage Loans and the following products:

- MH Communities;
- MAH Properties; and
- market rate Cooperative Properties that are not Limited Equity Cooperative Properties.

Section 902 Key Principal Guaranty Obligation

☑ Requirements

You must obtain a Non-Recourse Guaranty (Form 6015) from each Key Principal.

Section 903 Occupancy

☑ Requirements

Small Mortgage Loans must achieve Stabilized Residential Occupancy as follows:

If the Property contains...	Then it must have...
10 or more units	at least 90% physical occupancy by Qualified Occupants for the 90 days immediately before the Commitment Date.
Less than 10 units	• no more than 1 vacant unit as of the Commitment Date, and • an average occupancy by Qualified Occupants of at least 90% for the 12-month period immediately before the Commitment Date.

If a Small Mortgage Loan is secured by an MH Community, then Stabilized Residential Occupancy must comply with Part II, Chapter 1: Attributes and Characteristics, Section 105: Minimum Occupancy.

Section 904 Corporate Leases; Leases to One Entity

Guidance

Entity leases are permitted; but you should analyze the effect of leasing

- more than 10% of the total residential units in the Property to corporations, partnerships, trusts, and other entities, or
- more than 5% of the total residential units to any single corporation, partnership, trust, or other entity.

Entity leases of residential units for residential purposes are considered residential space.

Section 905 Property Income Analysis

905.01 Small Mortgage Loan Underwritten NCF (Underwritten NCF)

Requirements

You must calculate Underwritten NCF as follows:

- for a MAH Property, per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703: Property Income and Underwriting; except that Replacement Reserves may be calculated per the table in this Section;

- for a MH Community, per Part III, Chapter 6: Manufactured Housing Communities, Section 606: Property Income and Underwritten NCF;
- for a Cooperative Property, per Part III, Chapter 8: Cooperative Properties, Section 804: Income Analysis; and
- for all conventional Small Mortgage Loans, you must use the following table.

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
CALCULATION OF NET RENTAL INCOME		
1		GROSS RENTAL INCOME – the lesser of • actual rents in place, or • market rents for occupied units, plus market rents for vacant units based on a current rent roll (multiplied by 12).[1]
2	PLUS	To the extent deducted as an operating expense, rents for other non-revenue units. For example: • model units deducted in the “model apartment” operating expense in the “general and administrative” category; • owner-occupied units[2] deducted in the “general and administrative” category; and • employee units[3] deducted in the “employee” operating expense in the “payroll and benefits” category.
	EQUALS	GROSS POTENTIAL RENT (GPR)
3	MINUS	Premiums and corporate premiums.
4	MINUS	Physical vacancy – market rents for vacant units based on a current rent roll (multiplied by 12).[4]

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
5	MINUS	Concessions – the aggregate amount of forgone residential rental income resulting from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc.[4]
6	MINUS	Bad debt – the aggregate amount of unpaid rental income determined to be uncollectable: include any adjustments to other income for bad debt.[4]
	EQUALS	NET RENTAL INCOME (NRI)

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
1 (a) In the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA, you may use actual rents in place plus projected increases for rent-regulated units that have rent increases scheduled before, or through, the first 12 months of the loan term. Any units subject to rent regulation on the Commitment Date must be treated as rent-regulated for this calculation even if converting to market rate after origination. (b) For Properties located in New York City that are currently subject to the J51 Tax Incentive Program, you must ensure that the Gross Rental Income complies with Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis. 2 You must deduct owner-occupied units as an expense unless • the Mortgage Loan is Tier 3 or Tier 4, or • the Property contains 24 or more units. 3 You must deduct as an expense the portion of the market rent used as employee compensation. 4 The total of Items 4, 5, and 6 must be greater than or equal to • 3 % of GPR for the New York-Northern New Jersey-Long Island, NY-NJ-PA and San Francisco-Oakland-Fremont, CA, Metropolitan Statistical Areas (MSAs), if supported by market and property operations, or • 5 % of GPR for all other MSAs.		
CALCULATION OF OTHER INCOME		

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
7	PLUS	Actual other income (except premiums and corporate premiums) generated through ongoing operations. The income must: • be stable; • be common in the market; • exclude one-time extraordinary, non-recurring items; and • be supported by prior years. You must assess the individual month other income within the prior full-year operating statement; or at a minimum, an operating statement covering at least the trailing 6 months (annualized).
CALCULATION OF COMMERCIAL INCOME		
8	PLUS	Actual income from occupied commercial space (and parking revenue for commercial spaces, if applicable).
9	PLUS	Actual income from STR units.
10	MINUS	10 % of the actual commercial income (total of Items 8 plus 9).[5]
5 If net commercial income is greater than 20% of EGI, then reduce to 20% of EGI.		
11	PLUS	Laundry and vending, parking, and all other income as detailed in Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis.
	EQUALS	EFFECTIVE GROSS INCOME (EGI)
CALCULATION OF OPERATING EXPENSES		

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
12	MINUS	Line-by-line stabilized operating expenses. Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a lease-up, rehabilitation, or other short-term positive or negative factors. Non-recurring, extraordinary operating expenses must not be included. You must assess: • past operating history; • the appraiser's expense analysis; • all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and • the Borrower's budget (in the case of an acquisition). You must analyze historical operations at the Property and apply an appropriate increase over the prior year's operations in determining an estimate. All expenses associated with STRs must be underwritten in their respective expense line items. These expenses include cleaning, furnishing, and repairs. You cannot include any operating expense that reflects blanket or bulk discounts that benefit the Borrower or Key Principal (e.g., blanket property or casualty insurance policies, or utilities purchased in bulk). Operating expenses must reflect the Property expenses on a stand-alone basis.

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
13	MINUS	Property management fee equal to the greatest of: • 3 % of EGI; • actual property management fee (exclude any portion of a property management fee that is subordinated to the Mortgage Loan); or • market property management fee.
14	MINUS	Real estate taxes based on the greatest of: • actual future tax bill(s) covering a full calendar year; • prior full year's taxes multiplied by 103% (the 3% trending is not required for trailing 12-month or year-to-date annualized expenses); or • in California, the greater of the Small Mortgage Loan amount or the assessed value, multiplied by the millage rate, plus any special assessments. You must consider any automatic reassessment upon acquisition in the next 12-month period. You may use a reduced real estate tax payment if the Property's real estate tax abatements, exemptions, or deferrals meet the requirements in Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis.

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
15	MINUS	Insurance equal to: • the quoted expense, for insurance policies with a bona fide written quote from a reputable broker for a new 12-month policy; or • 110 % of the current expense, for insurance policies with a remaining term less than 6 months.
16	MINUS	Utilities, water and sewer, repairs and maintenance, payroll and benefits, advertising and marketing, professional fees, general and administrative, ground rent, and all other expenses as detailed in Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis.
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
17	MINUS	Replacement Reserve expense equal to at least[6] • $200 per unit, for a Property with an overall rating of 1, • $250 per unit, for a Property with an overall rating of 2, or • $300 per unit, for a Property with an overall rating of 3. The Property ratings are the ratings reported on the Comprehensive Assessment Addendum (“Comp Assmt Addendum”) tab of the MBA Standard Inspection Form.
	EQUALS	UNDERWRITTEN NET CASH FLOW (UNDERWRITTEN NCF)

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
6 If a PCA was completed, the Replacement Reserve must equal the amount required per Part II, Chapter 4: Inspections and Reserves, subject to a minimum of $200 per unit.		

905.02 Underwritten DSCR

Requirements

You must calculate Underwritten DSCR per the following table.

UNDERWRITTEN DSCR[1,2]		
Item	Function	Description
1		Underwritten NCF as calculated in Part III, Chapter 9: Small Mortgage Loans, Section 905.01: Small Mortgage Loan Underwritten NCF (Underwritten NCF).
2	DIVIDED BY	Annual debt service for the Mortgage Loan amount. You must base debt service on a level debt service payment, including amortization, and the greater of • the actual note rate, or • the required Underwriting Interest Rate Floor.[3]

UNDERWRITTEN DSCR[1,2]		
Item	Function	Description

1 For a Small Mortgage Loan secured by an MAH Property underwritten per this Chapter, you must comply with the minimum DSCR requirement for an MAH Property per Form 4660.

2 For shorter amortization terms, you must

- calculate the Underwritten DSCR based on the shorter period, and
- comply with the minimum DSCR requirement per Form 4660.

The mandatory NRI adjustments in Part II, Chapter 2: Valuation and Income, for Properties with declining NRI do not apply.

3 For a Small Mortgage Loan secured by an MAH Property underwritten per this Chapter, you must comply with the required Underwriting Interest Rate Floor for an MAH Property per Form 4660.

Section 906 Property Management

Requirements

To ascertain the property management requirements, you must determine how many years of experience, as of the Commitment Date, the Borrower or any Key Principal has owning or managing at least 1 multifamily property that is similar in size to the Property, based on the following:

Similar in Size	Unit Range
Small Properties	5 – 50 units
Medium Properties	51 – 100 units
Large Properties	101 or more units

As of the Commitment Date, a non-Local Borrower must have at least 2 years of multifamily ownership or property management experience with a property similar in size or larger than the Property.

Property management requirements are as follows.

Property Size	Professional property management or qualified on-site manager required if…
Less than 10 residential units	non-Local Borrower.
10 or more residential units	• non-Local Borrower, or • Local Borrower with less than 2 years of experience with a property similar in size or larger.

Guidance

A professional property management company should have an office within 100 miles of the Property and use a written management agreement that complies with Part II, Chapter 1: Attributes and Characteristics, Section 110: Property Management and Agreement.

A qualified on-site manager

- is not required to be a Property resident,
- should generally be on-site during normal business hours, and
- for at least 2 years the before the Commitment Date, should have either successfully managed the Property or have demonstrated management experience with a property similar in size or larger than the Property.

Section 907 Property Condition

907.01 Site Inspection by Lender or Other Third Party

Requirements

You must ensure:

- ~~Ensure~~ a physical inspection of the Property is performed (including any Property securing a Small Mortgage Loan that is also a Choice Refinance Loan)~~.~~;
- ~~Ensure that 1 of the following completes the physical inspection and the MBA Standard Inspection Form:~~
  - ~~a qualified employee with the experience required for a third-party evaluator per Part II, Chapter 4: Inspections and Reserves,~~

~~Section 402: Property Condition Assessment (PCA);~~

- ~~a qualified appraiser; or~~
- ~~qualified third-party inspector.~~

- the physical inspection addresses special hazards, zoning, building and fire code violations, and regulatory compliance per the Instructions for Performing a Multifamily Property Condition Assessment (Form 4099);
- the person performing the inspection and completing the MBA Standard Inspection Form meets the requirements for a PCA Consultant per Part II, Chapter 4: Inspections and Reserves, Section 402.03: Conducting the PCA, and is:
  - your employee;
  - an appraiser; or
  - a third-party inspector.

If a non-employee appraiser or other third-party inspector performs the physical inspection, you must also have an employee visit the Property.

The site inspection must provide you with enough information to complete the ~~MBA~~ MBA Standard Inspection Form, including:

- an assessment of the current condition of the Property;
- an identification and cost estimate of any Immediate Repairs, which must be included in the appropriate Completion/Repair Agreement; and
- a general estimate of anticipated replacement and major maintenance needs.

For any Property consisting of multiple buildings, the site inspection must address the condition of all roofs, HVAC equipment, exterior façades, parking lots, exterior walkways, and balconies.

If a Mortgage Loan has a term greater than 10 years, then you must ensure that a new site inspection is performed in the 10th year of the loan term.

The date of the site inspection must meet the timing requirements for a PCA in Part II, Chapter 4: Inspections and Reserves, Section 402: Property Condition Assessment (PCA).

You must not Deliver any Small Mortgage Loan secured by a Property that has:

- ~~an overall rating of "4" or "5" reported on the Comp Assmt Addendum tab of the MBA Standard Inspection Form; or~~
- an overall rating on the MBA Standard Inspection Form that does not comply with Part II, Chapter 4: Inspections and Reserves, Section 401: Site Inspection; or
- deferred maintenance with repair costs greater than 10% of the UPB.

907.02 Site Inspection by Borrower

Requirements

You must ensure that the Borrower or the Key Principal:

- Conducts a physical inspection of the Property.
- Certifies in the Multifamily Underwriting Certificate (Form 6460) that the physical inspection has been performed.

907.03 PCA

Requirements

A PCA is required:

- if the site inspection
  - notes structural or physical concerns, or
  - results in an overall rating of 3 being reported on the Comp Assmt Addendum tab of the MBA Standard Inspection Form; or
- when a Replacement Reserve is required per Part III, Chapter 9: Small Mortgage Loans, Section 908: Replacement Reserve.

Guidance

When a PCA is required, you may use:

- the Streamlined Property Condition Assessment Guidance (Form 4099.A), but the PCA must otherwise comply with Part II, Chapter 4: Inspections and Reserves, Section 402: Property Condition Assessment (PCA); and
- the Streamlined PCA Requirements (Form 4099.A) instead of the

MBA Standard Inspection Form, if you include the overall inspection rating as defined on the MBA Standard Inspection Form.

Section 908 Replacement Reserve

☑ Requirements

You must require either full funding or alternative funding (per Part II, Chapter 4: Inspections and Reserves, Section 404.03: Alternative Replacement Reserve Funding) of the Replacement Reserve for any Tier 2 Small Mortgage Loan on a

- Property not located in an Eligible MSA per Form 4660, or
- Rent-Stabilized Property located in the New York-Newark-Jersey City, NY-NJ-PA MSA.

For all other Small Mortgage Loans, you must determine whether to require funding of the Replacement Reserve.

If you do not require full funding, then you and the Borrower must execute either

- the appropriate Modifications to Multifamily Loan and Security Agreement (Replacement Reserve – Partially or Fully Waived) (Form 6220), or
- the Modifications to Multifamily Loan and Security Agreement (Replacement Reserve – Alternative Funding) (Form 6221).

Section 909 Environmental Matters and Inspections

☑ Requirements

Before the Commitment Date, you must:

- Obtain an Environmental Screening of the Property using the ASTM E-1528 protocol.
- Perform a physical site inspection of the Property.
- Notify the Appraiser of any Recognized Environmental Condition or “non-scope considerations” that would impact the value of the Property.
- Determine if an O&M plan is appropriate to address a Recognized Environmental Condition.

- Determine if the state where the Property is located has an environmental super-lien statute, and ensure that the Property conditions are not likely to result in such a lien.
- Disclose any actual or suspected environmental conditions not disclosed in the ESA.
- Evaluate the potential risk posed by any Recognized Environmental Conditions that could result in loss or liability to you, the Borrower, the Property, or Fannie Mae.
- Obtain a copy of any Phase I ESA that the Borrower has in its possession or can obtain.
- Determine, based on the findings of the environmental screening and analysis, whether a Phase I ESA is required and, if so, contract for the report.
- When indicated, contract for a Phase II ESA.
- Disclose any knowledge of actual or suspected environmental problems.

Guidance

You may contract portions of your environmental responsibilities to qualified parties. The environmental screening and analysis may be completed by:

- the engineer conducting the PCA (if one was required);
- a qualified employee; or
- a qualified non-employee.

Operating Procedures

If a qualified individual performs the environmental screening and analysis, you must:

- Identify the individual.
- Ensure that the individual certifies each environmental analysis.
- Submit a certified copy of each environmental analysis with Folder II of the Multifamily Mortgage Loan Delivery Package Table of Contents (Form 6502).

Section 910 Borrower, Key Principals, Guarantors, and Principals

Requirements

Except as described below, you must comply with all requirements for the Borrower, Key Principals, Guarantors, and Principals in Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals.

910.01 Borrower Organizational Structure

Requirements

Any individual Borrower must not be a Foreign Person.

Although a single asset entity is preferred, the Borrower may be a multi-asset entity.

Guidance

If the Borrower owns multiple assets, then you should obtain and underwrite the Borrower's complete schedule of owned real estate assets. Your underwriting should include the nature, location, cash flows, outstanding mortgage debt, and contingent liabilities of each asset.

910.02 Co-Tenant Borrowers

Requirements

If a Co-Tenant Borrower is not an individual or a trust holding title to assets of an individual, each Key Principal must execute the applicable Guaranty per Part III, Chapter 9: Small Mortgage Loans, Section 902: Key Principal Guaranty Obligation.

A Co-Tenant Borrower must be

- an individual who is not a Foreign Person,
- a single-asset entity, or
- a multi-asset entity.

910.03 Key Principals

Requirements

You must ensure that any individual Key Principal is not a Foreign Person.

910.04 Principals

Requirements

For Small Mortgage Loans, a Principal is any person or entity that holds direct or indirect interests of 50% or more in the Borrower.

910.05 Financial Statements

Requirements

You must obtain

- a schedule of owned real estate assets, and
- signed financial statements.

Instead of signed financial statements, you may obtain an equivalent signed net worth statement or personal financial statement (such as a form bank application from the Borrower certifying to its financial condition) that conforms to the aging requirements in Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals.

910.06 Net Worth and Liquid Assets

Requirements

You must ensure that:

- the combined net worth of the Borrower and all Key Principals equals or exceeds the original principal amount of the Small Mortgage Loan; and
- the combined post-closing liquid assets (excluding any Small Mortgage Loan cash-out proceeds) of the Borrower and all Key Principals equal at least 9 monthly payments of P&I on the Small Mortgage Loan.

Guidance

You should:

- for net worth, consider the impact of current, long-term, and contingent liabilities compared to the Small Mortgage Loan amount;
- for liquidity, exclude the following unless you have reasonable justification:

- retirement funds (such as IRAs and 401Ks); and
- promissory notes payable to the Borrower or a Key Principal, whether secured or unsecured; and

- verify liquid assets for the 2-month period immediately preceding the Borrower's loan application by obtaining copies of all applicable:
  - bank statements; and
  - investment portfolio statements.

Section 911 Credit Reports

911.01 Credit Report

Requirements

Within 90 days before the Commitment Date, you must obtain credit reports for all individual

- Borrowers,
- Key Principals,
- Guarantors, and
- Principals

from at least 2 of the following credit information services:

- Equifax;
- Experian; or
- TransUnion.

911.02 FICO Scoring

Requirements

You must ensure that all individual Borrowers, Key Principals, Guarantors, and Principals meet the Minimum FICO Requirement in Form 4660.

Guidance

To determine that the Minimum FICO Requirement is met, follow these guidelines:

If…	Then…
You obtain credit reports from 2 of the 3 credit information services for a Borrower, Key Principal, Guarantor, or Principal	Use the lower of the 2 scores.
You obtain credit reports from all 3 credit information services, for a Borrower, Key Principal, Guarantor, or Principal	Use the middle score.

If...	Then...
A Borrower, Key Principal, or Principal is married to another Borrower, Key Principal, Guarantor, or Principal	Use the lower FICO score of the 2 married individuals.
A Small Mortgage Loan has multiple individual Borrowers, Key Principals, Guarantors, or Principals	Use the average of their respective FICO scores.

911.03 Reviewing the Credit Report

Requirements

You must analyze the credit report for each individual Borrower, Key Principal, Guarantor, and Principal.

If the answer to any of the following Guidance questions is "yes", then the Borrower, Key Principal, Guarantor, or Principal must give you satisfactory explanations, even if they meet the Minimum FICO Requirement.

Guidance

As you analyze the credit report, consider the following questions:

- Have any mortgage late payments occurred in the previous 36 months?
- Have any revolving or installment late payments occurred within the previous 12 months?
- Do you consider any of the credit card or other unsecured debt

balances excessive?

- Have any tax liens been filed or reported within the previous 5 years?
- Have any discharged bankruptcies or mortgage foreclosures occurred within the previous 10 years?
- Are there any outstanding judgments or collections higher than $5,000?

