



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of October 25, 2021

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Summary of Changes

HIGHLIGHTS

For Mortgage Loans Committed on or after October 25, 2021 and for all Portfolio Mortgage Loans after October 25, 2021, OFAC compliance requirements were updated in:

- Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals;
- Part V, Chapter 5: Surveillance, Section 505: OFAC Compliance; and
- the Multifamily Asset Management Delegated Transaction: Transfer/Assumption (Form 4636.TA).

Primary Changes

Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals was updated to:

- clarify that the determination of a Principal is based on the aggregate of all direct and indirect ownership interests held in the Borrower;
- require you to confirm that the Borrower, Key Principal, Guarantor, and Principals:
 - are not sanctioned or blocked by OFAC;
 - do not exhibit “red flags” that indicate a high risk of money laundering; and
 - are not 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;
- classify as a Prohibited Conflict Mortgage Loan any Mortgage Loan where you or your Affiliate is the Property manager; and
- not allow you to cause any Portfolio Mortgage Loan to become a Prohibited Conflict Mortgage Loan.

Part V, Chapter 5: Surveillance was updated to require you to maintain effective OFAC Compliance procedures, including:

- screening all Borrowers, Guarantors, Key Principals, and Principals at least monthly to confirm that none are sanctioned or blocked by OFAC; and
- reporting any sanctioned or blocked Person to lender_risk_management@fanniemae.com within 24 hours.



Form 4636.TA was updated to require you to screen any Transferee, and any new Guarantor, Key Principal, and Principal to confirm that none is sanctioned or blocked by OFAC.

Questions

Please contact:

- the Fannie Mae Deal Team with any questions; and
- [Multifamily Asset Management](#) with any servicing questions.



Chapter 3

Borrower, Guarantor, Key Principals, and Principals

Section 301

Generally

Operating Procedures

You must perform an overall risk assessment of the [Borrower](#), [Guarantor](#), [Key Principals](#), and [Principals](#) considering the specifics of the transaction.

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 that the financial strength, experience, qualifications, character, 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 ~~Co-Tenant Borrower~~[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.

Section 303 Key Principals, Principals, and Guarantors

Requirements

For every Mortgage Loan, you must:

- Identify and underwrite any Guarantor and all Key Principals and



Principals of the Borrower.

- Ensure ~~that~~ 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 limited partner Person who owns a 25% or more interest in the limited partnership interest.
Privately-Held Corporation	a stockholder any Person who owns 25% or more of the voting stock of the corporation.
Limited Liability Company	all non-member managers, member-managers, and any member 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	a trust beneficiary 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

Requirements

You must obtain signed financial statements from all parties relevant to the [Mortgage Loan](#).

If these 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

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

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

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 www.fanniemae.com/multifamily/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 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.

How do you maintain ACheck results?

You must print dated copies of your [ACheck](#) inquiries and responses for the [Mortgage Loan](#) and include these copies in your [Servicing File](#).

Section 308

Compliance

Requirements

You must confirm that the [Borrower](#), [Key Principal](#), [Guarantor](#), and [Principals](#):

- ~~Are not on the U.S. Treasury Department OFAC list.~~
- Are not sanctioned or blocked by OFAC.
- Do not exhibit “red flags” that indicate a high risk of money laundering.
- ~~Are not on the FHFA SCP List.~~
 - FHFA SCP List,
 - HUD "Limited Denial of Participation, Funding Disqualifications and Voluntary Abstentions List," or
 - GSA "System for Award Management (SAM) " Execution List.



Fannie Mae will not purchase any Mortgage Loan with a Borrower, Key Principal, Principal, or Guarantor that is on either the U.S. Treasury Department OFAC or FHFA SCP List.:

- is sanctioned or blocked by OFAC;
- exhibits "red flags" that indicate a high risk of money laundering; or
- is 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.

Operating Procedures

If you find a "red flag" for money laundering:

1. Do not inform the Borrower, any Borrower Affiliate, Key Principal, Principal, or Guarantor.
2. Report all information that triggered the "red flag" to Fannie Mae to:
 - <https://fims.secure.force.com/MortgageFraudSubmission> or (800) 232-6643, and
 - Lender Risk Management.
3. Obtain Fannie Mae's written approval to Deliver the Mortgage Loan.
4. 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).

Section 309

Execution of Non-Recourse Guaranty

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

310.01 Description

Requirements

Conflict Mortgage Loan Type	
Conflict Mortgage Loan	<ul style="list-style-type: none"> • Any Mortgage Loan in which: <ul style="list-style-type: none"> - a Lender, any Lender Affiliate, or any Lender Senior Executive <ul style="list-style-type: none"> ▪ owns (or will own) any direct or indirect equity interest in the Borrower, or ▪ directly or indirectly controls the Borrower; or - any Lender employee, or group of employees, owns (or will own) more than a 5% direct or indirect equity interest in the Borrower. • Any Mortgage Loan with DLA Mezzanine Financing. 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>	<p>Any Mortgage Loan in which</p> <ul style="list-style-type: none">• the Lender or any single Lender Senior Executive owns more than a 5% direct or indirect equity interest in the Borrower, or• any group of Lender Senior Executives together owns more than a 10% direct or indirect equity interest in the Borrower, or• <u>the Lender or any Lender Affiliate is the Property manager.</u>
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<p>Controlling Conflict Mortgage Loan</p>	<p>Any Conflict Mortgage Loan where:</p> <ul style="list-style-type: none">• the Lender<ul style="list-style-type: none">- can (other than through the exercise of a lender's rights and remedies under the Loan Documents) require changes to the management, operations, or decision-making of the Borrower, the Key Principal, any Person holding a Controlling Interest in the Borrower or Key Principal, or any Principal or Guarantor, or<ul style="list-style-type: none">- owns any Preferred Equity in the Borrower;• any Lender Affiliate or employee or group of employees of the Lender or any Lender Affiliate<ul style="list-style-type: none">- can require changes to the management, operations, or decision-making of the Borrower, the Key Principal, any Person holding a Controlling Interest in the Borrower or Key Principal, or any Principal or Guarantor,<ul style="list-style-type: none">- individually or together own a 25% direct or indirect equity interest in the Borrower or in any Person holding a Controlling Interest in the Borrower at or after loan origination (including any interest acquired as part of a Transfer/Assumption),<ul style="list-style-type: none">- own any Preferred Equity in the Borrower, or- exercises rights under DLA Mezzanine Financing that results in a Controlling Conflict Mortgage Loan under these requirements; or• any Lender Senior Executive owns any direct or indirect equity interest in the Borrower.
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You must not ~~Deliver a Prohibited Conflict Mortgage Loan.~~

- 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 3 Streamlined Rate Lock

Section 301 Description

301.01 Eligibility

Requirements

You must not use the Streamlined Rate Lock option for

- ARM Loans, and
- SARM Loans.

301.02 Timing

Requirements

For all Streamlined Rate Lock Mortgage Loans:

Timing	At a minimum, you must...
Before Rate Lock	<p>Comply with:</p> <ul style="list-style-type: none">• Part II, Chapter 1: Attributes and Characteristics, Section 105: Minimum Occupancy;• Part IV, Chapter 2: Rate Lock and Committing, Section 203: Good Faith Deposits;• Part IV, Chapter 3: Streamlined Rate Lock, Section 302: Preliminary Underwriting; and• for a Green Mortgage Loan, the Job Aid: Streamlined Rate Lock and Green Mortgage Loans if you have not received<ul style="list-style-type: none">- the PCA with an HPB Module (or a separate HPB Report) confirming that the Property will qualify as a Green Rewards Mortgage Loan, or- any required Green Building Certification.



Timing	At a minimum, you must...
After Rate Lock	<ul style="list-style-type: none">• Complete full underwriting.• Ensure that any changes to the Rate Lock or Commitment after full underwriting comply with Part IV, Chapter 2: Rate Lock and Committing, by the earlier of<ul style="list-style-type: none">- the Mortgage Loan Origination Date, or- 90 days after the Streamlined Rate Lock.

Section 302 Preliminary Underwriting

Requirements

Before obtaining a Streamlined Rate Lock, you must:

- Have sufficient information and documentation to obtain preliminary approval from your internal loan committee for the Streamlined Rate Lock Mortgage Loan.
- For a refinance, confirm the Portfolio Mortgage Loan is not in monetary default.
- Obtain an executed Borrower Commitment (per Part IV, Chapter 2: Rate Lock and Committing, Section 201.01: Borrower Commitment) requiring the Borrower to
 - close the Streamlined Rate Lock Mortgage Loan, and
 - be liable for any costs, fees, or damages for failing to originate the Mortgage Loan.
- Collect from the Borrower
 - the Good Faith Deposit (per Part IV, Chapter 2: Rate Lock and Committing, Section 203: Good Faith Deposits), and
 - funds to pay for transaction costs, including third-party reports.
- Identify the Borrower, Key Principals, Guarantor, and Principals, and for each one (except a Borrower that is being newly formed)
 - perform an ACheck, and
 - confirm they are not on the
 - U.S. Treasury Department OFAC list, or
 - FHFA SCP List.



- Identify the Borrower (except a Borrower that is being newly formed) per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, and comply with
 - Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors,
 - Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 307: Applicant Experience Check, and
 - Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 308: Compliance.
- Advise the Borrower
 - to review the Loan Documents and request any changes, and
 - after Rate Lock, subsequent unapproved Loan Document modification requests are not a defense for failing to originate the Mortgage Loan according to the Commitment (at the Rate Lock amount).
- Enter into a Streamlined Rate Lock Agreement with the Borrower and Guarantor (or Key Principals if no Guarantor has been identified or is required) requiring each party to pay any damages if the Borrower does not originate the Mortgage Loan, including damages to a Third Party MBS Investor that may exceed Fannie Mae's Minimum Good Faith Deposit.

Section 303

Rate Lock

Requirements

Before obtaining a Streamlined Rate Lock, you must:

- Complete your preliminary underwriting, including the due diligence per Part IV, Chapter 3: Streamlined Rate Lock, Section 302: Preliminary Underwriting.
- Obtain applicable Fannie Mae Deal Team Pre-Review or Loan Document modification approval identified during the preliminary underwriting.
- Inform the Investor and the Multifamily Trading Desk if:
 - there are any Additional Disclosures; or
 - you are underwriting the transaction as a Green Mortgage Loan, but you have not completed the underwriting needed to qualify the



Property as a Green Mortgage Loan.

Section 304 Commitment

Requirements

For all Streamlined Rate Lock Mortgage Loans:

Parameter	Requirements
Rate Lock Period	Must equal 180 days or less.
Rate Lock amount for cash and MBS trades with the Multifamily Trading Desk	You must <ul style="list-style-type: none"> • comply with Part IV, Chapter 2: Rate Lock and Committing, and • for Dual Commitment options per Part IV, Chapter 3: Streamlined Rate Lock, Section 307: Dual Commitment Option, notify the Multifamily Trading Desk at the time of the original Rate Lock.

Section 305 Rate Lock and Commitment Extensions

Requirements

Before extending the Rate Lock expiration date and Commitment expiration date, you must

- fully underwrite the Streamlined Rate Lock Mortgage Loan, and
- comply with Part IV, Chapter 2: Rate Lock and Committing, Section 204.03: Modifications.

Section 306 Full Underwriting

306.01 Rate Lock or Commitment Amount Changes

Requirements

Unless permitted in this Chapter, you must not change the

- Rate Lock amount after obtaining a Streamlined Rate Lock, or



- Commitment amount after a Commitment has been confirmed.

You must document all changes to the Mortgage Loan Delivery Package in Folder II, including the

- preliminary Net Cash Flow,
- Property value, and
- any other items you used to determine the Rate Lock amount.

306.02 Mortgage Loan Delivery Package

Requirements

You must ensure that the Mortgage Loan Delivery Package is complete (per Part IV, Chapter 4: Delivery) and include all preliminary information and documentation per Part IV, Chapter 3: Streamlined Rate Lock, Section 302: Preliminary Underwriting.

Operating Procedures

Include the following in your final Mortgage Loan Delivery Package:

- a complete Transaction Approval Memo;
- underwriting spreadsheets including
 - how you calculated the Rate Lock amount for the Streamlined Rate Lock Mortgage Loan, and
 - any required changes to the Guaranty Fee and Servicing Fee for a non-qualifying Green Rewards Mortgage Loan (per Part IV, Chapter 3: Streamlined Rate Lock, Section 306.03: Post-Underwriting Scenarios);
- the calculation of any changes to the Delivered Mortgage Loan Amount; and
- all required full underwriting documentation.

306.03 Post-Underwriting Scenarios

Operating Procedures

After full underwriting, comply with one of the following scenarios:



If...	Then...
You are not changing the Streamlined Rate Lock or the Commitment	No action is required.
You are <ul style="list-style-type: none">• increasing or decreasing the Delivered Mortgage Loan Amount,• within the delivery tolerance (per Part IV, Chapter 4: Delivery, Section 405.01: Acceptability and Delivery Tolerance), and• complying with the Pricing and Underwriting Tier	<ul style="list-style-type: none">• Within 1 Business Day, submit a data change request in C&D (per Part IV, Chapter 2: Rate Lock and Committing, Section 204.03A: Change Requests).• Update the applicable C&D fields.



If...	Then...
<p>You are</p> <ul style="list-style-type: none"> • decreasing the Delivered Mortgage Loan Amount, • in excess of the delivery tolerance (per Part IV, Chapter 4: Delivery, Section 405.01: Acceptability and Delivery Tolerance), and • complying with the Pricing and Underwriting Tier 	<p>For cash and MBS trades with the Multifamily Trading Desk:</p> <ul style="list-style-type: none"> • Confirm that Fannie Mae will accept the Delivered Mortgage Loan Amount. • Pay from the Good Faith Deposit <ul style="list-style-type: none"> - the difference between 95% of the Commitment amount and the Delivered Mortgage Loan Amount, multiplied by - the applicable Good Faith Deposit percentage per Part IV, Chapter 2: Rate Lock and Committing, Section 203.02: Minimum Good Faith Deposit. • Within 1 Business Day, submit a data change request in C&D (per Part IV, Chapter 2: Rate Lock and Committing, Section 204.03A: Change Requests). • Update the applicable C&D fields. <p>For MBS trades with a Third Party MBS Investor:</p> <ul style="list-style-type: none"> • Confirm that the Third Party MBS Investor will accept the new amount (at least 90% of the Commitment amount). • Have the Third Party MBS Investor send confirmation that it will accept the new amount to Multifamily Acquisitions. • Within 1 Business Day, submit a data change request in C&D (per Part IV, Chapter 2: Rate Lock and Committing, Section 204.03A: Change Requests). • Update the applicable C&D fields.



If...	Then...
<p>You have a cash or MBS trade with the Multifamily Trading Desk and are using the Dual Commitment Option in which</p> <ul style="list-style-type: none"> • the Streamlined Rate Lock Mortgage Loan qualifies for additional proceeds greater than the delivery tolerance, and • you want to increase the Commitment amount 	<ul style="list-style-type: none"> • Submit a data change request in C&D (per Part IV, Chapter 2: Rate Lock and Committing, Section 204.03A: Change Requests). • Update the applicable C&D fields.
<p>The Mortgage Loan will not</p> <ul style="list-style-type: none"> • qualify as a Green Rewards Mortgage Loan for annual energy or water consumption, or • receive a Green Building Certification 	<p>Before Delivery:</p> <ul style="list-style-type: none"> • Notify the Fannie Mae Deal Team. • Make any necessary changes to the Mortgage Loan amount and Gross Note Rate in the Loan Documents. • Submit a data change request in C&D (per Part IV, Chapter 2: Rate Lock and Committing, Section 204.03A: Change Requests) before the Delivery deadline that <ul style="list-style-type: none"> - updates the Gross Note Rate to include the alternative “non-Green” Guaranty Fee and Servicing Fee provided at Rate Lock as a Green Mortgage Loan, and - makes any required change in the Mortgage Loan amount.



If...	Then...
You want to modify the terms of the Streamlined Rate Lock and the Commitment because you cannot Deliver without them	Obtain Delivery approval from the Fannie Mae Deal Team and either the <ul style="list-style-type: none">• Multifamily Trading Desk, or• Third Party MBS Investor, as applicable. If Fannie Mae does not approve the request and you cannot Deliver without modifying the terms of the Streamlined Rate Lock and the Commitment , then you must comply with Part IV, Chapter 4: Delivery, Section 408: Delivery Failure .
You cannot Deliver the Streamlined Rate Lock Mortgage Loan	<ul style="list-style-type: none">• Inform Multifamily Acquisitions that the Mortgage Loan will not be delivered.• Comply with Part IV, Chapter 4: Delivery, Section 408: Delivery Failure.

Section 307 Dual Commitment Option

307.01 Description

Guidance

You may use the [Dual Commitment Option](#) if you expect the [Mortgage Loan](#) to support a final loan amount above the delivery tolerance.

Requirements

At the time of the original [Rate Lock](#), you must notify the [Multifamily Trading Desk](#) if you intend to use the [Dual Commitment Option](#).

Under the [Dual Commitment Option](#), you must

- rate lock at least 75% of the anticipated [Mortgage Loan](#) amount, and
- not use the delivery tolerance to increase the [Mortgage Loan](#)



amount.

307.02 Additional Proceeds

Requirements

When using the [Dual Commitment Option](#), you must contact the [Multifamily Trading Desk](#) to request a quote indicating:

- that the quote is associated with the original [Rate Lock](#); and
- whether the quote is for an [MBS Mortgage Loan](#) or a [Cash Mortgage Loan](#).

You must not change the terms of the original [Rate Lock](#), including:

- [Mortgage Loan term](#);
- [amortization term](#);
- [prepayment terms](#);
- [percentage of loss sharing](#);
- [pricing method](#) (pricing structure per the [Pricing Memo](#));
- [amortization type](#) (e.g., [principal payment method](#));
- [interest accrual method](#);
- [Pricing and Underwriting Tier](#);
- [Commitment Date](#);
- [Rate Lock Period](#);
- [Commitment expiration date](#); and
- [Rate Lock expiration date](#).

Guidance

You do not need to increase the [Good Faith Deposit](#) under the [Dual Commitment Option](#).

Operating Procedures

If Fannie Mae approves the [Dual Commitment Option](#),

- the [Multifamily Trading Desk](#) will lock the rate per [Part IV, Chapter 2: Rate Lock and Committing, Section 202: Obtaining a Rate Lock](#), and



- you must make any changes to the **Commitment in C&D** within 1 **Business Day** after **Rate Lock**.

Mortgage Loan type...	You must...
MBS	<ul style="list-style-type: none">• submit a data change request in C&D per Part IV, Chapter 2: Rate Lock and Committing, Section 204.03A: Change Requests, and• update the applicable C&D fields.
Cash	submit an “Additional Rate Lock” request in C&D per the C&D User Manual.

You must revise the **Commitment**:

- to equal the sum of the original **Commitment** amount, plus the **Rate Lock** amount for the additional loan proceeds; and
- using an interest rate that is the weighted average of the interest rates in the
 - original **Rate Lock**, and
 - **Rate Lock** for the additional loan proceeds.



Chapter 5 Surveillance

Section 501 General

Each **Property** securing a **Mortgage Loan** must be monitored by the **Servicer** to ensure that the **Borrower** continually manages and maintains the **Property** in accordance with the requirements of the applicable **Loan Documents** and the **Guide**. The **Servicer** is required to:

- perform inspections of the **Property**;
- perform a financial analysis of the operations of **Property**; and
- report the results of such inspections and financial evaluations to Fannie Mae as required by this Chapter.

The financial analysis of operations should include an annual and, if required for that **Asset Class**, quarterly analysis of the financial performance of the **Property**.

Property inspections generally should include:

- an on-site inspection;
- a current overall **Property** rating based on the condition of the **Property** as of the date of the inspection (and not on projected or budgeted repairs);
- an evaluation of the **Property's** market, submarket, and neighborhood; and
- an analysis of the competitive position of the **Property**.

Based upon the results of its inspections and financial analysis, the **Servicer** must evaluate the performance of the **Property**, and identify any **Property** that warrants special attention due to management or maintenance issues, or any financial decline that could materially adversely affect the collateral or performance of the **Mortgage Loan**. If follow-up action is required, the **Servicer** must notify Fannie Mae as provided in this Chapter, and initiate appropriate actions with the **Borrower**.

Section 502 Property Inspections

502.01 MBA Standard Inspection Form

The **Servicer** must use the:



- Multifamily Catastrophic Loss Inspection form (Form 4261) for any [Catastrophic Event](#) inspection; or
- MBA Standard Inspection Form for all other [Properties](#).

For a [Green Rewards Mortgage Loan](#), the [Servicer](#) 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](#).

On the [MBA Standard Inspection Form](#), you must choose the “[Fannie Mae Inspection](#)” option on the “[Tools](#)” tab, and complete the following tabs, including assigning a rating per the [Fannie Mae Ratings scale](#):

- [General Information Tab \(“General Info”\)](#);
- [Physical Condition & Deferred Maintenance Tab \(“Physical Condition & DM”\)](#);
- [Photos Tab \(“Photos”\)](#);
- [Rent Roll Tab \(“Rent Roll”\)](#);
- [Maps Tab \(“Maps”\)](#);
- [Management Interview Tab \(“Mgmt Interview”\)](#);
- [Multifamily Tab \(“Multifamily”\)](#);
- [Fannie Mae Assessment Addendum \(“Fannie Mae Assmt Addendum”\)](#); and
- For [Seniors Housing](#) properties only: [Seniors Supplement Tab \(“Senior Supplement”\)](#).

502.02 [Mortgage Loans with Property Condition Concerns \(Not Limited to Watchlist Loans\)](#)

Regardless of whether or not the [Mortgage Loan](#) is listed on either the [Servicer Watchlist](#) or the [Fannie Mae Watchlist](#), the [Servicer](#) must inform [Multifamily Inspections](#) and [Multifamily Watchlist](#) within [10 Business Days](#) after becoming aware of any [Mortgage Loan](#) with:

- a [Property](#) inspection rating of 4 or 5 as shown on the [Fannie Mae Assessment Addendum \(“Fannie Mae Assmt Addendum”\)](#) tab of the [MBA Standard Inspection Form](#);
- [Property](#) repairs required by the [Loan Documents](#) not completed timely;



- any significant deferred maintenance;
- any non-significant deferred maintenance that has not been corrected within 12 months after notifying the Borrower of such maintenance obligation; or
- life safety concerns.

In addition, if any of the above Property condition concerns are present, the Servicer must:

- reinstate any suspended requirements for the Completion/Repair Escrow or the Replacement Reserve unless the rating of 4 or 5 results from a casualty loss (see Part V, Chapter 5: Surveillance, Section 502.06F: Analysis of Collateral);
- inspect the Property as frequently as necessary to ensure the Borrower is resolving outstanding deferred maintenance items; and
- prior to ordering a PCA (excluding regularly-scheduled PCAs required by the Loan Documents), submit a written request for approval to Multifamily Watchlist.

502.03 Property Inspection Protocols

The frequency of required Property inspections depends on the following:

- the Mortgage Loan’s Fannie Mae risk rating;
- the Mortgage Loan amount at the Mortgage Loan Origination Date; and
- other criteria outlined in the table below.

PROPERTY INSPECTION PROTOCOL						
Protocol if Original Mortgage Loan Amount is Greater than \$30 million						
Mortgage Loan Type	Fannie Mae Mortgage Loan Rating	Inspection Frequency	Min % of Total Units to be Inspected ¹	Min/Max Number of Units to be Inspected ²	Min Required Photos	Third-Party or In-House Inspector



PROPERTY INSPECTION PROTOCOL						
All Mortgage Loans, other than Seniors Housing Mortgage Loans and Mortgage Loans secured by Rent-Stabilized Properties	Pass or Special Mention	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
Seniors Housing Mortgage Loans	Pass or Special Mention	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
Mortgage Loans secured by Rent-Stabilized Properties	Pass or Special Mention	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
Protocol if Original Mortgage Loan Amount is Greater than \$6 million and up to \$30 million						
(NOTE: When the inspection protocol below is based, in part, on the DSCR, the DSCR must be based on the most recent annual financial statement submitted to Fannie Mae. A Property with a most recent inspection rating of 4 or 5 must have an Annual Full Inspection, regardless of the DSCR test outlined below.)						
Mortgage Loan Type	Fannie Mae Mortgage Loan Rating	Inspection Frequency	Min % of Total Units to be Inspected ¹	Min/ Max Number of Units to be Inspected ²	Min Required Photos	Third-Party or In-House Inspector



PROPERTY INSPECTION PROTOCOL						
All Mortgage Loans other than Seniors Housing Mortgage Loans and Mortgage Loans secured by Rent-Stabilized Properties	Pass or Special Mention; DSCR \geq 1.35 or Co-op DSCR \geq 1.00	Full Inspection every 2 years; Annual Full Inspection if current year DSCR not available	5%	5/15	15	Third-Party or In-House
	Pass or Special Mention; DSCR < 1.35 or Co-op DSCR < 1.00	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
Seniors Housing Mortgage Loans	Pass or Special Mention	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
Mortgage Loans secured by Rent-Stabilized Properties	Pass or Special Mention	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
All Maturing Mortgage Loans	All Ratings	Full Inspection due within the 12 months prior to Maturity Date ^{1,2}	Follow requirements for applicable Mortgage Loan type.			
Protocol if Original Mortgage Loan Amount is \$6 million or Less						
(NOTE: A Property with a most recent inspection rating of 4 or 5 must have an Annual Full Inspection. This does not apply to any Mortgage Loan with an original principal amount of less than \$750,000)						



PROPERTY INSPECTION PROTOCOL						
Mortgage Loan Type	Fannie Mae Mortgage Loan Rating	Inspection Frequency	Min % of Total Units to be Inspected ¹	Min/Max Number of Units to be Inspected ²	Min Required Photos	Third-Party or In-House Inspector
All Mortgage Loans other than Seniors Housing Mortgage Loans and Mortgage Loans secured by Rent-Stabilized Properties	Pass or Special Mention, and original Mortgage Loan amount < \$750,000	Walk Around every 5 years	N/A	N/A	10	Third-Party or In-House
	Pass or Special Mention, and original Mortgage Loan amount ≥ \$750,000	Full Inspection every 2 years	5%	2/5	10	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	2/5	10	In-House Only
Seniors Housing Mortgage Loans	Pass or Special Mention	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
Mortgage Loans secured by Rent-Stabilized Properties	Pass or Special Mention	Annual Full Inspection	5%	5/15	15	Third-Party or In-House
	Substandard or Doubtful	Annual Full Inspection	10%	10/20	15	In-House Only
All Maturing Mortgage Loans	All Ratings	Full Inspection due within 12 months prior to Maturity Date ³	Follow requirements for applicable Mortgage Loan type.			



PROPERTY INSPECTION PROTOCOL

1 The number of units to be inspected based on the Minimum Percentage Requirement should not exceed the Maximum Number of Units.

2 For a Property with 10 units or less, the minimum number of units to be inspected is 2 units. This minimum unit count is for occupied and vacant units. If the Property contains any “down” units, then all “down” units must be inspected in addition to the occupied and vacant units.

3 If the next scheduled inspection due date for a Property is less than six months prior to the Maturity Date, then the next scheduled inspection due date shall be that date which is six months prior to the Maturity Date.

NOTE: If a Property consists of Non-Contiguous Parcels or scattered sites:

- all buildings on each separate parcel or site must be inspected;
- the total required number of units based on the above protocol must be allocated among each parcel in approximately the same proportion as the number of units at each parcel to the total number of units at the Property; and
- the units to be inspected at each parcel must be selected randomly, according to the above inspection protocol.

502.04 Property Inspection Frequency; Submission of Property Inspection Forms

502.04A Timing of Property Inspections

Property inspections must be performed at the frequency per [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocols](#), and must be completed in sufficient time for the [Property inspection form](#) to be submitted by the “Submission Due Date”.

To facilitate more efficient scheduling of the physical inspections for [Properties](#), the [Servicer](#) may request an extension of up to 60 days from the “Submission Due Date”. The extension request will be automatically approved so long as:

- it is submitted prior to the original “Submission Due Date” by using the “Modification Request” tab within the particular work item in the [MAMP](#);
- an extension was not already granted for the same [Property](#) inspection requirement;
- the [Mortgage Loan](#) is not rated Substandard or Doubtful, nor has a [Property](#) condition rating of:
 - 4 or 5 on the most recent inspection; or



- 3 on an inspection more than one year old; and
- the extended “Submission Due Date” is not within the 6 months prior to the [Maturity Date](#).

502.04B Submission of Property Inspection Forms

All [Property](#) inspection forms must be submitted to Fannie Mae through the [MAMP](#). Origination inspections must be submitted within 45 days after the date the [Mortgage Loan](#) was purchased by Fannie Mae. Thereafter, each required [Property](#) inspection form must be submitted within 60 days after the date of the actual [Property](#) inspection, and no later than the “Submission Due Date” shown in the [MAMP](#), unless an extension was granted by Fannie Mae. The [Servicer](#) must resolve any issues identified by Fannie Mae during its review of the [Property](#) inspection reports in a timely manner.

502.05 Property Inspector Qualifications

502.05A Minimum Inspector Experience

Inspections must be performed by either a qualified third party or [Servicer](#) staff as specified in the [Property Inspection Protocol](#) table in [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocols](#). The [Servicer](#) is responsible for ensuring that the inspector has at least the minimum level of experience required to conduct a Fannie Mae inspection. At a minimum, the inspector must have completed an acceptable “Property Inspection Risk Management” course or other acceptable training course, including the courses provided by the [MBA](#), and must have previous inspection experience as follows:

Mortgage Loan Rating	Minimum Previous Inspection Experience
Pass and Special Mention Mortgage Loans (except Seniors Housing Mortgage Loans)	10 multifamily property inspections
Substandard and Doubtful Mortgage Loans (except Seniors Housing Mortgage Loans)	25 multifamily property inspections



Seniors Housing Mortgage Loans	10 Seniors Housing property inspections
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502.05B Third-Party Inspector Requirements

If the [Property Inspection Protocol](#) table in [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocols](#) permits a third-party inspector, the third-party inspector cannot reassign responsibilities to another person or entity without the [Servicer's](#) approval. Any third-party inspector must:

- have no financial interest in the [Property](#) to be inspected;
- demonstrate experience in multifamily real estate property inspections;
- be experienced in the market in which the [Property](#) is located; and
- either:
 - possess a professional certification from any one of the following:
 - Real Estate Assessment Center for [HUD](#) as a Certified Home Inspector;
 - American Society of Home Inspectors ("ASHI");
 - International Association of Certified Home Inspectors ("InterNACHI"); or
 - State certified home inspector;
 - be a registered architect;
 - be a civil engineer; or
 - have successfully completed an acceptable in-person training course in lieu of the above. (Note: On-line attendance at such course is not acceptable.) Acceptable training courses include the Fannie Mae approved inspection course provided by the [MBA](#).

Fannie Mae reserves the right, in its sole discretion, to notify the [Servicer](#) that a third-party inspection firm is no longer acceptable to Fannie Mae.

502.06 Content of Property Inspections



502.06A Number of Units to be Inspected; “Down” Units

The requirements specified in the [Property Inspection Protocol](#) table in [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocols](#) are minimum numbers of occupied and vacant units that must be inspected. In addition to occupied and vacant units, all “down” units (i.e., units that are not rentable at the current time, or that cannot be rented in the normal course of business) must be inspected as part of the [Property](#) inspection. If the [Property](#) inspector notes substantial physical concerns that warrant further investigation, the [Servicer](#) must determine whether it is prudent to inspect additional units over and above the number of units required to be inspected.

502.06B Selection of Units to be Inspected

The [MAMP](#) will indicate, for each [Property](#), the number of units required to be inspected. When units are required to be inspected, the [Servicer](#) must determine the appropriate combination of vacant and occupied units for inspection. The units selected for inspection must meet the following requirements:

- a minimum of 50% of all units inspected must be vacant units (if available);
- at least 2 occupied units must be inspected; and
- if selected, the interior of each unit must be inspected.

The [Property](#) inspector, not the [Property](#) manager, must select which vacant and occupied units will be inspected.

502.06C Photographs

The [Property Inspection Protocol](#) table in [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocols](#) indicates, for each [Asset Class](#), the minimum number of photographs required to be submitted with the [Property](#) inspection form. Such photographs must include views and identifying captions of:

- signage;
- typical building front;
- site office and clubhouse (if applicable);
- [Property](#) frontage;
- apartment interior;
- amenities;



- major building systems;
- deferred maintenance and life safety items;
- extraordinary repair items or items requiring capital expenditure; and
- all critical or substantial issues noted in the inspection report.

502.06D Consultation with Property Manager and Staff

For **Property** inspections other than walk-around inspections, the **Servicer** must interview the **Property** manager and other on-site staff to obtain information regarding the **Property's** condition and performance, and to confirm that any life/safety repair and deferred maintenance items noted on the most recent **Property** inspection have been corrected.

502.06E Analysis of Market

The **Servicer** must evaluate the neighborhood, submarket, and market in which the **Property** is located to determine material shifts in demographics and real estate conditions. The **Servicer** must also evaluate competitive properties to determine any changes in the competitive position of the **Property** since the initial underwriting or the most recent **Property** inspection.

502.06F Analysis of Collateral

If the **Servicer** determines that repair or maintenance is required, the **Servicer** must notify the **Borrower** according to the notice provisions of the **Loan Documents**. The notice must:

- be sent within 45 days from the date of the actual inspection;
- identify the repair or maintenance issues;
- include any accompanying photos; and
- direct the **Borrower** to undertake timely corrective actions to remedy the issues.

The **Servicer** must follow-up until the work has been successfully completed. If the **Borrower** fails to perform all repairs or maintenance required by the **Servicer** within a specified period of time, the **Servicer** must notify **Multifamily Inspections** in writing with a recommendation for resolution.



The **Property** inspection overall rating must be set to 4 (or 5 depending on severity or other existing issues), if:

- a casualty loss causes damage in an amount equal to the lesser of (i) 25% of the current **UPB**, or (ii) \$1,000,000; or
- 10% or more of the units are down due to any reason.

Setting the rating to 4 (or 5, as applicable) will not automatically put the **Mortgage Loan** on Fannie Mae's **Watchlist**, nor will it trigger the requirement (i) for an **Action Plan**; or (ii) to reinstate the **Replacement Reserve**, as long as:

- no other performance related issues otherwise increase the credit risk; and
- the **Servicer** expects sufficient insurance proceeds will be available to restore the **Property** to its original condition.

If Fannie Mae determines that a **Property** inspection is inadequate, Fannie Mae reserves the right to require a new **Property** inspection be performed by either the **Servicer** or a third party designated by Fannie Mae at the expense of the **Servicer**.

502.06G Life Safety Issues

If the inspection is conducted by a third-party inspector and reveals any **Property** life safety issues, the inspection firm must notify the **Servicer** of such issues within 3 **Business Days** after completion of the inspection.

502.07 Servicer Property Inspection Quality Control Requirements

502.07A Review of Inspection Forms

All **Property** inspection forms, whether prepared by third parties or by the **Servicer**, must be reviewed internally by the **Servicer** prior to submission to Fannie Mae.

502.07B Quality Control Program

Servicers are required to have a quality control program in place to annually review the quality of the **Property** inspections performed by third-party inspectors. The **Servicer** must be prepared to show the evidence and results of such quality control program to Fannie Mae upon request.



502.08 Retention of Inspection Forms

All **Property** inspection forms must be maintained in the **Servicing File** for at least 2 inspection cycles and made available for verification by Fannie Mae upon request.

502.09 Other Property Inspections; Inspection Fees

In addition to performing the **Property** inspections required in this Section, Fannie Mae, in its sole discretion, may require that the **Servicer** perform additional **Property** inspections whenever circumstances warrant. In addition, the **Servicer** is expected to perform **Property** inspections as part of its regular asset management responsibilities whenever the **Servicer** determines it prudent to do so.

The **Servicer** may charge the **Borrower** a reasonable fee for performing **Property** inspections provided that charging a fee:

- is permitted under the **Loan Documents** or another written agreement with the **Borrower**; and
- is not specifically precluded by Fannie Mae.

Section 503 Quarterly and Annual Financial Analysis of Operations

503.01 Electronic Reporting of Financial Analysis of Operations

The **Servicer** must submit quarterly and annual Financial Analysis of Operations reports (Form 4254) to Fannie Mae for each **Property** in accordance with the requirements of this Section. All reports are found on, and must be submitted electronically through, the **MAMP**.

503.02 Request for Waivers of Quarterly and Annual Reporting on Financial Analysis of Operations

503.02A Waivers for Reasons Other Than Unresponsive Borrowers

The **Servicer** must submit a waiver through the **MAMP** for each **Property** if a Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) is required by this Section, and:

- the **Mortgage Loan** was purchased from a **Lender** whose **Lender Contract** specifies that the collection of **Property** operating statements for any **Mortgage Loan** is not



required;

- the [Loan Documents](#) either do not permit the [Lender](#) to collect, or require the [Borrower](#) to submit, financial reports; or
- the [Mortgage Loan](#):
 - was liquidated in the current quarter (for waivers of quarterly reporting) or year (for waivers of annual reporting), prior to the Financial Analysis of Operations submission deadline;
 - was delivered under a [Forward Commitment](#) and has not yet converted to a permanent loan;
 - was defeased;
 - is subject to [FHA](#) or [HUD](#) risk sharing;
 - is being managed by Fannie Mae's [Special Asset Management](#); or
 - was acquired by Fannie Mae in the current reporting year and less than 6 months of operating data is available for the [Property](#).

503.02B Waivers due to Unresponsive Borrowers

If the [Servicer](#) is unable to submit an annual or quarterly Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) report for a [Property](#) because the [Borrower](#) failed to provide the requested operating statements, before submitting a waiver request, the [Servicer](#) should:

- for the annual Financial Analysis of Operations, wait until 6 months have passed from the submission due date to submit a waiver request in the [MAMP](#); and
- for a quarterly Financial Analysis of Operations, wait until the following quarterly submission due date to submit a waiver request in the [MAMP](#).

Delaying the submission of the waiver request will provide additional time to obtain and submit the operating statement data, if received. If the [Borrower](#) fails to respond to at least 3 written requests within the applicable waiting period specified above, the waiver request should then be submitted, with the following condition:

“Unresponsive Borrower - The Borrower was contacted in



writing at least 3 times and failed to provide the requested operating statements.”

Fannie Mae will review the waiver requests, and will notify the **Servicer** if additional information is required. If quarterly or annual operating statements are received after a waiver has been granted, the **Servicer** must submit the Financial Analysis of Operations report (Form 4254 or Form 4254.Seniors) upon receipt of such operating data.

503.03 Quarterly Reporting on Financial Analysis of Operations

503.03A Quarterly Reporting Requirements

The **Servicer** must submit detailed quarterly operating statements for each **Property**, normalized to account for any seasonal variations in income and expenses, in accordance with the requirements set forth for each **Asset Class** in the tables below. The reports must be submitted through the **MAMP**. All submitted operating statements will undergo automated quality control testing, and any quality control issues identified must be resolved timely.

The quarterly operating statements must reflect the actual physical occupancy level for the **Property** as of the end of each quarter, based on the most recently available rent roll. When quarterly reports are required, the **Servicer** must provide actual expenses, and must normalize certain expense items, including, but not limited to, real estate taxes, casualty insurance, **Replacement Reserves** and management fees, consistent with the guidance provided in the **MAMP** for submitting annual financial statements. The **Servicer** must explain any seasonal data discrepancies, and provide comments if any of the following are observed:

- a variance of greater than 20% from the same reporting period in the prior year of any of **Effective Gross Income**, total operating expenses, **Gross Potential Rent**, Private Pay, Medicare/Medicaid, Repairs and Maintenance, Utilities, Water and Sewer, Real Estate Taxes and Property Insurance;
- a variance in physical occupancy of greater than 10% from the immediately preceding reporting period;
- a change in the **Property's** tax-exempt status (if applicable);
- a change in the required **P&I** payments during a reporting period (e.g., interest-only to amortizing);
- management fees of less than 3%;



- a change in any other pertinent information related to the **Property** financial analysis; or
- the **Mortgage Loan** is on the Fannie Mae **Watchlist**.

Quarterly financial reporting is not required, and no waiver need be submitted, for any **Mortgage Loan** if it is secured by a **Cooperative Property**, or it is a **Small Mortgage Loan**, unless such **Cooperative Property** or **Small Mortgage Loan** is on the Fannie Mae **Watchlist**.

503.03B Quarterly Submission Requirements by Asset Class

1. All Asset Classes (except Seniors Housing Properties, Watchlist Properties, Credit Facilities, and Bulk Deliveries). The **Servicer** must submit detailed quarterly operating statements 75 days after the end of the second and third quarters, as set forth below.

All Asset Classes except Seniors Housing, Watchlist Properties, Credit Facilities, and Bulk Deliveries			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
Second	September 15	Financial operating statements for the period from January 1 through June 30	6 months year to date operating data
Third	December 15	Financial operating statements for the period from January 1 through September 30	9 months year to date operating data
*If any due date is not a Business Day, then the submission may be made on the next Business Day.			



2. Seniors Housing Properties. For Seniors Housing Properties, the Servicer must submit detailed quarterly operating statements 75 days after the end of the first, second, third and fourth quarters, as set forth below.

Seniors Housing Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
First	June 15	Financial operating statements for the period from January 1 through March 31	Trailing 3 months operating data
Second	September 15	Financial operating statements for the period from April 1 through June 30	Trailing 3 months operating data
Third	December 15	Financial operating statements for the period from July 1 through September 30	Trailing 3 months operating data
Fourth	March 15	Financial operating statements for the period from October 1 through December 31	Trailing 3 months operating data



Seniors Housing Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
*If any due date is not a Business Day, then the submission may be made on the next Business Day.			

3. Watchlist Properties. For Watchlist Properties (including any Mortgage Loan secured by a Cooperative Property or any Small Mortgage Loans), the Servicer must submit detailed quarterly operating statements 90 days after the end of the first quarter, and 75 days after the end of the second and third quarters, as set forth below.

Watchlist Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
First	June 30	Financial operating statements for the period from January 1 through March 31	3 months year-to-date operating data
Second	September 15	Financial operating statements for the period from January 1 through June 30	6 months year-to-date operating data



Watchlist Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
Third	December 15	Financial operating statements for the period from January 1 through September 30	9 months year-to-date operating data
*If any due date is not a Business Day, then the submission may be made on the next Business Day.			

4. Credit Facilities and Bulk Deliveries. For Credit Facilities and Bulk Deliveries, the Servicer must submit both the detailed quarterly operating statements and the Deal Level Structured Transaction (BD/CF) Quarterly report, including the Structured Facilities Monitoring Narrative (Form 4801), Spreadsheet (Form 4802), and any other relevant documents, 75 days after the end of the first, second, third, and fourth quarters, as set forth below.

Credit Facility and Bulk Delivery Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End



Credit Facility and Bulk Delivery Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
First	June 15	Financial operating statements for the period from January 1 through March 31, and deal level reports	Trailing 3 months operating data
Second	September 15	Financial operating statements for the period from April 1 through June 30, and deal level reports	Trailing 3 months operating data
Third	December 15	Financial operating statements for the period from July 1 through September 30, and deal level reports	Trailing 3 months operating data



Credit Facility and Bulk Delivery Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
Fourth	March 15	Financial operating statements for the period from October 1 through December 31, and deal level reports	Trailing 3 months operating data
*If any due date is not a Business Day, then the submission may be made on the next Business Day.			

503.04 Annual Reporting on Financial Analysis of Operations

The **Servicer** must submit a Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) annually to Fannie Mae for each **Property** for the previous calendar year or, if applicable, for the fiscal year ending in the previous calendar year.

503.04A Annual Financial Analysis Reporting Requirements

The **Servicer** must submit detailed operating statements for each **Property**, normalized to account for any seasonal variations in income and expense. The annual operating statements must reflect the actual physical occupancy rate for the **Property** as of the end of the reporting period, based on the most recent available rent roll. The **Servicer** must provide actual expenses and must also normalize certain expense items, including, but not limited to, real estate taxes, property casualty insurance, **Replacement Reserves**, and property management fees. The **Servicer** must provide comments if any of the following are observed:

- a variance of greater than 20% from the prior year of any of **Effective Gross Income**, total operating expenses, **Gross**



Potential Rent, Private Pay, Medicare/Medicaid, Repairs and Maintenance, Utilities, Water and Sewer, Real Estate Taxes and Property Insurance;

- a variance in physical occupancy of greater than 10% from the reporting period immediately preceding the current reporting period;
- a change in the [Property's](#) tax-exempt status (if applicable) during the year;
- a change in the required [P&I](#) payments during the year (e.g., interest-only to amortizing);
- management fees of less than 3%;
- a change in any other pertinent information related to the [Property](#) financial analysis; or
- the [Mortgage Loan](#) is on the Fannie Mae [Watchlist](#).

503.04B Submitting the Annual Financial Analysis of Operations

The following steps must be taken to complete and submit the annual Financial Analysis of Operations report (Form 4254 or Form 4254.Seniors) to Fannie Mae:

1. For a [Mortgage Loan](#) purchased by Fannie Mae on or before June 30 in any given year, the Annual Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) covering that first year must be submitted to Fannie Mae by June 1 of the following year, and the [Servicer](#) must annualize the available operating data to represent a full 12 months of operations. If the [Mortgage Loan](#) was purchased by Fannie Mae on or after July 1 in any given year, the [Servicer](#) is not required to submit an annual Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) until June 1 of the second year after purchase in order to collect 12 months of actual operating data.

For all subsequent years, the [Servicer](#) must submit an annual operating statement for each [Property](#) to Fannie Mae on or before June 1 or, if applicable, within 150 days following the fiscal year-end for any [Property](#) owned by a [Borrower](#) with a non-calendar fiscal year. For any [Borrower](#) with a non-calendar fiscal year, the [Servicer](#) must submit a data change request through the [MAMP](#) requesting a change to the [Borrower's](#) fiscal year end.

2 The [Servicer](#) must analyze the operating statements submitted by the [Borrower](#) in accordance with the Multifamily Analysis of Operations Form 4254 and Form 4254.Seniors Line Item Definitions (Form 4254.DEF), which is located at



www.fanniemae.com/multifamily or the MAMP. The Servicer must indicate on the Borrower's operating statements the line item under which each of the Borrower's income and expense line items is included.

3. For each Property, the Servicer must access the MAMP and provide the pertinent income, expense, and other required data for the current reporting period. All submitted operating statements will undergo automated quality control testing, and any issues must be resolved timely.

503.04C Annual Review

Fannie Mae will notify the Servicer which Mortgage Loans are subject to the annual review. Within 15 Business Days after receiving notice, the Servicer must submit through the MAMP for each Mortgage Loan under review:

- the Borrower's operating statements, with each income and expense line item coded by the Servicer according to the line item definitions in the Multifamily Analysis of Operations Form 4254 and Form 4254.Seniors Line Item Definitions (Form 4254.DEF);
- an escrow activity reconciliation of the Borrower's operating statement data; and
- any other documentation requested by Fannie Mae.

503.04D Asset Management Testing

The Multifamily Asset Management team tests compliance with many areas of the Asset Management process to ensure Servicers are properly adhering to Fannie Mae's requirements. Testing results are communicated through the Lender Assessment process, and recommendations, requirements for corrective action, or best practice enhancements are proposed and monitored through completion.

503.04E Maintenance of Records

The Servicer must maintain the Borrower's operating statements and reconciliation for the life of the Mortgage Loan.

Section 504 Compliance with Loan Agreement Requirements

504.01 General



The **Servicer** must ensure that the **Borrower** and any guarantor are in compliance with the **Loan Documents**. For all **Mortgage Loans**, the **Servicer** must:

- confirm that the **Borrower** complied with all quarterly and annual reporting requirements, which are primarily set out in Article 8 of the Multifamily Loan Agreement (**Form 6001 series**); and
- review all information required by the **Loan Documents** to be furnished by the **Borrower**.

To assist in compiling the financial records and other items required to be furnished by the **Borrower**, the **Servicer** may use the Annual Loan Agreement Certification (**Form 6620 series**).

504.02 Obtaining Required Financial and other Reporting Items

504.02A Notice to the Borrower

At the end of each fiscal year, the **Servicer** must send the **Borrower**, and all guarantors on a **Mortgage Loan**, a list of the financial reports required to be submitted and certified by each **Borrower** and guarantor. The list must be delivered in sufficient time to allow submission to the **Servicer** of the certified financial reports within 45 days after the end of each fiscal quarter, and 120 days after the end of each fiscal year.

504.02B Annual Reporting of Guarantor Financial Condition

Fannie Mae will provide the **Servicer** with an annual list of all **Mortgage Loans** for which the **Servicer** must submit the financial records and other required items for the past fiscal year by, or on behalf of, each guarantor of the **Mortgage Loan**. The guarantor financial information must be submitted through the **MAMP**, or as otherwise directed by Fannie Mae, by the June 1 deadline required for the annual Financial Analysis of Operations reports (**Form 4254**) for each **Property**. If Fannie Mae determines increased credit risk for a **Mortgage Loan** not on the initial list provided to the **Servicer**, Fannie Mae may ask for the submission of the associated guarantor financial records at any other time during the year.

504.02C Failure of Borrower to Provide Required Guarantor Financial Reporting

The **Lender** must use its best efforts to obtain the required financial reports for any guarantor not included on Fannie Mae's list of



Mortgage Loans for which the **Servicer** must submit the financial records of each guarantor of the **Mortgage Loan**.

For all **Mortgage Loans** included on Fannie Mae's list, the **Servicer** must contact Fannie Mae immediately upon the occurrence of any of the following events:

- the **Borrower** is unable to submit the required guarantor financial reports and other items by the date required in the **Loan Documents**;
- the **Borrower** or guarantor is unable to certify that each financial report is true, complete, and accurate in all material respects; or
- the **Servicer** believes the financial reports and other items are, inaccurate or misleading in any material way.

Upon the occurrence of any of the foregoing events, the **Servicer** must notify the **Borrower**, and the **Borrower** or guarantor shall have an additional 30 days after receipt of such written notice to deliver to the **Servicer** all required financial reports and other items, properly certified by the **Borrower** or guarantor. If the **Servicer** determines that the **Borrower** or guarantor is diligently attempting to deliver all required financial reports and other items, this 30 day period may be extended by the **Servicer** for up to an additional 30 days.

If the **Borrower** or a guarantor fails to (i) submit all required financial reports and other items, properly certified by the **Borrower** or guarantor, within the above time frame; or (ii) respond to at least 3 written requests for the delivery of the required information, the **Servicer** must request a waiver through the **MAMP** for the **Borrower**, or **Multifamily Operating Statements** for the guarantor. The **Servicer** must provide copies of all correspondence between the **Servicer** and the **Borrower** or any guarantor related to this matter to Fannie Mae.

504.02D Lender Review of Required Financial Reporting

The **Servicer** must promptly review all information submitted by the **Borrower** or guarantor. If the **Servicer** determines that no additional follow-up is required, the **Servicer** must submit the certified material for the **Borrower** and guarantors requested by Fannie Mae through the **MAMP**, or as otherwise directed by Fannie Mae. The **Servicer** must also place that material, and the financial information for any other guarantor received by the **Servicer**, along with any explanatory schedules, in its **Servicing File**.

If the **Servicer** determines that additional follow-up is required



to explain any submitted material, or that additional or supporting information is required (e.g., for a Lender using the Form 6620 series, a required item the Borrower failed to attach to the submission, or an item to which the Borrower failed to certify), the Servicer must contact the Borrower or guarantor promptly to request additional information. Once the additional or resubmitted information is received, the Servicer must submit a copy of all financial reporting, explanatory schedules, and other supporting information furnished by the Borrower and guarantor to the MAMP for the Borrower, or to Multifamily Operating Statements for the guarantor.

504.02E Maintenance of Annual Financial Reporting Records

The Servicer must retain the original of all financial records, certifications, and related information furnished by the Borrower or guarantor (including each Annual Loan Agreement Certification, if used by the Servicer, and any explanatory schedules) in its Servicing File.

Section 505

OFAC Compliance

The Servicer must maintain effective OFAC compliance procedures including, but not limited to:

- screening all Persons previously identified per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 308: Compliance at least monthly to confirm that none are sanctioned or blocked by OFAC; and
- reporting any sanctioned or blocked Person to Lender Risk Management within 24 hours.