



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 2003.05A Monitoring

### Requirements

You must monitor the construction process to ensure that when the permanent Mortgage Loan is converted it will comply with the

- Forward Commitment, and
- permanent Mortgage Loan Commitment.

### Guidance

During the construction or substantial rehabilitation period:

Responsible Party	Activities
You	<ul style="list-style-type: none"><li>• Evaluate inspections and change orders.</li><li>• Reject any change orders that would:<ul style="list-style-type: none"><li>- change the Property's main design or asset quality features;</li><li>- make material changes; or</li><li>- result in combined hard and contingency costs greater than the construction loan budget (i.e., the construction loan must remain in balance).</li></ul></li><li>• Review the consulting architect's progress reports and provide them to Fannie Mae upon request.</li><li>• Monitor the construction loan and lease-up status.</li></ul>
Consulting Architect	<ul style="list-style-type: none"><li>• Regularly perform on-site construction progress inspections.</li><li>• Ensure the time between inspections is not more than 2 months.</li><li>• Issue a progress report after each<ul style="list-style-type: none"><li>- inspection, and</li><li>- whenever the construction lender approves a disbursement.</li></ul></li></ul>

You and the construction lender may both use the same consulting architect for the

- preliminary and final plans,



- specification reviews, and
- construction period inspections.



# Glossary

## C

**Commitment** Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan.

### **Synonyms**

- Committed
- Commitments

## F

**Forward Commitment** Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property.

### **Synonyms**

- Forward Commitment's
- Forward Commitments

## M

**Mortgage Loan** Mortgage debt obligation evidenced, or when made will be evidenced, by

- the Loan Documents, or
- a mortgage debt obligation with a Fannie Mae credit enhancement.

### **Synonyms**

- Mortgage Loans
- Mortgage Loan's

## P



## Property

Multifamily residential real estate securing the Mortgage Loan, including the

- fee simple or Leasehold interest,
- Improvements, and
- personal property (per the Uniform Commercial Code).

### **Synonyms**

- Properties
- Property's