



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of September 8, 2025

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402.02 Property Condition Concerns

Operating Procedures

If the Property has...	You must...
<ul style="list-style-type: none">• an inspection rating of 4 or 5 per the Fannie Mae Assessment Addendum tab of the MBA Standard Inspection Form;• incomplete repairs per the specified timing in the Loan Documents;• significant deferred maintenance; or• non-significant deferred maintenance that was not corrected within 12 months after notifying the Borrower.	<ul style="list-style-type: none">• Inform Multifamily Inspections and Multifamily Loss Mitigation:<ul style="list-style-type: none">- promptly after receiving notice of any Life Safety Issues per Part V, Chapter 4: Surveillance, Section 402.06F: Life Safety Issues; or- otherwise within 10 Business Days after becoming aware.• Reinstate any suspended Completion/Repair Escrow or Replacement Reserve if the Property inspection rating is 4 or 5, unless the rating resulted from a casualty loss (see Part V, Chapter 4: Surveillance, Section 402.06E: Collateral Analysis).• Inspect the Property as necessary to ensure the Borrower resolves any deferred maintenance.• Regardless of whether the Mortgage Loan is on a Watchlist, submit a request to Multifamily Loss Mitigation before ordering a PCA (excluding regularly-scheduled PCAs required per the Loan Documents).• Identify the appropriate Fannie Mae risk rating per Part VI, Chapter 1: Watchlist Management.



Glossary

B

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

C

Collateral Property, Personal Property, or other property securing a Mortgage Loan.

Completion/Repair Escrow Custodial Account funded on the Mortgage Loan Origination Date for Completion/Repairs or capital improvements per the Loan Documents.

L

Loan Documents All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.

Synonyms

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

M

MBA Mortgage Bankers Association

Synonyms

- MBA's



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

Multifamily Inspections

Team that can be contacted at mf_inspections@fanniemae.com.

Multifamily Loss Mitigation

Team that can be contacted at lm_watch@fanniemae.com.

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

R

Replacement Reserve

Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.

Synonyms

- Replacement Reserves

W

Watchlist

The risk rating classification if you or Fannie Mae determine the Mortgage Loan has heightened credit risk.