



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 402.02 Capital Item Replacements

### Requirements

For replacement of capital items, you must:

- for refinances, obtain:
  - an itemized list of capital items completed within the last 24 months; and
  - for any capital item replacements you cannot independently confirm were completed, the invoices showing the associated actual costs;
- use best efforts to obtain the PCA Consultant's written confirmation that capital items were completed;
- evaluate the Property's actual condition, considering:
  - the list of capital items reportedly completed within the last 24 months; and
  - their associated actual costs;
- confirm with the Appraiser that the actual cost of capital items completed within the last 12 months was factored into the Appraised Value; and
- document your analysis in the Transaction Approval Memo.

Transaction Approval Memo Documentation	
For...	You must document the...
Interior Unit Renovations	<ul style="list-style-type: none"><li>• specific scope, and</li><li>• estimated percentage of units updated.</li></ul>
Replacements of capital items for refinances	<ul style="list-style-type: none"><li>• work has been completed based on:<ul style="list-style-type: none"><li>- an inspection by<ul style="list-style-type: none"><li>▪ you, or</li><li>▪ the PCA Consultant, or</li></ul></li><li>- invoices or documentation; or</li></ul></li><li>• if the work completed cannot be verified, request invoices or other documentation to confirm its completion.</li></ul>



# Glossary

## A

**Appraised Value** Appraiser's opinion of the Property's market value documented in the Appraisal, on an "as is" basis, unless use of an "as completed" basis is specifically permitted per the Guide.

**Synonyms**

- Appraised Values

**Appraiser** Person engaged to estimate a Property's market value per USPAP.

**Synonyms**

- Appraiser's
- Appraisers

## P

**PCA Consultant** Individual or firm conducting a PCA and preparing a PCA Report.

**Synonyms**

- PCA Consultant's

**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



## Replacements

Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required.

### **Synonyms**

- Replacement