



Fannie Mae®

Multifamily Selling and Servicing Guide

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TABLE OF CONTENTS

Part II Property	6
Chapter 1 Attributes and Characteristics	6
Section 101 Eligible Properties	6
Section 102 Multiple Properties	7
102.01 Single Borrower Ownership	7
102.02 Joint and Several Borrower Ownership	9
Section 103 Property Check	9
Section 104 Property Ownership; Leasehold	11
Section 105 Ground Leased Properties	11
105.01 Generally	11
105.02 Ground Lease Rents	11
105.03 Ground Lease Estoppel Certificate	11
105.04 Ground Lease Review	12
Section 106 Minimum Occupancy	12
106.01 Residential Occupancy	12
106.02 Qualified Occupants	12
Section 107 Certificates of Occupancy	13
Section 108 Phased Properties	14
Section 109 Shared Use Properties	16
109.01 Eligibility	16
109.02 Documents	17
109.02A Loan Documents	17
109.02B Shared Use Documents	18
Section 110 Commercial Leases	20
110.01 Material Commercial Leases	21
110.01A Lease Review	21
110.01B Lease Approval	22
110.01C Lease Modifications	23
110.01D Tenant Estoppel Certificate	23
110.01E Subordination, Non-Disturbance and Attornment	23
110.02 Non-Material Commercial Leases	24
110.02A Tenant Estoppel Certificate; Lease Modification	24
110.02B Non-Material Commercial Lease Types	24
110.03 Short Term Rentals	27
Section 111 Renewable Energy Generation Systems	28
111.01 Acceptable Renewable Energy Generation Systems	28
111.02 Solar Photovoltaic Systems	29
111.03 Solar PV System Module	30
111.04 Underwritten NCF	30
Section 112 Oil/Gas Wells and Mineral Exploration	31
112.01 Active Oil and Gas Wells	31
112.02 Inactive Oil and Gas Wells	32
Section 113 Property Management and Agreement	32



113.01 Property Management	32
113.02 Property Management Agreement	33
Chapter 2 Legal Compliance	34
Section 201 Zoning and Legally Non-Conforming Status	34
201.01 Zoning	34
201.02 Legal Non-Conforming Use	34
201.03 Legal Non-Conforming Characteristics	35
Section 202 Easements	36
Section 203 Liens and Encumbrances	37
203.01 Generally	37
203.02 Property Previously Secured Bond Financing	39
Section 204 Title Insurance	40
Section 205 Survey	40
205.01 Decision to Obtain a Survey	40
205.02 Survey	40
205.03 Decision Not to Obtain a Survey	41
205.04 Location of Improvements	41
Section 206 Security Interests in Personal Property	42
206.01 Uniform Commercial Code (UCC) Financing Statements	42
206.02 Creating and Perfecting the Security Interest	42
Chapter 3 Lease Audits, Inspections, and Reserves	44
Section 301 Lease Audit	44
301.01 Generally	44
301.02 Lease Audit Notification	45
301.03 Validating Rent Collections, Bad Debt, and Secondary Income	45
Section 302 Site Inspections	46
302.01 Physical Inspections	46
302.01A Generally	46
302.01B Selecting Units	47
302.01C Inspection Notification	48
302.02 Capital Item Replacements	48
Section 303 Brokered Transactions	49
Section 304 Property Condition Assessment (PCA)	51
304.01 When to Perform a PCA	51
304.02 Date of PCA Report and PCA Site Visit	51
304.03 Conducting the PCA	52
Section 305 Completion/Repairs	52
305.01 Property Evaluation	52
305.02 Completion/Repairs Funding	55
305.03 Life Safety Issues	55
305.04 Verifying Completion/Repairs	55
Section 306 Replacement Reserve	56
306.01 Determining Replacement Reserve	56
306.02 Replacement Reserve Funding	56
306.03 Alternative Replacement Reserve Funding	57
Section 307 Escrow Requirements for Taxes and Insurance	57



307.01 Escrows	58
307.02 Real Estate Tax Escrow Funding	58
307.03 Insurance Escrow Funding	58
Chapter 4 Property and Liability Insurance	59
Section 401 Property Insurance	59
401.01 General Insurance – Applies to All Policies	59
401.01A Generally	59
401.01B Insurable Value Determination	61
401.01C Blanket and Other Policies Covering Multiple Properties	62
401.01D Risk Retention Groups and Captive Insurance	63
401.01E Insurance Carrier Rating	66
401.01F Term	66
401.01G Payment of Premium	67
401.01H Evidence of Insurance	68
401.01I Insurance Exceptions	69
401.02 Property Insurance	70
401.02A Minimum Coverage Amounts	70
401.02B Deductibles	71
401.02C Aggregate Deductibles	73
401.02D Business Income (including Rental Value) Insurance	74
401.02E Ordinance or Law Insurance	75
401.02F Boiler and Machinery / Equipment / Mechanical Breakdown	
Insurance	76
401.02G Builder’s Risk Insurance	77
401.02H Fidelity Bond / Crime Insurance	77
401.02I Regional Perils Insurance	77
Section 402 Catastrophic Risk Insurance	78
402.01 Generally	78
402.02 Named Storm Insurance	78
402.03 Flood Insurance	79
402.03A Generally	79
402.03B Deductibles	81
402.03C NFIP Policy	82
402.03D Private Flood Policy	85
402.04 Earthquake Insurance	85
402.05 Terrorism Insurance	86
Section 403 Liability Insurance	86
403.01 Generally	86
403.02 Commercial General Liability Insurance	87
403.03 Professional Liability Insurance	89
403.04 Workers’ Compensation Insurance	90
403.05 Directors’ and Officers’ Liability Insurance	90
Section 404 Environmental Matters	90
404.01 Environmental Site Assessments	90
404.02 Lender’s Responsibilities	91
404.03 Environmental Indemnity Agreement	92



Section 405 Seismic Risk	93
405.01 Seismic Hazard and Risk Factors	93
405.02 Seismic Risk Assessment (SRA)	94
405.03 Acceptable Levels of Seismic Risk	95
405.04 Seismic Retrofit Ordinances	96
405.05 Seismic Risk Mitigants	96
GLOSSARY	98



Part II

Property

Chapter 1

Attributes and Characteristics

Section 101

Eligible Properties

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;
- does not include a stand-alone building containing less than 5 dwelling units (e.g., a single-family structure), unless it:
 - was originally constructed as part of a single multifamily development; or
 - is situated on the same tax parcel, or shares a tax parcel boundary, with a
 - multifamily property, or
 - MH Community;
- has suitable bathroom and cooking facilities 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 102.01: Single Borrower Ownership](#);
- 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, 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.

You must search the internet to confirm, and justify in the Transaction Approval Memo, if the Property has:

- any negative press;
- current or prior lawsuits;
- fair housing violations or other sanctions; and/or
- association with bad actors.
- Shalini Test
- Test

Guidance

To determine if a single-family structure was originally constructed as part of a single multifamily development, you should consider if all buildings:

- were originally constructed at the same time;
- were historically bought, operated, and sold as 1 Project since originally constructed;
- are generally consistent in physical appearance, with distinct boundaries such as
 - signage,
 - gates/fencing,
 - shared parking, or
 - dedicated streets;

Section 102 Multiple Properties

102.01 Single Borrower Ownership

Requirements

If more than 1 Property secures a Mortgage Loan, you must determine if all multifamily buildings are part of the same Project. Buildings on multiple Properties are a single Project if all Properties:



- are only separated by publicly dedicated or private streets primarily intended for local residents or access to the Property, and not by major arteries or thoroughfares (i.e., streets primarily intended for traffic traveling through the area); and
- have the following characteristics:
 - all buildings have been operated as a single complex (e.g., no buildings are marketed separately to tenants);
 - the Properties are within
 - 0.5 miles or less of each other, and
 - the same submarket;
 - amenities at any building are available to tenants in other buildings;
 - amenities located in one building do not materially, adversely affect the rents at other buildings without similar amenities; and
 - the overall building configuration across the Properties does not result in elevated vacancy levels at any building.

If multiple Properties are not part of the same Project, you must:

- collect detailed individual data for each Property, including separate
 - rent rolls, and
 - operating statements;
- enter each Property in the “Properties” section of DUS Gateway;
- complete a Multifamily Affordability Estimator (MAE) for each Property per [Part I, Chapter 2: Mortgage Loan, Section 201: Registration and Multifamily Affordability Estimator](#);
- require every third-party report to assess
 - the Properties in each Project separately, and
 - all Properties in the aggregate; and
- enter each Property as a separate Property Collateral record in C&D.

When a Mortgage Loan not in a Credit Facility is secured by multiple Properties (whether in the same or multiple Projects), each multifamily Property must individually:

- comply with the minimum occupancy requirements in
 - [Part II, Chapter 1: Attributes and Characteristics, Section 106: Minimum Occupancy](#), or



- Part 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 required PCA.

 Guidance

For a Mortgage Loan secured by multiple Properties not part of the same Project, you may:

- accept a consolidated third-party report for multiple Projects, if each Property is identified and assessed separately; and
- consolidate the Underwritten NCF and overall underwriting in a single Transaction Approval Memo.

102.02 Joint and Several Borrower Ownership

 Requirements

If...	Then...
<p>A Mortgage Loan</p> <ul style="list-style-type: none"> • is made to joint and several Borrowers, • is secured by multiple Properties, and • has a Property owned by a different Borrower. 	<p>The Mortgage Loan and each Borrower must comply with</p> <ul style="list-style-type: none"> • Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.01: Single-Asset Entity, • Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.03: Joint and Several Borrowers with Multiple Properties , and • Part II, Chapter 1: Attributes and Characteristics, Section 102.01: Single Borrower Ownership.

Section 103 Property Check

 Requirements



When you register a Mortgage Loan in DUS Gateway or submit a Transfer/Assumption in the MAMP, you must:

- use Property Check to search the primary Property address(es) (including those identified in [Part II, Chapter 1: Attributes and Characteristics, Section 102: Multiple Properties](#)); and
- receive a “Based on the address entered, you may proceed processing the transaction involving this property.” response for each address entered.

➔ Guidance

Fannie Mae monitors all Property Check search details.

✦ Operating Procedures

The Property Check application is available at <https://multifamily.fanniemae.com/applications-technology/property-check>.

Property Check Frequently Asked Questions	
Question	Answer
What information do you need to perform a Property Check?	You must enter the Property's <ul style="list-style-type: none">• Street Address,• City,• State, and• Zip Code.
How does Property Check respond?	You will receive a response similar to: <ul style="list-style-type: none">• "Based on the address entered, you may proceed processing the transaction involving this property."; or <ul style="list-style-type: none">• "Do not continue processing the transaction involving this property without contacting Fannie Mae at propertycheck_requests@fanniemae.com."



Property Check Frequently Asked Questions	
Question	Answer
What about confidentiality?	You must: <ul style="list-style-type: none">• comply with the Property Check application confidentiality requirements; and• establish procedures ensuring all Property Check responses remain confidential.

Section 104 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 105 Ground Leased Properties

105.01 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 Property's operation or value.

105.02 Ground Lease Rents

Requirements

You must:

- establish an escrow for ground rents;
- ensure the Borrower deposits sufficient funds; and
- make all payments due per the Ground Lease.



105.03 Ground Lease Estoppel Certificate

Requirements

You must obtain an executed Ground Lessor Estoppel Certificate ([Form 6495](#)).

105.04 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 106 Minimum Occupancy

106.01 Residential Occupancy

Requirements

You must ensure the Property meets these minimum occupancy levels:

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

These minimum levels apply on the Commitment Date and for the preceding 3-month period.

106.02 Qualified Occupants

Requirements

When calculating physical occupancy, you must only include tenants who

- physically occupy the unit, and
- 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 107

Certificates of Occupancy

Requirements

Certificates of Occupancy	
For any...	You must...
Property with construction or rehabilitation work completed within the last 12 months	<ul style="list-style-type: none"> • Ensure all units have a certificate of occupancy. • Obtain copies of all certificates of occupancy from the Borrower. • Retain them in your Servicing File.
Other Property	<ul style="list-style-type: none"> • Determine if each unit had a certificate of occupancy at some point. • Attempt to obtain copies of them. • Retain them in your Servicing File.

Guidance



No Certificate of Occupancy	
If you cannot obtain...	You should...
Copies of certificates of occupancy for a Property (for example, because of the Property's age, or the records of the jurisdiction where the Property is located)	<ul style="list-style-type: none"> • Exclude the income generated by any units without a certificate of occupancy, but include all expenses (including replacement reserves) for the maintenance of these units. • Look for other evidence that certificates of occupancy had been issued.
Copies or other sufficient evidence of a certificate of occupancy	<p>Analyze the risk to the Property if one had never been issued, by considering if:</p> <ul style="list-style-type: none"> • 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.

Section 108

Phased Properties

Requirements

If the Property is a Phased Property, you must evaluate

- how the Property will be affected by other phases, and
- if the Property can succeed independently from other phases.

Guidance

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

- its ownership and operation are separate from all other phases of the complex;
- the Borrower is able to provide a separate leasing office;



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

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;
- 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 on or before the Prepayment Premium Period End Date of the 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 109 Shared Use Properties

109.01 Eligibility

☑ Requirements

This section does not apply to

- Condominium Properties, and
- Cooperative Properties.

Shared Use Property Delivery Eligibility for Essential Elements Not Located on the Property	
Topic	A Shared Use Property Mortgage Loan is eligible for Delivery if...
Documents	you determine the Shared Use Documents do not explicitly prohibit the Essential Elements from being rebuilt or repaired after any casualty or condemnation.
Property	the Property benefits from Essential Elements per Shared Use Documents that: <ul style="list-style-type: none"> • are perpetual; • inure to the benefit of future Property owners; • are recorded in the land records; and • if applicable, are insured as beneficial easements under the lender's title policy.



Shared Use Property Delivery Eligibility for Essential Elements Not Located on the Property	
Topic	A Shared Use Property Mortgage Loan is eligible for Delivery if...
Split Ownership of Units and Essential Elements	<p>when the Borrower owns all units subject to the Shared Use Documents, and an Affiliate of the Borrower or Key Principal directly or indirectly owns the Essential Elements that benefit only the Property, such Affiliate joins the:</p> <ul style="list-style-type: none"> • Loan Documents as a joint and several Borrower; or • Security Instrument using the Modification to Security Instrument (Joinder and Consent (Affiliate Owned Common Elements)) (Form 6324).

Shared Use Property Delivery Eligibility for All Essential Elements	
Topic	A Shared Use Property Mortgage Loan is eligible for Delivery if...
Financial	<p>all:</p> <ul style="list-style-type: none"> • Property and Essential Elements expenses and charges payable per the Shared Use Documents are current; • assessments and payments payable per the Shared Use Documents are current; and • to the extent permitted by law, future assessments owed by the Borrower and associated liens, if any, are subordinate to the Mortgage Loan.
Borrower Status	<p>the Borrower:</p> <ul style="list-style-type: none"> • has no outstanding community violations; and • is not involved in a community dispute that may <ul style="list-style-type: none"> - result in litigation, or - materially adversely impact the Property.

109.02 Documents



109.02A Loan Documents

Requirements

You must:

- ensure the Borrower executes the Modification to Multifamily Loan and Security Agreement Shared Use of Essential Elements ([Form 6276](#)); and
- if appropriate per the conditions described in the Estoppel Certificate attached to [Form 6276](#), use reasonable efforts to obtain from the association or other appropriate party:
 - the Estoppel Certificate attached to [Form 6276](#); or
 - other form providing similar representations.

109.02B Shared Use Documents

Requirements

You must:

- evaluate the Shared Use Documents;
- document your evaluation in the Transaction Approval Memo; and
- obtain:
 - an ALTA title policy per [Part II, Chapter 2: Legal Compliance, Section 204: Title Insurance](#); and
 - ALTA Endorsements (i.e., 5-06, 28-06, and 9-06) if available in the Property's jurisdiction.

Guidance



Shared Use Document Evaluation	
Topic	You should review the Shared Use Documents to evaluate...
Ownership and Control	<ul style="list-style-type: none"> • if the Borrower owns all Improvements and the underlying land; • if Essential Elements not located on the Property exist, and if ownership is: <ul style="list-style-type: none"> - directly or indirectly by an Affiliate of the Borrower or Key Principal; - by a separate association or governing body; - by another community owner or an adjacent property owner; or - shared by the community owners; and • how association and Essential Elements decisions are made by any <ul style="list-style-type: none"> - developer, - declarant, - association, - community owner, or - other governing body.
Responsibilities and Enforcement	<p>how an association or governing body:</p> <ul style="list-style-type: none"> • collects fees and assessments; • maintains Essential Elements; • obtains insurance; • mediates disputes; and • enforces covenants, including <ul style="list-style-type: none"> - levying fines or interest, or - pursuing liens or foreclosure.
Fees	<p>the assessment fee structure, including</p> <ul style="list-style-type: none"> • escalation provisions, • special assessments, and • if assessments should be escrowed.



Shared Use Document Evaluation	
Topic	You should review the Shared Use Documents to evaluate...
Budget	the association's current <ul style="list-style-type: none">• annual budget,• income/expense statements, and• reserve accounts.
Mandates	how the association dictates: <ul style="list-style-type: none">• operations;• physical appearance;• insurance claim proceeds;• other restrictions, including limitations or modifications for using the Essential Elements; and• if the cost and maintenance of the Essential Elements located on the Property are not overly burdensome.
Insurance	the association's coverage for: <ul style="list-style-type: none">• property, including if the Essential Elements not located on the Property must be rebuilt or repaired after any casualty or condemnation;• liability; and• director's and officer's.

Section 110

Commercial Leases

Requirements

You must only underwrite actual income from occupied commercial space with an executed lease or lease extension agreement if the:

- remaining lease term is at least 12 months after the Mortgage Loan Origination Date;
- tenant is:
 - not an affiliate of the
 - Sponsor,
 - Borrower,



- Key Principal, or
- any individual or entity within the Borrower's ownership structure;
- occupying the unit;
- open for business;
- paying rent; and
- not delinquent on rent due outside the lease's cure period; and
- underwritten commercial income includes the actual commercial rent due under the lease within 12 months after the Mortgage Loan Origination Date, including any:
 - discounts; or
 - concessions.

Guidance

Your evaluation of any commercial space's viability should include:

- Appraisal sub-market comparable commercial space rents supporting the underwritten rents;
- sub-market data confirming a low commercial space vacancy rate;
- existing sustainable demand for the tenant's business type; and
- evidence that the Property's location has sufficient foot traffic to support the tenant's business.

110.01 Material Commercial Leases

110.01A Lease Review

Requirements

You must analyze all aspects of each Material Commercial Lease and its

- tenants,
- grantees, or
- other beneficiaries.

If Material Commercial Lease approval is required per [Part II, Chapter 1: Attributes and Characteristics, Section 110.01B: 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 if:

- each tenant has the ability to fulfill its financial and other performance obligations under the Material Commercial Lease;
- the Material Commercial Lease insurance provisions are consistent with the insurance requirements in the applicable Loan Documents or otherwise prescribed by Fannie Mae;
- each tenant is required to obtain the Lender's consent before the Material Commercial Lease is
 - assigned,
 - subleased,
 - subcontracted, or
 - otherwise transferred; and
- the tenant
 - has early termination clauses, and
 - understands the conditions under which they can terminate, including
 - 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.

110.01B 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.



Material Commercial Lease Type	
Renewable Energy Generation Lease	You must only approve leases for renewable energy systems that comply with Part II, Chapter 1: Attributes and Characteristics, Section 111: Renewable Energy Generation Systems .
Other Material Commercial Leases	You must only approve other Material Commercial Leases that comply with Part II, Chapter 1: Attributes and Characteristics, Section 110: Commercial Leases .

110.01C Lease Modifications

Requirements

As you review each Material Commercial Lease modification, you must consider if it:

- violates any of the requirements of this Section;
- contains terms that are inconsistent with the Mortgage Loan; or
- presents risks that are inappropriate for the Mortgage Loan.

If any of these conditions are present 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](#)).

110.01D Tenant Estoppel Certificate

Requirements

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

110.01E Subordination, Non-Disturbance and Attornment

Requirements

You must use [Form 6415](#) if:

- the Material Commercial Lease contains provisions for the Borrower to



assume liability or other risks as landlord that would be unacceptable to the Lender in case of a Foreclosure Event; or

- the form
 - is necessary for subordination and attornment, or
 - would otherwise be beneficial.

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.

110.02 Non-Material Commercial Leases

110.02A 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](#).

110.02B Non-Material Commercial Lease Types

Requirements



Non-Material Commercial Lease Type	
Telecommunications and Cell Tower Leases	<p>You must review any telecommunications and cell tower lease to ensure it does not:</p> <ul style="list-style-type: none"> • comprise more than 5% of the Property's Effective Gross Income; • negatively impact the Property's <ul style="list-style-type: none"> - value, - visibility, - livability, or - marketability; • impose an undue financial or operating burden on the Property or the Borrower; • obligate the Borrower to rebuild any Improvements at the Property post-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.).
Communications Service Agreement	<p>You do not need to subordinate the service agreement to the Lien of the Security Instrument if:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>



Non-Material Commercial Lease Type	
Mineral Rights; Oil and Natural Gas Leases	<p>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:</p> <ul style="list-style-type: none">• 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<ul style="list-style-type: none">- 250 feet below the surface of the Property,or<ul style="list-style-type: none">- 600 feet from any Property boundary line;• have a material adverse effect on<ul style="list-style-type: none">- public health and safety,- air quality or noise levels, or- the Property's marketability or occupancy;• permit oil or gas well activities with potential negative effects on the Property's<ul style="list-style-type: none">- access,- visibility, or- storm water drainage;• have a negative effect on the Property's<ul style="list-style-type: none">- zoning, or- allowable density;• facilitate drilling, storage, or processing of oil or gas on the Property or any adjacent property; or <ul style="list-style-type: none">• 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. <p>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.</p>



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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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 the unit is being leased pursuant to a residential Lease.

110.03 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:



- Borrower's strategy for implementing STR;
- 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;
- if the STR units are furnished or unfurnished; and
- confirmation that the
 - STR is legally permissible and in compliance with applicable laws and zoning,
 - Borrower's or master tenant's insurance covers any STR, and
 - 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 111 Renewable Energy Generation Systems

111.01 Acceptable Renewable Energy Generation Systems

Requirements

Any operational renewable energy generation system benefitting the Property or the Borrower must be:

- located on the Property;
- comprised of a Solar PV System;



- Borrower-owned; and
- installed, or installation will begin, on or before the Mortgage Loan Origination Date.

111.02 Solar Photovoltaic Systems

Requirements

For any Property with an acceptable Solar PV System, you must ensure:

- All equipment, including energy storage, is located on the Property and owned by the Borrower.
- The Borrower has all required permits, licenses, and certificates to comply with all utility tariffs and laws governing the
 - generation,
 - storage,
 - transmission, and
 - distribution of electricity.
- The Property will remain connected to the utility grid even if the Solar PV System output is sufficient for all of the Property's energy needs.
- The Borrower will not be characterized or regulated as a public utility.
- Any power generated from the Solar PV System that is not consumed or stored on-site is only sold to the local utility, not to any other third party.
- Any battery storage system is designed only for on-site uses (e.g., peak shaving), and the Borrower has not arranged for ancillary services with any utility or third party.
- The Borrower executes Modifications to Multifamily Loan and Security Agreement (Mortgage Loan with installed Solar Photovoltaic System) ([Form 6270](#)).

Guidance

You should engage legal counsel with solar photovoltaic system experience and state-specific knowledge to review all applicable local laws, contracts, and agreements regarding the Solar PV System installation and operation, including:

- the interconnection agreement with local distribution company or utility;
- any net metering agreements;



- engineering, procurement, and construction contracts or agreements;
- any Operating and Maintenance Agreements;
- notice of Permission to Operate (or similar document) provided by local distribution company or utility;
- any supplemental financing or financing incentives (e.g., grants, tax credits, etc.) used by the Borrower to finance the Solar PV System to determine if any competing liens or other restrictions might result;
- any leases or contractual arrangements, such as agreements for
 - renewable energy certificates,
 - solar renewable energy certificates, or
 - purchasing power; and
- confirming that Borrower will not be deemed a public utility.

111.03 Solar PV System Module

Requirements

The PCA must include an evaluation of the Solar PV System equipment and roofs/structures where the equipment is mounted per the Solar PV Module of [Form 4099](#).

111.04 Underwritten NCF

Requirements

When calculating Underwritten NCF:

- do not include any income derived from the Solar PV System, except for tenant utility reimbursement;
- any utility reimbursement income must
 - not exceed the trailing 12-month period, and
 - consider any decrease from the lower utility expense;
- utility expense must be supported by the trailing 12-month operating history; and
- include all additional Solar PV System operating expenses such as:
 - operating and maintenance contract fees;
 - fixed utility fees;



- incremental real estate taxes;
- insurance coverage; and
- Replacement Reserves for equipment replacement and/or system removal and reinstallation upon roof replacement.

Section 112 Oil/Gas Wells and Mineral Exploration

112.01 Active Oil and Gas Wells

Requirements

You must ensure 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 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; and
 - 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.
- Confirm:
 - the adjacent property is not owned by an Affiliate of the Borrower; and
 - either:
 - no history of spills or leaks exists; 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 production, exploration, or extraction;
- active storage or processing; or



- associated pits, ponds, or lagoons.

112.02 Inactive Oil and Gas Wells

Requirements

You must ensure 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 110.02B: 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 113 Property Management and Agreement

113.01 Property Management

Requirements

You must confirm the Property's management team or company:

- manages other assets in the Property's same geographic area; and
- has adequate staffing and expertise
 - managing similar
 - multifamily assets, and
 - regulatory restrictions, and



- to ensure effective
 - administration,
 - leasing,
 - marketing, and
 - maintenance.

➔ Guidance

An independent, professional Property management company is not required.

113.02 Property Management Agreement

☑ Requirements

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

- Borrower has a written management agreement with a Property management company allowing Lender cancellation without penalty or prior notice in case of a Borrower default per the Loan Documents; or
- Borrower and Property manager complete the Assignment of Management Agreement ([Form 6405](#)).

➔ Guidance

You should ensure the Property management agreement clearly states the

- Property manager's responsibilities, and
- amount of the management fee (or fee determination methodology).



Chapter 2 Legal Compliance

Section 201 Zoning and Legally Non-Conforming Status

201.01 Zoning

Requirements

For each Property, you must:

- identify the current zoning or land use designation;
- determine if the existing Property use (e.g., multifamily, single-family, mixed use, Manufactured Housing Community, etc.) is expressly permitted per current zoning and land use laws and regulations; and
- confirm the Property's characteristics (e.g., building height, density, set-back lines, etc.):
 - conform to current zoning requirements and land use designations; or
 - are legally non-conforming per applicable zoning or land use laws and regulations.

If you order a Zoning Report from a zoning consultant, you must:

- upload the zoning report to DUS Docway in Folder II; and
- deliver structured data per the Zoning Report Data Supplement ([Form 4089](#)).

201.02 Legal Non-Conforming Use

Requirements

If the Property is a legal non-conforming use, you must:

- ensure the Borrower executes Modifications to Multifamily Loan and Security Agreement (Legal Non-Conforming Status) ([Form 6275](#));
- confirm, following a casualty, the percentage of damage to the Property's Improvements (i.e., the destruction threshold) at which the Property jurisdiction would prohibit the rebuilding of all impacted Improvements to the pre-casualty use and condition under current
 - laws,
 - zoning requirements, and
 - building codes; and



- if the destruction threshold is less than 50%, not Deliver the Mortgage Loan.

201.03 Legal Non-Conforming Characteristics

☑ Requirements

If the Property's characteristics are legally non-conforming, you must:

- ensure the Borrower executes the Modifications to Multifamily Loan and Security Agreement (Legal Non-Conforming Status) ([Form 6275](#));
- confirm whether, if fully or partially destroyed, the Property's Improvements can be fully rebuilt to the pre-casualty condition per current
 - laws,
 - zoning requirements, and
 - building codes; and
- if the Property's Improvements cannot be fully rebuilt to the pre-casualty condition,
 - evaluate if the as-rebuilt Property will support the Mortgage Loan at the current Tier, and
 - document your analysis in the Transaction Approval Memo.

➔ Guidance

To assess the Borrower's ability to rebuild Improvements on a non-conforming Property to a level that will support the Mortgage Loan at the current Tier, you should consider:

- conducting a threshold analysis to determine the resulting actual amortizing DSCR if the reconstructed Improvements cannot be rebuilt as-is per current law;
- the likelihood of a casualty event (e.g., wind, earthquake, fire, flood, mine subsidence, etc.);
- the percentage of damage to the Improvements at which the Property's jurisdiction will require the Property be rebuilt to current zoning and land use requirements (i.e., the destruction threshold);
- which Property characteristics the destruction threshold percentage applies to, such as
 - market value,



- assessed value,
- replacement cost, or
- unit count;
- for Properties with multiple buildings, if the destruction threshold percentage applies to
 - each building, or
 - all buildings as a whole;
- the replacement cost to rebuild per current requirements for
 - zoning, and
 - land use;
- the Property's continued
 - marketability, and
 - economic viability;
- the amount and type of Borrower-maintained insurance coverage required per [Part II, Chapter 4: Property and Liability Insurance, Section 401.02E: Ordinance or Law Insurance](#);
- insurance loss proceeds payout, compared to increased rebuilding costs, including from
 - building code changes,
 - Americans with Disabilities Act compliance, and
 - the municipality's local zoning requirements (e.g., green compliance for new buildings, etc.);
- the sufficiency of estimated insurance proceeds from ordinance or law insurance and other coverages to repay the Mortgage Loan in the event of partial or full
 - casualty, or
 - condemnation; and
- for a Tier 3 or Tier 4 Mortgage Loan, if requiring execution of the Limited Payment Guaranty ([Form 6020.LPG](#)) would mitigate the risk of the as-rebuilt Property not supporting a Tier 2 Mortgage Loan.

Section 202

Easements



Requirements

You must evaluate the impact of all easements (public and private), including their effect on:

- the Property's value and marketability; and
- life safety issues, environmental risks, and acceptability in the market area for certain types of easements, such as for
 - transcontinental pipelines,
 - high power electric transmission lines, or
 - drainage channels.

Guidance

Easements for normal utilities are generally acceptable, including those that provide natural gas, water, sewer, electricity, or telephone service to the Property.

Easements that serve other properties will generally be acceptable if they

- do not interfere with Improvements on the Property,
- are limited to residential and reasonable commercial use, and
- are covered by appropriate insurance.

Section 203 Liens and Encumbrances

203.01 Generally

Requirements

You must ensure that the Property is free of all Liens and rights of others, except for

- Permitted Encumbrances, and
- cable and laundry leases per [Part II, Chapter 1: Attributes and Characteristics, Section 110: Commercial Leases](#).

You must analyze any restrictions on Improvements or the use of the Property, in order to

- determine whether the restrictions are acceptable, and
- make recommendations for addressing the restrictions.



Examples of restrictions that must be analyzed include restrictive covenants and any restrictions that have been offered, or accepted, in order to obtain a zoning approval or building permit.

If a non-MAH Property has an Affordable Regulatory Agreement, it must be subordinated to the Security Instrument Lien per [Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 705: Restrictive Covenants and Affordable Regulatory Agreements](#).

➔ Guidance

When determining whether a restriction is acceptable, you should consider whether a restriction could negatively impact the Property's

- value,
- use,
- security,
- marketability, or
- ability to generate NCF sufficient to pay debt service.

☑ Requirements

You must analyze the impact of any restriction on the conversion of a Property to a condominium or similar development.

➔ Guidance

A restrictive covenant on condominium conversions will generally not have a negative impact if all of the following apply:

- The conversion restriction is for a period of 10 years or less.
- Any repurchase option or right of reversion in favor of a benefitted party:
 - is unconditionally subordinated to the Lien of the Security Instrument and to the Mortgage Loan;
 - includes an unconditional “standstill” provision prohibiting the exercise of such option or right while the Mortgage Loan is outstanding; and
 - automatically ends if a Foreclosure Event occurs.
- The covenant provides that no mortgagee, trustee, or beneficiary under any mortgage or deed of trust will be liable for any act, omission, or indemnification obligation of the Borrower or any prior or subsequent owner of the Property.
- The covenant does not require any mortgagee, trustee, or beneficiary



under a mortgage or deed of trust to execute an assumption or similar agreement if a Foreclosure Event occurs.

203.02 Property Previously Secured Bond Financing

Requirements

If the Property...	You must...
Previously secured taxable or tax-exempt bonds	<ul style="list-style-type: none"> • determine if the Property is subject to any requirements, restrictions or other features that survived repayment, and • analyze whether the surviving features will have a material adverse impact on you, Fannie Mae, or the Mortgage Loan.
Currently secures taxable or tax-exempt bonds that are being retired with proceeds of the Mortgage Loan	<ul style="list-style-type: none"> • review the bond documents, and • analyze the impact of any surviving features of the financing.

Guidance

A Property that secures, or has secured, bonds may be subject to certain requirements, restrictions, or other features that survive repayment of the bonds such as:

- rent, income, transfer, or other restrictions;
- master lease requirements that support such restrictions; and
- indemnification or other requirements that could
 - burden a future owner,
 - depress the value or marketability of the Property, or
 - prevent or inhibit foreclosure of a lien securing new financing.

Operating Procedures

For any bonds being retired with the proceeds of a Mortgage Loan, you must prepare a written summary of the bond documents that:

- explains why any surviving features of the financing will not have a materially adverse effect on the Mortgage Loan, the Property, you, or



Fannie Mae;

- gives an overview of the redemption process for retiring the bonds; and
- is uploaded into DUS Gateway prior to Commitment.

Section 204 Title Insurance

Requirements

You must comply with the Title and Closing Requirements for Multifamily Mortgage Loans (Form 4650).

Section 205 Survey

205.01 Decision to Obtain a Survey

Requirements

You must decide whether to get an as-built survey and comply with:

- Part II, Chapter 2: Legal Compliance, Section 205.02: Survey, if you require a survey; or
- Part II, Chapter 2: Legal Compliance, Section 205.03: Decision Not to Obtain a Survey, if you do not require a survey.

205.02 Survey

Requirements

If you require an as-built survey, it must:

- meet the requirements of an ALTA/NSPS Land Title Survey (made per the 2026 Minimum Standard Detail Requirements), including the required certification; and
- allow the title company to delete the standard survey exception from the title policy.

Guidance

An acceptable as-built survey:

- should include these items from Table A to all the ALTA/NSPS Minimum Standard Detail Requirements: 1, 2, 3, 4, 6(a) and (b), 7(a), 8, 9, 10, 13, 16, 18, and 20;



- may omit the following from Table A:
 - item 1 for a Property with a lot and block legal description; and/or
 - item 10, if there are no party walls; and
- should be dated within 360 days before recording the Security Instrument.

Requirements

If an existing survey dated more than 360 days before the effective date of the title insurance policy is used, it must satisfy all Title Insurance Company requirements for the deletion of the standard survey exception.

Guidance

The Title Insurance Company may require a “no new improvements” affidavit from the Borrower certifying that no changes have been made to the Property since the date of the survey. An existing survey dated within 360 days before the effective date of the title insurance policy, but not prepared in connection with the origination of the Mortgage Loan, may be recertified to you, the Title Insurance Company, and Fannie Mae for the Mortgage Loan.

You should consider whether an adverse circumstance found by a survey would be acceptable. Examples include:

- encroachments over boundary lines, setback lines, or easements; and
- the absence of necessary appurtenant easements, such as a storm or sanitary sewer easement.

205.03 Decision Not to Obtain a Survey

Requirements

If you do not require an as-built survey:

- either you or the Appraiser must conduct a visual inspection of the Property;
- any visible site condition (such as an easement, right-of-way, or encroachment) must be disclosed and insured under the title policy; and
- the title company must delete the standard survey exception from the title policy.

205.04 Location of Improvements



☑ Requirements

Whether or not you decide to get an as-built survey, [Part II, Chapter 4: Property and Liability Insurance, Section 402: Catastrophic Risk Insurance](#) requires you to determine if any Improvements are located in an SFHA Zone A or Zone V.

Section 206 Security Interests in Personal Property

206.01 Uniform Commercial Code (UCC) Financing Statements

☑ Requirements

You must:

- Ensure that the Security Instrument creates a Lien on all Personal Property.
- Ensure that the Lien is a perfected first priority Lien.
- Assign each UCC security interest to Fannie Mae.

206.02 Creating and Perfecting the Security Interest

➔ Guidance

Article 9 of the UCC covers the perfection of a security interest in Personal Property.

The following table describes how to create and perfect a security interest.

To...	Do the following...
Establish whether the Borrower or a third party owns the Personal Property	Confirm that the Borrower has provided a representation of ownership in the Underwriting Certificate (Borrower) (Form 6460.Borrower).
Verify that no other party has a Lien on the Personal Property	Conduct searches for UCC financing statements, tax Liens, and judgments on all relevant parties to the transaction.



To...	Do the following...
Obtain a perfected first security interest in the Personal Property	<ul style="list-style-type: none">• Obtain a security agreement from each third party that owns Personal Property.• Verify that the Security Instrument and each third party security agreement contains a granting clause creating a security interest in all Personal Property.• File a UCC-1 financing statement in the appropriate filing and recording office(s), with a description that matches the security interest granted in the Security Instrument.
Assign the security interest from you to Fannie Mae	File an appropriate assignment (e.g., UCC-1Ad; UCC-3) in the same office(s) where the UCC-1 is filed or recorded.



Chapter 3

Lease Audits, Inspections, and Reserves

Section 301

Lease Audit

301.01 Generally

Requirements

Before the Commitment Date, you must:

- complete a thorough lease audit to reconcile the rent roll with the Property's signed leases; and
- comply with the following table.

Lease Audit Review	
For Properties with...	You must review at least...
5 - 9 units	all available leases.
10 - 100 units	the greater of <ul style="list-style-type: none">• 5 units or• 10% of all leases.
101 - 300 units	10% of all leases.
301 - 900 units	40 leases.
901+ units	50 leases.

When auditing the leases, you must:

- analyze the entire tenant file, including, whenever available
 - identification records,
 - verification of employment and income, and
 - credit verifications;
- audit leases for all inspected units;
- include new and recently renewed leases to verify rent trends;
- increase the number of leases reviewed if you find
 - material discrepancies, or
 - lack of adequate documentation in the files;



- document your results in a lease audit form; and
- summarize the results in your Transaction Approval Memo, including any documents that were unavailable for review, and why.

If the management company engages a third party to review and approve the tenant qualification documents, you must:

- review the documents; and
- explain your rationale in the Transaction Approval Memo if any documents are unavailable for review (e.g., a national tenant qualification firm completed and documented the review, etc.).

301.02 Lease Audit Notification

Requirements

Before the inspection, you must email the Borrower and management company:

- specifying the minimum lease audit requirements; and
- requesting full records access to ensure your ability to perform additional due diligence for any identified critical issues.

301.03 Validating Rent Collections, Bad Debt, and Secondary Income

Requirements

When validating rent collections, you must:

- review 1 of the following:
 - a cash ledger;
 - receipts journal;
 - at least 3 months of bank statements confirming the rent deposits; or
 - similar documents;
- meet with the site manager to obtain and discuss:
 - an accounts receivable report; or
 - past rent due report;
- compile a lease audit form or record to validate the lease terms against the Property's rent roll; and



- document your findings in the Transaction Approval Memo.

You must use the Appraisal, other comparable Property information, or third-party data sources to validate secondary income related to:

- ratio utility billing system (RUBS);
- cable;
- laundry;
- parking; or
- any other tenant income.

➔ Guidance

You should confirm the management company uses:

- acceptable practices for day-to-day operations; and
- industry-standard software systems to generate detailed reports.

You may obtain sample management company reports, such as

- rent rolls,
- operating statements,
- operating budgets,
- capital improvement plans, and
- marketing.

Section 302 Site Inspections

302.01 Physical Inspections

302.01A Generally

Requirements

You must:

- before the Commitment Date, ensure your qualified employee per [Part V, Chapter 5: Surveillance, Section 502.05A: Qualifications](#):
 - performs a physical Property inspection;
 - confirms the status of all units selected for inspection below (e.g., whether occupied or vacant), per a current rent roll;



- completes the MBA Standard Inspection Form using their own photos; and
- compares the consistency of their photos with the
 - PCA, and
 - Appraisal;
- confirm the MBA Standard Inspection Form is accurate and complete; and
- not Deliver any Mortgage Loan with a Property Condition Rating of 4 or 5.

Guidance

You may allow the PCA Consultant to complete the General Information tab of the MBA Standard Inspection Form.

302.01B Selecting Units

Requirements

To determine the minimum number of units to inspect, you must:

- use the Physical Property Inspection table; and
- increase the number by 25% if some units are not accessible.

Physical Property Inspection	
For Properties with...	You must inspect at least...
5 - 9 units	all available units.
10 - 100 units	the greater of <ul style="list-style-type: none">• 5 units or• 10% of all units.
101 - 300 units	10% of all units.
301 - 900 units	40 units.
901+ units	50 units.

When choosing which units to inspect, you must:

- randomly select floors and units;
- include:



- all unit types and as many different floors as possible;
- units from all buildings;
- all units vacant for more than 90 days, unless the Property is a Near Stabilized Property;
- all down units (i.e., units that cannot currently be rented in the normal course of business); and
- any additional units you deem appropriate based on
 - Property type,
 - other factors, or
 - the results of your initial inspection.

302.01C Inspection Notification

Requirements

Before the inspection, you must email the Borrower and management company to:

- request access to units selected for inspection; and
- notify them that, if any selected units are unavailable, an additional 25% of the units required to be sampled per [Part II, Chapter 3: Lease Audits, Inspections, and Reserves, Section 302.01B: Selecting Units](#) must be inspected (e.g., for a 500 unit building requiring 40 units to be inspected, if selected units are unavailable, an additional 10 units must be inspected).

302.02 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"> • specific scope, and • estimated percentage of units updated.
Replacements of capital items for refinances	<ul style="list-style-type: none"> • work has been completed based on: <ul style="list-style-type: none"> - an inspection by <ul style="list-style-type: none"> ▪ you, or ▪ the PCA Consultant, or - invoices or documentation; or • if the work completed cannot be verified, request invoices or other documentation to confirm its completion.

Section 303

Brokered Transactions

Requirements

For any Brokered Transaction, you must order:

- all third-party underwriting reports; and
- a Brokered Transaction Inspection per [Form 4229](#), unless the Property:
 - is newly constructed (built within 2 years before the Commitment Date); or
 - had a Property Condition Rating of 1 on your most recent inspection per [Part V, Chapter 5: Surveillance, Section 502: Property Inspections](#), for a
 - Supplemental Mortgage Loan, or



— Choice Refinance Loan.

Operating Procedures

To obtain a Brokered Transaction Inspection, you must:

- use a Fannie Mae-approved Brokered Transaction inspector per [Form 4229](#);
- request an exterior inspection; and
- not discuss the Property's rating with the Brokered Transaction inspector.

Requirements

After receiving the Brokered Transaction Inspection report, you must:

- review
 - the Brokered Transaction Inspection report,
 - any required PCA Report, and
 - the MBA Standard Inspection Form;
- ensure all rating differences among these 3 reports are:
 - reconciled;
 - approved by your Chief Underwriter; and
 - documented in your Transaction Approval Memo; and
- not Deliver a Mortgage Loan if the Brokered Transaction Inspection's overall rating is 4 or 5.

You must:

- determine if any of these reports identifies
 - deferred maintenance,
 - near-term capital item replacement,
 - necessary life safety or critical repairs, or
 - major components exhibiting a declining trend;
- incorporate all associated costs into the
 - Completion/Repair Schedule, or



- Replacement Reserve Schedule; and
- document the items in your Transaction Approval Memo.

Operating Procedures

At Delivery, upload the Brokered Transaction Inspection report to DUS DocWay.

Data Entry	
For...	You must complete the following data fields...
DUS Gateway	<ul style="list-style-type: none"> • Broker/Correspondent Company Name; and • Broker/Correspondent Individual Name.
Acquisition Systems	<ul style="list-style-type: none"> • Broker/Correspondent Company; and • fees paid to the Broker or Correspondent.

Section 304 Property Condition Assessment (PCA)

304.01 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 13: Supplemental Mortgage Loans, Section 1302.05: Streamlined Underwriting](#); and
- ensure all:
 - [Potential Red Flags for Mortgage Fraud and Other Suspicious Activity](#) were considered; and
 - unresolved red flags were reported per [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 310: Compliance](#).

304.02 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.

304.03 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 305 Completion/Repairs

305.01 Property Evaluation

Requirements

You must:



- assess the
 - Property's physical condition,
 - Borrower's financial condition, and
 - life safety Completion/Repairs;
- aggregate all Completion/Repairs expenses with the cost of all other Rehabilitation Work to determine if [Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans](#) also applies;
- include in the Completion/Repair Schedule:
 - 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 the Property's "as completed" market value; and
- ensure the Borrower completes the repairs and improvements identified on the Completion/Repair Schedule:
 - per the Completion/Repairs Timing table; and
 - assess any code violations and include them in the relevant category.

Completion/Repairs Timing	
For...	You must...
Life safety repairs in the PCA	Comply with Part II, Chapter 3: Lease Audits, Inspections, and Reserves, Section 305.03: Life Safety Issues .



Completion/Repairs Timing	
For...	You must...
Critical repairs in the PCA	Complete within 6 months after the Mortgage Loan Origination Date, or sooner if recommended by the PCA Consultant.
Repairs in the PCA required to: <ul style="list-style-type: none"> • comply with <ul style="list-style-type: none"> - the Americans With Disabilities Act, or - Fair Housing; or • resolve code violations 	<ul style="list-style-type: none"> • categorize as a critical repair; and • complete within 6 months after the Mortgage Loan Origination Date, or sooner if <ul style="list-style-type: none"> - recommended by the PCA Consultant, or - required per applicable <ul style="list-style-type: none"> ▪ laws, ▪ ordinances, or ▪ building codes.
Deferred maintenance or items of note in the PCA	Complete within 12 months after the Mortgage Loan Origination Date, or sooner if recommended by the PCA Consultant.
Short-term replacement of capital items in the PCA	Complete by the specific date recommended by the PCA Consultant, but may be longer than 12 months after the Mortgage Loan Origination Date.
Capital improvements that <ul style="list-style-type: none"> • will be completed by the Borrower in addition to those in the PCA, and • are included in the Appraisal's "as completed" market value 	Comply with Part VII, Chapter 1: Valuation and Income, Section 102.03A: Appraised Value.
Completion/Repairs in the PCA that require compliance with Part III, Chapter 3 for a Moderate Rehabilitation Property	Comply with Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans.



Completion/Repairs Timing	
For...	You must...
All other Rehabilitation Work not identified as a Completion/Repair in the PCA	Comply with Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans .

305.02 Completion/Repairs Funding

Requirements

When full or partial funding of the Completion/Repair Escrow is required, you must complete the Completion/Repair Schedule.

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.

305.03 Life Safety Issues

Requirements

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.



305.04 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 306 Replacement Reserve

306.01 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.

To determine the minimum amount of the Replacement Reserve, you must:

- obtain a PCA ([Form 4099](#)); and
- 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 on the Completion/Repair Schedule.

306.02 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 refinances, or
- 6% of the Property's Underwriting Value for Acquisitions.

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.

306.03 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 307 Escrow Requirements for Taxes and Insurance

307.01 Escrows

Requirements

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

307.02 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.

307.03 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 4 Property and Liability Insurance

Section 401 Property Insurance

401.01 General Insurance – Applies to All Policies

401.01A Generally

Guidance

When terms or acronyms for insurance forms and policies are capitalized in this Chapter, they refer to Insurance Services Office (ISO) forms and policies or their equivalent. Other capitalized terms and acronyms have standard insurance industry meanings.

Requirements

As of the Mortgage Loan Origination Date, you must ensure each Property is covered by compliant property insurance and liability insurance.

You must ensure all insurance policies:

- list the Borrower as:
 - a named insured; or
 - an Additional Named Insured on the applicable policies if the policy is provided by, or in the name of, a Property manager (you must also verify the Borrower has a written Property management agreement with the company providing insurance);
- are written on an Occurrence-Based Policy, except the following, which may be written on an Occurrence-Based Policy or a Claims-Made Policy:
 - earthquake insurance;
 - directors' and officers' insurance;
 - professional liability insurance; and
 - general liability insurance for Seniors Housing Properties only when combined with professional liability insurance;
- unless the Loan Documents expressly state otherwise, require the carrier to notify the named Mortgagee and/or Additional Insured in writing
 - at least 10 days before policy cancellation for non-payment of premium, and
 - 30 days before cancellation for any other reason;
- except for professional liability insurance, name:



- Fannie Mae as Additional Insured on
 - general liability insurance, and
 - excess/umbrella insurance; and
- "Fannie Mae, its successors, and assigns" as Mortgagee and Loss Payee on property insurance; and
- use Replacement Cost Basis; however, coverage for roofs may use
 - Actual Cash Basis, or
 - Replacement Cost Basis.

Guidance

You should:

- obtain the advance cancellation notice for the benefit of each Mortgagee and Additional Insured from the insurance carriers whenever possible; or
- if the insurer will not provide advance cancellation notices, ensure the Loan Documents were not modified in any manner limiting:
 - the Borrower's obligation to promptly inform you of any notice of cancellation it receives from an insurance carrier; or
 - any recourse liability of the Borrower or any Guarantor for failing to maintain all insurance coverages required by the
 - Loan Documents, and
 - Guide.

An acceptable mortgagee clause is:

Fannie Mae, its successors and/or assigns, as their interest may appear
c/o [Lender Name]
Lender's Street Address or PO Box
Lender's City, State and Zip Code

Operating Procedures

If the insurer will not provide advance cancellation notices, your Servicing File must include

- evidence of your attempts to obtain the notice provisions, and
- a copy of the state statute regarding cancellation notification.



Within 5 Business Days after the Property's Book-Entry Date, you must submit all applicable information via:

- DUS Data Digitizer, for structured data using the DUS Insurance Data Set (Form 4087.INS); and
- DUS DocWay, for Insurance Policy Documents, including
 - ACORD 28,
 - Alta Survey,
 - Flood Analysis Worksheet,
 - Flood Insurance Policy,
 - Special Flood Hazard Determination Form, and
 - Schedule of Values.

Guidance

You may use the [Flood Insurance Job Aid](#) to assist with completion of the DUS Data Digitizer requirements.

401.01B Insurable Value Determination

Requirements

To determine the estimated Insurable Value, you must use

- the Appraisal, or
- other reliable sources.

Guidance

Common Reliable Sources to Determine Estimated Insurable Value	
Resource	Description
Insurance Company Estimate	An estimate from the insurance company underwriting the property damage insurance.
Appraisal's Insurable Value	A qualified commercial real estate Appraisal from an Appraiser experienced in the market per Part VII, Chapter 1: Valuation and Income, Section 102: Appraisal and Valuation .



Common Reliable Sources to Determine Estimated Insurable Value	
Resource	Description
Contractor	A reputable commercial contractor with experience constructing and/or reconstructing similar area properties.
Vendor	A third-party vendor who <ul style="list-style-type: none">• specializes in Insurable Value calculations, or• publishes data used to determine Insurable Value.

401.01C Blanket and Other Policies Covering Multiple Properties

Requirements

You must ensure:

- any Blanket Policy coverage is as good as, or better than, a single property insurance policy; and
- the Property is listed and identified in the
 - policy, or
 - associated schedules.

Guidance

A Schedule of Values is a list of insurable values (all elements of the Total Insurable Value) the Borrower provides to an insurance company for all properties covered under a property insurance policy.

You should:

- review and analyze the Schedule of Values and geographical concentration and/or aggregated values of Properties/Total Insurable Values under the Blanket Policy; and.
- confirm that Blanket Insurance Limits:
 - are limited to a 1 per occurrence shared limit for:
 - more than 1 property;
 - more than 1 category of coverage; or
 - both;
 - will be reinstated to the pre-loss limits after a casualty, except for:



- earthquake;
 - flood; and
 - terrorism; and
- are sufficient to cover the largest Total Insurable Value.

Operating Procedures

You must

- clearly document your analysis of any Blanket Policy (related or unrelated entities) in your Servicing File, and
- include supported conclusions.

401.01D Risk Retention Groups and Captive Insurance

Requirements

You must ensure Risk Retention Groups and Captive Insurers are only accepted for:

- the following coverages:
 - professional liability;
 - general liability;
 - excess/umbrella;
 - Property insurance layer, but coverage must not be provided through a layer that constitutes the majority of the coverage; and
 - terrorism, when backed by the Terrorism Risk Insurance Program (TRIA); and
- funding Property and liability deductibles.

You must ensure any Risk Retention Group or Captive Insurer has a rating of at least A- from A.M. Best Company.

For any Risk Retention Group or Captive Insurer that is not satisfactorily rated, before Rate Lock, you must:

- obtain and review the applicable information in the Unrated Risk Retention Group or Captive Insurer table; and
- submit a



- written summary, and
- recommendation for approval, explaining
 - any non-compliant requirements,
 - any adverse findings, and
 - your rationale for recommending approval.

Unrated Risk Retention Group or Captive Insurer	
Document/Entity	Description
Certificate of Authority (CA)	State-issued license to an insurance company to conduct business, and includes the <ul style="list-style-type: none"> • date of authority, • complete Captive Insurer name, and • state of domicile.
State Examination Report	Report covering a specific timeframe that: <ul style="list-style-type: none"> • reviews the company's: <ul style="list-style-type: none"> - balance sheet (including assets, liabilities, capital, and surplus); - statement of income; - investments; - premiums; - reinsurance assumed and ceded; - unpaid losses and loss adjustment expense; and <ul style="list-style-type: none"> - losses and loss adjustment expense incurred; and • ascertains its: <ul style="list-style-type: none"> - financial condition; - ability to fulfill obligations; and - compliance with applicable state laws and regulations.



Unrated Risk Retention Group or Captive Insurer	
Document/Entity	Description
Actuarial Report	<p>Report culminating with a statement of actuarial opinion (minimum requirement) after evaluating, opining, and certifying the adequacy of the Captive Insurer's</p> <ul style="list-style-type: none"> • open and paid losses, • loss adjustment expense reserves, • capital, and • surplus.
Loss History	<p>Frequency and severity of insurance losses covered by the Captive Insurer's policy during a specific timeframe.</p>
Reinsurance and/or Fronting Company	<p>Reinsurance is when an insurer transfers all or part of a risk to another insurer to reduce the risk for the first insurance.</p> <p>Fronting company is using a licensed, admitted insurer to issue an insurance policy on behalf of a self-insured organization or Captive Insurer without intending to transfer any of the risk. The risk of loss is retained by the self-insured or Captive Insurer with an indemnity or reinsurance agreement.</p>
Captive Insurer	<p>Captive Insurer is either a:</p> <ul style="list-style-type: none"> • single parent captive (pure captive) - when an insurance subsidiary insures the loss exposures of its parent company or single entity; or • group captive a captive owned by several different companies who are normally <ul style="list-style-type: none"> - from the same industry, and - have similar risks.

 Guidance

Captive Insurers (and similar arrangements):

- may have lower capitalization requirements than traditional insurance



companies; and

- are not usually rated by a recognized rating agency.

For Captive Insurers, you should:

- confirm they
 - are financially stable, and
 - have adequate funds to cover potential losses; and
- review additional documents as warranted.

Operating Procedures

You must submit all documents for unrated Captive Insurers or Risk Retention Groups:

- through DUS Gateway, for new Mortgage Loan submissions; and
- annually through the MAMP, for Portfolio Mortgage Loans.

401.01E Insurance Carrier Rating

Requirements

Rating requirements do not apply to policies issued

- through State-sponsored insurance programs, or
- by insurers participating in NFIP.

For a new policy, you must ensure the insurance carrier has an A.M. Best Company general policyholder rating of A- or better.

Guidance

A new policy is one that is

- not already in force, and
- most common for an Acquisition.

An existing policy is

- most common for a refinance, or
- when the Property is added to a Borrower's already-in-place policy.



401.01F Term

Guidance

Policies should have a term of at least 12 months. For new Mortgage Loans, a Property may be added mid-term to an existing 12-month policy.

You may accept a policy term of less than 12 months if the:

- shorter term is due to carrier
 - non-renewal, or
 - cancellation; or
- policy is
 - expiring, and
 - will be renewed for at least 12 months.

401.01G Payment of Premium

Requirements

You must:

- ensure premiums for all required insurance policies are either:
 - paid in full annually; or
 - payable in installments, for which you have receipts confirming timely payment;
- not provide premium financing to the Borrower; and
- only permit third-party premium financing if:
 - the financing agreement:
 - has no negative impact on
 - you,
 - Fannie Mae, or
 - the Mortgage Loan collateral; and
 - does not include any conditions that could prevent you or Fannie Mae from receiving the insurance proceeds; and
 - the Modifications to Multifamily Loan and Security Agreement (Financing of Insurance Premiums) ([Form 6272](#)) was executed.



If the Borrower finances premiums, you must

- review the financing agreement,
- confirm timely payment of each premium was made, and
- retain in the Servicing file
 - the financing agreement, and
 - evidence of premium payments.

401.01H Evidence of Insurance

Requirements

You must have:

- temporary or permanent evidence of insurance when the Mortgage Loan closes; and
- permanent evidence of insurance within 90 days after Mortgage Loan Delivery.

Guidance



Acceptable Evidence of Insurance	
Acceptable Temporary Evidence Forms	Acceptable Permanent Evidence Forms
<ul style="list-style-type: none"> • ACORD 28 Evidence of Commercial Property Insurance (most recent version or, if applicable, the state-approved form), combined with ACORD 25 Certificate of Liability Insurance. • ACORD 75 Insurance Binder. • If an ACORD certificate is unavailable, a joint letter from the Borrower and its licensed insurance broker/agent certifying that all coverages, terms, and conditions meet the requirements. • For NFIP flood insurance: <ul style="list-style-type: none"> - the Policy Declaration page; or - a copy of the signed application and proof of payment. 	<ul style="list-style-type: none"> • An original or duplicate copy of the insurance policy. • For a Property securing a Mortgage Loan with a UPB: <ul style="list-style-type: none"> - less than or equal to \$10 million, the MBA Evidence of Insurance - Commercial Property Form; or - greater than \$10 million, or for blanket policies with multiple layers, duplicate copies of the primary insurance policies, which should: <ul style="list-style-type: none"> ▪ include a letter (signed and dated on company letterhead) from an individual authorized to execute evidence of insurance on behalf of the insurance carriers issuing each policy; ▪ state that all policies follow the same terms, conditions, and exclusions as the primary policy, with any differences specified; and ▪ for NFIP flood insurance, include the Policy Declaration page.

The following are not acceptable forms of permanent evidence:

- insurance policy declarations pages (except for an NFIP policy);
- single policy endorsement;
- insurance binders; and
- certificates of insurance.

401.01I Insurance Exceptions

Requirements

Post-closing exception request submissions must include current information.



All exceptions, including those delegated, must be documented in the applicable business application.

You must submit any insurance exception request:

- through DUS Gateway with all applicable data fields completed in the system, not via an attached waiver document;
- at least 72 hours before Rate Lock; and
- with all supporting documentation.

Guidance

If the waiver is approved for the entire Mortgage Loan term, it will be stated in the approval.

401.02 Property Insurance

401.02A Minimum Coverage Amounts

Requirements

You must ensure:

- each Property has property insurance throughout the Mortgage Loan term; and
- the coverage:
 - is written using Special Peril Coverage;
 - is at least
 - 100% of estimated Insurable Value for a single-building Property, and
 - 90% of estimated Insurable Value for a multiple-building Property; and
 - either does not contain a Coinsurance Clause, or contains a Coinsurance Clause offset by an Agreed Amount Provision no less than 100% of the estimated Insurable Value.

Guidance

A margin clause:

- should not be used to determine compliant property insurance limits; and



- may contain provisions limiting additional coverage availability.

A Property Damage Insurance policy should contain an Inflation Guard endorsement that annually adjusts the insurance amount based on the inflation rate in the Property's geographic area.

401.02B Deductibles

Requirements

The maximum deductible amounts:

- apply to all insurance coverages required by:
 - Part II, Chapter 4: Property and Liability Insurance, Section 402: Catastrophic Risk Insurance; and
 - Part II, Chapter 4: Property and Liability Insurance, Section 403.01: Generally; and
- must comply with the following tables.

Maximum Deductibles	
For the peril of...	The maximum deductible must not exceed...
Wind/Hail (unrelated to a catastrophic peril)	<ul style="list-style-type: none">• 5% of the subject collateral's Total Insurable Value¹; or• when expressed only as a dollar value:<ul style="list-style-type: none">- \$50,000 for collateral Insurable Values less than \$10 million; or- \$100,000 for collateral Insurable Values \$10 million or more.
Named Storm and Earthquake	<ul style="list-style-type: none">• 7.5% of the subject collateral's Total Insurable Value¹; or• when expressed only as a dollar value:<ul style="list-style-type: none">- \$50,000 for collateral Insurable Values less than \$10 million; or- \$100,000 for collateral Insurable Values \$10 million or more.



Maximum Deductibles	
For the peril of...	The maximum deductible must not exceed...
<p>1 If a stated minimum deductible is listed, it must not exceed</p> <ul style="list-style-type: none"> • \$100,000 for a specific limit, and • \$250,000 for a shared blanket limit. 	

Maximum Deductibles for All Other Perils	
Specific Limit Insurance Policy	
For Policies...	The maximum deductible amount per occurrence based on the Total Insurable Value is...
Less than \$10 million	\$50,000
\$10 million or more	\$100,000
Blanket Deductibles	
For Blanket Policies with a...	The maximum deductible amount per occurrence is...
Blanket limit	\$250,000
Specific limit	<ul style="list-style-type: none"> • \$50,000 for collateral Insurable Values less than \$10 million; or • \$100,000 for collateral Insurable Values \$10 million or more.
Expanded Deductibles ¹	
For Policies other than NFIP...	The maximum deductible amount per occurrence based on the Total Insurable Value is...
Less than \$10 million	\$100,000
\$10 million or more	\$150,000



Maximum Deductibles for All Other Perils

1 Expanded deductibles must meet all the following:

- the Borrower evidences liquid assets equal to at least 4x the deductible amount;
- the Mortgage Loan
 - has a Pass rating,
 - is not currently delinquent, and
 - has not been delinquent within the last 12 months;
- the Property condition rating is a 2 or better; and
- you annually review the Mortgage Loan's eligibility.

Guidance

Before accepting any deductibles, you should:

- assess the Borrower's ability to pay the deductible throughout the policy term;
- determine the high deductible financial exposure by considering total paid expenses rather than only the difference between the
 - maximum allowable deductible, and
 - requested/actual deductible; and
- only use the Borrower's owned or related properties to determine the maximum deductible if insurance coverage is provided on a management company's or unrelated entities' master property program.

401.02C Aggregate Deductibles

Guidance

You may accept a Property and Liability policy that includes aggregate deductibles. The aggregate deductible may be higher than the maximum deductible required per [Part II, Chapter 4: Property and Liability Insurance, Section 401.02B: Deductibles](#).

Requirements

If you accept a Property and Liability policy that includes aggregate deductibles, you must:

- confirm the aggregate deductible amount is fully funded and held by:



- the Borrower in a segregated bank account;
 - you in the Tax and Insurance escrow; or
 - a third party for the Borrower's benefit; and
- require any claim checks to:
- list you as payee c/o Fannie Mae; and
 - be considered insurance loss proceeds per the Loan Documents.

401.02D Business Income (including Rental Value) Insurance

Requirements

You must ensure:

- each Property has business income insurance (including rental value insurance), for all required coverages, including
 - ordinance or law (Coverage D),
 - windstorm,
 - flood,
 - earthquake, and
 - terrorism, etc.;
- coverage is based on:
 - Actual Loss Sustained for 12 months; or
 - the most recent annual reported (or annualized if annual financial are unavailable):
 - EGI; or
 - NOI plus continuing expenses;
- the maximum deductible for business income insurance does not exceed:
 - the maximum deductible for the property insurance policy, or
 - a waiting period of
 - 3 days, or
 - 72 hours; and
- coverage for a Mortgage Loan with a UPB of \$35 million or more includes



a 90-day Extended Period of Indemnity option.

401.02E Ordinance or Law Insurance

Requirements

If the Property is non-conforming under any current land use law or ordinance, you must ensure the Property has ordinance or law insurance:

- for all perils, even if insured on a standalone policy; and
- that includes the Increased Period of Restoration (Coverage D) endorsement if any buildings are 5 stories or more.

Coverages	If ordinance or law insurance is required, you must ensure the Property has all of the following...
Coverage A	Loss of Undamaged Portion, in an amount equal to <ul style="list-style-type: none">• 100% of the Insurable Value, minus the damage threshold specified by the local building ordinance, or• 50% of the Insurable Value, if the local ordinance does not specify a threshold.
Coverage B	Demolition/Debris Removal Cost equal to at least 10% of the Insurable Value.
Coverage C	Increased Cost of Construction equal to at least 10% of the Insurable Value.

Guidance

Examples of ordinance or laws include

- bulk restrictions,
- building,
- zoning,
- energy management,
- green, or
- Fair Housing Act accessibility.



Some municipalities have no zoning districts. This primarily refers to use. Usually, buildings are still subject to building and safety codes; therefore, coverage is required.

Required Limits Example	
If...	Then the required coverage is...
the Insurable Value equals <ul style="list-style-type: none"> • \$10 million, and • the damage threshold of the local building ordinance is 75% 	100% of the Insurable Value, minus the damage threshold specified by the local building ordinance (e.g., \$10 million - \$7.5 million = \$2.5 million for Coverage A).
Coverages A, B, and C are combined	the Coverage A amount plus 10% of the Insurable Value for Coverage B plus 10% of the Insurable Value for Coverage C (e.g., \$2.5 million + \$1 million + \$1 million = \$4.5 million).
Coverages B and C are combined	10% of the Insurable Value for Coverage B plus 10% of the Insurable Value for Coverage C (e.g., \$1 million + \$1 million = \$2 million).

Coverage D for law and ordinance insurance:

- extends the business:
 - income and extra expense coverage; and
 - additional time to restore operations when delayed due to enforcement of building or zoning laws; and
- is paid from the Property’s business income/rent loss coverage.

Without this Increased Period of Restoration endorsement, business income coverage does not include any “increased period” that may be necessary due to enforcement of an ordinance or law.

When evaluating this coverage you should ensure the business income/rent loss limit is adequate to reflect the increased period of restoration.

401.02F Equipment Breakdown or Boiler and Machinery Insurance

Requirements

You must ensure:



- a Property with any high-pressure, centralized HVACS boiler, water heater, or other vessel in operation and regulated by the Property's state or municipality has full equipment breakdown or boiler and machinery insurance;
- the coverage equals at least 100% of the Insurable Value of each building housing the equipment; and
- if equipment breakdown or boiler and machinery insurance is provided by a carrier other than the carrier providing the property damage policy, both policies include a Joint Loss Agreement.

401.02G Builder's Risk Insurance

Requirements

You must ensure:

- if property insurance coverage is excluded during construction or significant renovation or restoration, the Property has builder's risk insurance during such activity; and
- the coverage equals at least 100% of the completed value, on a non-reporting basis.

401.02H Fidelity Bond / Crime Insurance

Requirements

You must ensure:

- each Property owned by a Cooperative Organization has fidelity bond/crime insurance in an amount covering scheduled Cooperative Maintenance Fees for at least 3 months; and
- the fidelity bond/crime insurance deductible does not exceed \$25,000.

401.02I Regional Perils Insurance

Requirements

You must ensure:

- if a Property is in an area prone to geological phenomena, the property insurance coverage includes those phenomena; and
- the coverage equals 100% of the Insurable Value.



→ Guidance

Examples of geological phenomena include

- sinkhole,
- mine subsidence,
- volcanic eruption, and
- avalanche.

Section 402 Catastrophic Risk Insurance

402.01 Generally

Requirements

You must ensure:

- a Property has the coverages required by [Part II, Chapter 4: Property and Liability Insurance, Section 402: Catastrophic Risk Insurance](#) for perils related to catastrophic loss if the Property is in an area prone to Catastrophic Events;
- the Property has a separate insurance policy if the Special Peril Coverage of Loss Form excludes a Catastrophic Event coverage that is required; and
- if ordinance or law coverage is required on the property policy, then coverage is obtained for catastrophic losses if the catastrophic peril is insured on a standalone policy.

402.02 Named Storm Insurance

Requirements

You must ensure:

- the Property has separate named storm insurance if the:
 - Special Peril Coverage of Loss Form excludes any type of wind-related Catastrophic Event; and
 - Property is located in a Tier I named storm county, as defined by the insurer;
- the coverage equals at least 90% of the Total Insurable Value
 - on a standalone policy, and



- of the largest individual property on a Blanket Policy;
- if the named storm policy does not cover costs due to flooding from storm surge, the Borrower maintains flood insurance for any buildings located in the 500-year flood zone equal to the maximum coverage available through NFIP policies or their equivalent;
- the valuation does not rely solely on Probable Maximum Loss (PML) calculations;
- the deductible does not exceed the greater of:
 - 7.5% of the subject collateral's Total Insurable Value; or
 - the applicable maximum amount per [Part II, Chapter 4: Property and Liability Insurance, Section 401.02B: Deductibles](#); and
- for business income insurance, the waiting period does not exceed:
 - when expressed as a number of days, 15 days; or
 - when expressed as a dollar amount, \$100,000.

➔ Guidance

If named storm coverage is unavailable, Fannie Mae will consider approving 1 of the following options:

- a State insurance plan; or
- a State-managed insurance pool for
 - windstorm, or
 - beach erosion.

402.03 Flood Insurance

402.03A Generally

Operating Procedures

To determine if any buildings located at the Property are, or will be, fully or partially located in an SFHA, you must:

- use the FEMA Standard Flood Hazard Determination Form (SFHDF);
- evaluate all Property structures when ordering the SFHDF;
- provide the vendor supplemental Property information including the



- legal description, and
- survey or site plan;
- obtain an image overlay from Flood Vendor;
- ensure the resulting Flood Zone Determination (FZD) form, and any subsequent FZD forms, are effective for the entire Mortgage Loan term; and
- retain a signed copy in your Servicing File.

Requirements

You must ensure the Property has flood insurance if:

- any income-producing Improvements or any non-income producing Improvements that support amenities are in an SFHA Zone starting with the letter A or V; or
- the Property is located within a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA), regardless of if the Property is located in an SFHA.

A Mortgage Loan is ineligible for purchase if the Property is in:

- an SFHA; and
- a community that does not participate in the NFIP.

You must:

- complete the most recent version of the Standard Flood Hazard Determination Form issued by FEMA;
- retain in your Servicing File a
 - copy of the form, and
 - signed copy of Notice to Borrower of Special Flood Hazard and Federal Assistance;
- require the determination firm, and any monitoring company, to notify you whenever there is a flood zone change; and
- ensure the coverage:
 - meets the minimum mandatory purchase requirements per:
 - the following Federal flood insurance statutes, as amended and/or restated from time to time, including the:



- National Flood Insurance Act of 1968 (1968 Act);
- Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert Waters);
- Flood Disaster Protection Act of 1973 (FDPA); and
- Homeowner Flood Insurance Affordability Act of 2014; and

— any applicable Federal agency rulemaking and publication; and

● equals at least 100% of the Insurable Value of

- the first 2 floors above grade, and
- any Improvements below grade;

- require contents coverage for Borrower-owned personal property;
- ensure you have an established process to obtain an inventory and the Insurable Value of Borrower-owned contents or business personal property within buildings located in SFHAs to determine required coverage; and
- retain documentation of the presence or absence of Borrower-owned contents or business personal property within the building and in your Servicing File.

➔ Guidance

Generally, contents or business personal property:

- includes equipment and inventory
 - owned by the Borrower, and
 - used in connection with Property's
 - ownership,
 - management, or
 - operation; and
- does not otherwise constitute fixtures.

402.03B Deductibles

☑ Requirements



You must comply with the following tables.

Flood Maximum Deductibles	
For...	You must ensure the...
Business income insurance	deductible does not exceed: <ul style="list-style-type: none"> • when expressed as a number of days, 15 days; or • when expressed as a dollar amount, \$100,000.
NFIP policies	maximum deductible available under NFIP is acceptable.

Private Flood Policy Maximum Deductibles	
If the Property has...	The maximum deductible is...
10 or fewer buildings in SFHA	\$50,000 per building.
More than 10 buildings in SFHA	\$500,000 per occurrence.

402.03C NFIP Policy

Requirements

You must comply with the following table.

NFIP and Excess Flood Coverage	
If...	Then...
Coverage available under the NFIP is insufficient	the Borrower must purchase excess flood insurance covering the difference, up to the required coverage amount.



NFIP and Excess Flood Coverage	
If...	Then...
<p>Per elevation certificates completed by a licensed land surveyor, engineer, or architect:</p> <ul style="list-style-type: none"> any of the building's Lowest Adjacent Grade (LAG) are above Base Flood Elevation (BFE); and the Borrower confirms application for a Letter of Map Amendment (LoMA) 	<ul style="list-style-type: none"> only NFIP insurance is required for those buildings, and the maximum term for only NFIP insurance is 12 months.

To remove a Property/building from an SFHA, only an updated FEMA Standard Flood Hazard Determination Form (SFHDF) based on the following is acceptable:

- Letter of Map Amendment (LoMA);
- Letter of Map Revision (LoMR); or
- Letter of Determination Review (LoDR).

If a LoMA was previously declined, you must ensure the Borrower is reapplying due to:

- new or corrected elevation data;
- a Property change or additional documentation; or
- updated information to address a previous declination.

During the LoMA process:

- only NFIP insurance is required provided the declination was not based on a fundamental issue (such as the Property being located below the Base Flood Elevation (BFE)); and
- the maximum term for NFIP insurance is 12 months.

If any Improvements are reclassified as within an SFHA Zone starting with the letter A or V after you Deliver the Mortgage Loan, you must require the Borrower to obtain compliant flood insurance.

Guidance

To prevent the Borrower from paying for more coverage than an NFIP policy would pay out, you should evaluate the extent of recovery allowed under the



NFIP policy for the type of building being insured.

If all buildings do not require flood insurance, but the Property ingress is located in an SFHA, you should consider requiring business income insurance for excess flood to cover all buildings.

Flood insurance is not required if only unimproved portions of the Property, or non-income producing Improvements that do not support amenities at the Property, are located in an SFHA.

Non-Income Producing Improvements	
Supporting amenities include...	Not supporting amenities include...
<ul style="list-style-type: none"> • clubhouses, and • pool houses. 	<ul style="list-style-type: none"> • sheds, • pump houses, and • storage buildings.

Business income insurance is not required for non-income producing Improvements.

You should consider that

- conditions may change over time, and
- flood zones may be remapped.

You or Fannie Mae may require flood insurance for Improvements outside an SFHA Zone starting with the letter A or V, but within an area designated by FEMA as Zone X or Zone D (for example, if a Property's location is subject to flooding due to storm water, or within close proximity to an SFHA boundary).

The acceptable deductible for excess flood insurance is the coverage limit of the underlying NFIP policy.

Elevation certificates are not valid to determine if Improvements are in an SFHA.

You should:

- obtain flood zone determinations from qualified third-party flood-zone determination firms; and
- exercise care and sound judgment when selecting the firm.

Operating Procedures

You must:

- obtain life-of-loan monitoring for each Property from a third-party flood-zone determination firm;



- complete FEMA's Standard Flood Hazard Determination form to determine if any Improvements are located in an SFHA; and
- retain in your Servicing File:
 - a completed copy of the form;
 - a signed copy of the Notice to Borrower of Special Flood Hazard and Federal Assistance (included in the Flood Determination Certificate); and
 - if you permitted a reduced amount of excess flood insurance,
 - your analysis, and
 - related documentation supporting the economic feasibility and reduction amount.

402.03D Private Flood Policy

Requirements

You must ensure a private flood insurance policy:

- is written on a Replacement Cost Valuation basis without any deduction for depreciation; and
- provides coverage and terms as broad as or better than the coverage and terms provided under a standard flood insurance policy issued under the NFIP.

402.04 Earthquake Insurance

Requirements

You must ensure the Property has earthquake insurance if required by Fannie Mae. For any required coverage, ensure:

- coverage is at least 100% of the Insurable Value;
- the deductible does not exceed the greater of:
 - 7.5% of the Total Insurable Value; or
 - the applicable maximum amount per [Part II, Chapter 4: Property and Liability Insurance, Section 401.02B: Deductibles](#); and
- for business income insurance, the waiting period does not exceed:
 - when expressed as a number of days, 15 days; or



- when expressed as a dollar amount, \$100,000.

Earthquake insurance may be required while the Property is being retrofitted.

Operating Procedures

If retrofitting is required and not completed within the agreed timeframe, you must not accept earthquake insurance as a substitute.

402.05 Terrorism Insurance

Requirements

You must ensure:

- each Property has terrorism insurance for property damage/casualty and liability exposures;
- exceptions are only made to professional liability insurance where terrorism coverage is not required;
- the coverage is at least:
 - 100% of estimated Insurable Value for a single-building Property; and
 - 90% of estimated Insurable Value for a multiple-building Property; and
- for business income insurance, the deductible does not exceed:
 - when expressed as a number of days, 15 days; or
 - when expressed as a dollar amount, \$100,000.

Section 403 Liability Insurance

403.01 Generally

Requirements

You must ensure:

- when the Commercial General Liability and professional liability policy covers multiple locations, general aggregate limits apply per location;
- each Property and Borrower is covered throughout the Mortgage Loan term by liability insurance for
 - bodily injury,



- Property damage, and
- personal injury;
- the liability policy does not contain exclusions for claims related to
 - assault and/or battery,
 - abuse and molestation,
 - animal attacks, or
 - firearms; and
- any liability policy exclusions:
 - are appropriately tailored to the Property's potential exposure; and
 - do not otherwise diminish or eliminate coverage reasonably expected to be provided per a liability policy.

403.02 Commercial General Liability Insurance

Requirements

You must ensure the general liability insurance coverage is at least

- \$1 million per occurrence/\$2 million general aggregate limit, plus
- excess/umbrella insurance as follows:

If the number of aggregate units covered by the policy is...	The minimum excess/umbrella insurance coverage is...
Up to 250	\$1 million
251 - 500	\$2 million
501 - 1,000	\$3 million
1,001 - 2,000	\$5 million
2,001 - 5,000	\$10 million
5,001 - 10,000	\$15 million
More than 10,000	\$20 million

The following maximum deductibles or self-insured retention, or combined deductible and self-insured retention, apply to

- general liability,



- umbrella/excess liability, and
- professional liability.

Maximum Deductibles for All Other Perils	
For...	The maximum deductible amount per occurrence based on the Total Insurable Value is...
Specific Limit Insurance Policy	
Specific Limit Policies	\$50,000
Blanket Deductibles	
Blanket Policies	\$250,000
Expanded Deductibles¹	
Policies other than NFIP less than \$10 million	\$100,000
Policies other than NFIP \$10 million or more	\$150,000
<p>1 Expanded deductibles must meet all of the following:</p> <ul style="list-style-type: none"> • the Borrower evidences liquid assets equal to at least 4x the deductible amount; • the Mortgage Loan <ul style="list-style-type: none"> - has a Pass rating, - is not currently delinquent, and - has not been delinquent within the last 12 months; • the Property Condition Rating is a 2 or better; and • you annually review the Mortgage Loan's eligibility. 	

You must ensure the aggregate coverage meets or exceeds the required minimum limits using any combination of

- primary liability insurance, and
- excess/umbrella insurance coverage.

 **Guidance**

You may include general liability exclusions within the scope of ISO Form CG 00 01 04 13, or its equivalent.



The maximum deductible amount, per occurrence, is the combined deductible for both the

- underlying general or professional liability, and
- excess/umbrella liability.

403.03 Professional Liability Insurance

Requirements

If a Seniors Housing Property provides any level of healthcare, you must ensure the:

- Property has professional liability insurance covering
 - professional errors and omissions,
 - medical malpractice, and
 - all types of abuse; and
- coverage is at least
 - \$1 million per claim or per occurrence/\$2 million general aggregate limit, plus
 - excess/umbrella insurance as follows:

If the number of licensed beds is...	The minimum excess/umbrella insurance coverage is...
1 - 100	\$2 million
101 - 500	\$5 million
501 - 1,000	\$10 million
Over 1,000	\$20 million

You must ensure:

- for a Property with Assisted Living beds, Independent Living beds are not counted when determining the minimum coverage limit;
- when general liability insurance and professional liability insurance coverages are combined under an excess/umbrella insurance policy, the coverage meets the higher minimum limit of the 2 underlying coverages; and
- the maximum deductible for professional liability insurance does not exceed the applicable maximum amount per [Part II, Chapter 4: Property](#)



and Liability Insurance, Section 403.02: Commercial General Liability Insurance.

Guidance

If coverage is switched from a Claims-Made Policy to an Occurrence-Based Policy, consider adding retroactive or tail coverage to ensure past exposures remain protected.

403.04 Workers' Compensation Insurance

Requirements

You must ensure:

- the Property has workers' compensation and employer's liability insurance (including terrorism coverage), if required where the Property is located; and
- coverage meets the statutory limits.

403.05 Directors' and Officers' Liability Insurance

Requirements

You must ensure for each Property owned by a Cooperative Organization, that each Borrower maintains directors' and officer's liability insurance with:

- coverage equal to at least \$1 million per claim or per occurrence; and
- a deductible less than or equal to \$50,000.

Section 404 Environmental Matters

Guidance

Any environmental conditions or risks impacting the Property should be fully understood and considered in the underwriting.

404.01 Environmental Site Assessments

Requirements

You must:

- comply with the Environmental Due Diligence Requirements ([Form](#))



4251), including obtaining a Phase I Environmental Site Assessment (Phase I ESA) of the entire Property;

- ensure the Phase I ESA:
 - is performed per the instructions in [Form 4251](#), including meeting the current requirements of ASTM E1527;
 - is prepared by an environmental professional as that term is defined in 40 C.F.R. § 312.10 (an Environmental Professional);
 - identifies all environmental conditions and risks that may potentially impact
 - resident safety,
 - marketability, or
 - Property value; and
 - clearly identifies how to properly mitigate those conditions and risks, including where applicable:
 - the Environmental Professional's recommendations regarding additional investigation, or requirements of government authority or regulatory agency; or
 - action to remediate or abate any Recognized Environmental Condition (REC)/Controlled Recognized Environmental Condition (CREC), as those terms are defined in ASTM E1527; and
- obtain Fannie Mae's approval before Rate Lock if the Phase I ESA identified any RECs/CRECs.

➔ Guidance

You may rely on a preliminary or draft Phase I ESA to obtain a Rate Lock and Commitment.

404.02 Lender's Responsibilities

☑ Requirements

You must:

- Obtain all investigations recommended or indicated by the Phase I ESA.
- Conduct a thorough review and analysis of the Phase I ESA.
- Provide the Environmental Professional with all available prior Phase I ESAs, investigations, and any relevant and readily available



environmental materials.

- Provide the Appraiser with any documentation from the Phase I ESA necessary to accurately assess the Property's value.
- Identify if the Property's state has an environmental Super Lien Statute and, if so, confirm Property conditions are unlikely to result in the imposition of a super lien having priority over the Security Instrument.
- Disclose to Fannie Mae your knowledge of any actual or suspected environmental conditions affecting the Property, whether or not disclosed in the Phase I ESA.
- Ensure any required Operations and Maintenance Plans (O&M Plans) are obtained and located on the site throughout the Mortgage Loan term.
- Assess the Borrower's ability to carry out any O&M Plan.
- Not Deliver a Mortgage Loan if the Borrower or its agents are not financially or organizationally capable of satisfying the requirements of the O&M Plan.
- Evaluate the potential risk of loss and liability to the Property, the Borrower, you, or Fannie Mae posed by any
 - REC/CREC,
 - Business Environmental Risk, or
 - other environmental condition, whether or not disclosed in the Phase I ESA.

If you become aware of any REC/CREC, you must:

- obtain a Remediation Plan from the Borrower that
 - is prepared by an Environmental Professional, as required by [Form 4251](#),
 - will protect the health and safety of the residents and bring the Property into regulatory compliance, and
 - includes a cost estimate and schedule for completing the work; and
- add the estimated cost of the Remediation Plan to the Completion/Repair Escrow requirement of the Loan Documents.

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 Remediation Plan.



404.03 Environmental Indemnity Agreement

Requirements

You must:

- consider revisions to the Environmental Indemnity Agreement ([Form 6085](#)) to protect you and Fannie Mae from liability associated with any
 - REC/CREC (including the cost to investigate/remediate any such condition), and
 - violation of Environmental Laws by the Borrower;
- document your evaluation of potential revisions, including at a minimum, whether the following revisions are appropriate:
 - additional representation and warranty where the Borrower disclaims responsibility for any REC/CREC, if appropriate and accurate; and
 - additional covenant(s) requiring
 - implementation of the Remediation Plan,
 - compliance with any Environmental Activity and Use Limitations and/or institutional or engineering controls, and
 - maintenance of Borrower eligibility for applicable liability protection status;
- specifically identifying any liability associated with the REC/CREC in the indemnification provisions; and
- other required terms and conditions based on Fannie Mae environmental counsel review.

Section 405 Seismic Risk

405.01 Seismic Hazard and Risk Factors

Requirements

You must:

- assess the seismic risk before Rate Lock by analyzing the PGA at the Property's location;
- determine if the Property has an acceptable level of seismic risk;



- complete [Form 4099.C](#) if the Property is located in a High Seismic Risk area;
- obtain a Seismic Risk Assessment (SRA) if a Structural Risk Factor is identified per [Form 4099.C](#); and
- not Deliver a Mortgage Loan if the Property has
 - a PGA equal to or greater than 0.15g, and
 - 1 of these Structural Risk Factors:
 - an unreinforced masonry building that has not been seismically retrofitted; or
 - a building constructed on a slope with an angle exceeding 30 degrees (a 50% slope).

Guidance

After you Deliver the Mortgage Loan, no additional seismic risk evaluation is needed.

405.02 Seismic Risk Assessment (SRA)

Requirements

You must:

- obtain a Level 1 SRA dated within 12 months before the Commitment Date for any Property with one of the Structural Risk Factors listed in [Form 4099.C](#); and
- ensure the SRA:
 - meets the ASTM seismic standards (ASTM E2026 – Standard Guide for Seismic Risk Assessment of Buildings and ASTM E2557 – Standard Practice for Probable Maximum Loss (PML) Evaluations for Earthquake Due Diligence Assessments);
 - includes estimates for the Scenario Expected Loss (SEL) and the Scenario Upper Loss (SUL);
 - uses a 10% probability of exceedance in a 50-year period;
 - meets ASTM seismic standard professional qualifications; and
 - complies with [Form 4099.C](#), including
 - structured data per Seismic Risk Assessment Data Supplement ([Form 4093](#)), and



— a report narrative.

➔ Guidance

For a Small Mortgage Loan:

- the SRA field investigation may be performed by a PCA consultant or field observer if that professional has at least 2 years of experience performing seismic risk assessments; and
- a new SRA is not required for Supplemental Mortgage Loans; you may rely on the original underwriting seismic analysis.

405.03 Acceptable Levels of Seismic Risk

➔ Guidance

The Property's SEL percentage and the building stability assessment determines if the seismic risk is acceptable.

☑ Requirements

You must:

- determine if the Property's seismic risk is acceptable by confirming all income-producing Improvements or any non-income producing Improvements that support amenities:
 - comply with Part II, Chapter 4: Property and Liability Insurance, Section 405.03: Acceptable Levels of Seismic Risk;
 - have an SEL of 20% or less; and
 - meet the current building stability requirements of ASTM E2026; and
- not Deliver a Mortgage Loan secured by a Property having any Improvements with an SEL greater than 40%.

➔ Guidance

Your analysis should include:

- a Level 1 SRA, including Appendix X4 (ASTM E2557);
- your analysis of the seismic issues and recommendation, describing the:
 - severity and pervasiveness of the conditions driving the SEL and



stability issues;

- risks presented to
 - building stability,
 - building damageability,
 - site stability, and
 - life safety; and
- recommended retrofit or remediation requirements;
- a retrofit letter or the Borrower's retrofit plan, including the
 - timetable, and
 - cost estimate;
- Form 4099.C; and
- a minimum of 6 Property photos, including
 - photos of areas significant to the seismic calculation or stability issue, and
 - elevation views of any Improvements having
 - an SEL over 20%, or
 - a stability issue.

405.04 Seismic Retrofit Ordinances

Requirements

You must ensure the SRA describes a proposed retrofit plan, including associated costs, if a Property must be retrofitted under any

- law,
- regulation, or
- ordinance.

405.05 Seismic Risk Mitigants

Requirements

For any Property where any Improvements have an SEL greater than 20% or a building stability issue, you must contact Multifamily Insurance to



determine acceptable mitigants for Mortgage Loan Delivery, including:

- performing a seismic retrofit sufficient to resolve all stability issues and reduce the SEL of all Improvements to 20% or below; and
- obtaining earthquake insurance coverage per [Part II, Chapter 4: Property and Liability Insurance, Section 402.04: Earthquake Insurance](#).

Earthquake insurance does not mitigate seismic risk.



Glossary

A

Acquisition

Any Purchase of either the:

- Property's fee simple or leasehold interest via a deed transfer; or
- Controlling Interest in the Borrower.

Synonyms

- Acquisitions

Action Plan

Your report analyzing

- the Mortgage Loan and Property issues,
- your resolution strategy, and
- related actions and outcomes.

Synonyms

- Action Plans



Affiliate

When referring to an affiliate of a Lender, any other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender.

When referring to an affiliate of a Borrower or Key Principal:

- any Person that owns any direct ownership interest in Borrower or Key Principal;
- any Person that indirectly owns, with the power to vote, 20% or more of the ownership interests in Borrower or Key Principal;
- any Person Controlled by, under common Control with, or which Controls, Borrower or Key Principal;
- any entity in which Borrower or Key Principal directly or indirectly owns, with the power to vote, 20% or more of the ownership interests in such entity; or
- any other individual that is related (to the third degree of consanguinity) by blood or marriage to Borrower or Key Principal.

Synonyms

- Affiliates
- Affiliate's

Affordable Regulatory Agreement

Regulatory, land use, extended use, or similar agreement or recorded restriction limiting rents, imposing maximum income restrictions on tenants, or placing other affordability restrictions on the use or occupancy of the Property (whether imposed by a government entity or self-imposed by a Borrower per the Sponsor-Initiated Affordability Agreement ([Form 6490](#))).

ALTA

American Land Title Association



Appraisal

Written statement independently and impartially prepared by a qualified Appraiser stating an opinion of the Property's market value

- as of a specific date, and
- supported by the presentation and analysis of relevant market information.

Synonyms

- Appraisals
- Appraisal's

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

Assisted Living

Seniors Housing Property offering services limited to non-medical personal care, including ADL assistance, which are typically licensed and regulated by a state or local governmental authority.

Synonyms

- AL

ASTM

American Society for Testing Materials

B



Blanket Policy

Insurance policy providing coverage for multiple properties and/or multiple perils.

Synonyms

- Blanket

Bonds

Tax-exempt or taxable multifamily revenue bonds, or other tax-exempt or taxable bonds, issued to finance 1 or more Credit Enhancement Mortgage Loan Properties.

Synonyms

- Bond

Book-Entry Date

Date a Security is delivered by Fannie Mae via the Federal Reserve book-entry system to the applicable Investor's designated book-entry account at a depository institution.

Synonyms

- Book-Entry Delivery Date
- Settlement Date

Borrower

Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's



Brokered Transaction

Any Mortgage Loan sourced by you using a third party (e.g., a Mortgage Loan Broker or Correspondent) for which the third party receives a referral or other similar fee paid by you or by, or on behalf of, the Borrower. The following are not Brokered Transactions, even when a referral or other similar fee is paid or received:

- you use an investment sale broker retained solely to assist in selling a Portfolio Mortgage Loan Property that is not being refinanced with Fannie Mae;
- the third party is another multifamily Lender;
- the third party continues receiving ongoing referral or other similar fees after the Mortgage Loan Origination Date for subsequent Mortgage Loans originated by you with that same Sponsor and with which the third party is not involved; or
- the third party owns more than 5% of your total equity.

Synonyms

- Brokered Transactions

Business Day

Any day other than a

- Saturday,
- Sunday,
- day when Fannie Mae is closed,
- day when the Federal Reserve Bank of New York is closed, or
- for any MBS and required remittance withdrawal, day when the Federal Reserve Bank is closed in the district where any of the MBS funds are held.

Synonyms

- Business Days



Business
Environmental Risk

Risk of material environmental or environmentally-driven impact on the business or property associated with a Property or the past, current or planned use of a Property, including all “non-scope considerations” under current ASTM E 1527, asbestos or asbestos-containing materials, radon, lead-based paint, lead in drinking water, wetlands, regulatory compliance, health and safety, indoor air quality, biological agents, mold, etc.

Synonyms

- Business Environmental Risks

C

Captive Insurer

Insurance company wholly owned and controlled by its insureds, whose primary purpose is to insure the risks of its owners, and its insureds benefit from the captive insurer's underwriting profits.

Synonyms

- Captive Insurer's
- Captive Insurers

Catastrophic Event

Natural or man-made hazard resulting in an event of substantial extent causing

- significant physical damage or destruction,
- loss of life, or
- drastic change to the natural environment, such as
 - earthquake,
 - flood,
 - terrorist attack, or
 - windstorm.

Synonyms

- Catastrophic Events



Choice Refinance Loan	<p>Mortgage Loan refinancing a Portfolio Mortgage Loan using streamlined underwriting per Part III, Chapter 18: Choice Refinance Loans.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Choice Refinance Loans
Collateral	<p>Property, Personal Property, or other property securing a Mortgage Loan.</p>
Commitment	<p>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.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Committed• Commitments
Commitment Date	<p>Date a Commitment is confirmed by Fannie Mae per Part IV, Chapter 2: Rate Lock and Committing, Section 204: Commitments.</p>
Completion/Repair Escrow	<p>Custodial Account funded on the Mortgage Loan Origination Date for Completion/Repairs or capital improvements per the Loan Documents.</p>
Completion/Repair Schedule	<p>The Required Repair Schedule to the Multifamily Loan Agreement (Form 6001 series) and the applicable parts of the Multifamily Loan Agreement, or other Fannie Mae-approved agreement, evidencing:</p> <ul style="list-style-type: none">• the Borrower's agreement to<ul style="list-style-type: none">- fund the Completion/Repair Escrow, and- perform Completion/Repairs; and• Completion/Repair Escrow disbursement terms. <p>Synonyms</p> <ul style="list-style-type: none">• Completion/Repair Schedules



Completion/Repairs	<p>Repairs or capital item replacements and deferred maintenance:</p> <ul style="list-style-type: none">• identified per the Property Condition Assessment; and• required per the<ul style="list-style-type: none">- Completion/Repair Schedule, or- Completion/Repair Agreement.
	<p>Synonyms</p> <ul style="list-style-type: none">• Completion/Repair
Condominium	<p>Statutorily established Property ownership regime where Condominium Documents designate:</p> <ul style="list-style-type: none">• individual units for separate ownership; and• common areas for shared use and joint ownership by the unit owners.
Control	<p>Possessing, directly or indirectly, the power to direct or cause the management and operations of an entity (e.g., through the ownership of voting securities or other ownership interests, or by contract).</p>
	<p>Synonyms</p> <ul style="list-style-type: none">• Controlling• Controlled• Controls
Cooperative Maintenance Fee	<p>Periodic fee assessed each shareholder or owner of a Cooperative Organization to fund costs and expenses associated with ongoing operations of the Cooperative Property.</p>
	<p>Synonyms</p> <ul style="list-style-type: none">• Cooperative Maintenance Fees
Cooperative Organization	<p>Corporation or legal entity where each shareholder or equity owner is granted the right to occupy a unit in a multifamily residential property under a proprietary lease or occupancy agreement.</p>



Cooperative Property Multifamily residential property owned by a Cooperative Organization.

Synonyms

- Co-op
- Cooperative

Credit Facility Structured Transaction governed by a Master Credit Facility Agreement requiring Mortgage Loans and Properties to be

- cross-defaulted, and
- cross-collateralized.

Synonyms

- Credit Facilities
- Credit Facility's

D

Debt Service Coverage Ratio On an annual basis or any specified period, the ratio of Net Cash Flow to the total of: principal, interest, and required Mezzanine Financing or Hard Pay Preferred Equity payments.

Synonyms

- DSCR

Delivery Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Mae's satisfaction.

Synonyms

- Deliver
- Delivered
- Deliveries

DocWay Business-to-business electronic documentation delivery application, or any successor system.



Down Unit Unit currently not rentable in the normal course of business due to requiring more than routine maintenance and repairs.

Synonyms

- Down Units

DUS Delegated Underwriting and Servicing

DUS Gateway Multifamily pre-acquisition system, or any successor systems, recording deal registration, Pre-Review and/or waiver tracking, Mortgage Loan Commitments, and decision records.

E

Effective Gross Income For any specified period, the Property's total Net Rental Income, plus commercial income, plus other income, all calculated per [Part VII, Chapter 1: Valuation and Income, Section 103: Income Analysis](#) and the applicable products and features in Part III.

Synonyms

- EGI

Environmental Activity and Use Limitations Legal or physical restrictions or limitations on the use of, or access to, all or any portion of a site, facility, groundwater, soils, or other media at, on, about or under a site or facility to reduce or eliminate potential exposure to Hazardous Materials or to prevent activities that could interfere with the effectiveness of a Hazardous Materials removal, response or remediation.



Environmental Laws

All current federal, state, and local laws, ordinances, regulations, standards, rules, policies, and other governmental requirements, administrative rulings, court judgments, and decrees, and all amendments thereto, relating to pollution or protection of human health, wildlife, wetlands, natural resources or the environment (including ambient air, surface water, ground water, land surface, or subsurface strata) including such laws governing or regulating the use, generation, storage, removal, remediation, recovery, treatment, handling, transport, disposal, control, release, discharge of, or exposure to, Hazardous Materials, and voluntary cleanup programs and/or brownfields programs.

Environmental Site Assessment

Investigation and resulting report (Phase I ESA or Phase II ESA) conducted per Environmental Due Diligence Requirements ([Form 4251](#)), identifying if a Property has Recognized Environmental Conditions or Business Environmental Risks.

Synonyms

- ESA
- Environmental Site Assessments



Essential Elements

A Shared Use Property's amenities, common areas or infrastructure:

- impacting or essential to the:
 - operation,
 - use,
 - value and marketability,
 - leasing,
 - refinancing, and/or
 - zoning or legal compliance; and
- examples of Essential Elements may include:
 - parking,
 - roadways,
 - utility easements, and
 - amenities such as
 - laundry facilities,
 - clubhouses,
 - pools,
 - playgrounds,
 - tennis courts,
 - fitness clubs, and
 - recreational facilities.

F

FEMA

Federal Emergency Management Agency

Synonyms

- FEMA's

Foreclosure Event

Any of the following:

- Foreclosure per the Security Instrument;
- Fannie Mae's exercise of rights and remedies per the Security Instrument or applicable law (including Insolvency Laws) as holder of the Mortgage Loan and/or the Security Instrument, where Fannie Mae (or its designee or nominee), or a third-party purchaser, becomes the Property owner;
- Borrower delivers Fannie Mae (or its designee or nominee) a deed or other conveyance of the Property in lieu of any of the foregoing; or
- in Louisiana, any dation en paiement.



Form 4660

Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans.

Synonyms

- Multifamily Underwriting Standards

G

Ground Lease

Contract for the rental of land, usually on a long term basis.

Guarantor

Key Principal or other Person executing a

- Payment Guaranty,
- Non-Recourse Guaranty, or
- any other Mortgage Loan guaranty.

Synonyms

- Guarantors

Guaranty

Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.

Guide

Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise.

Synonyms

- DUS Guide

H



High Performance Building Module

PCA High Performance Building Module assessing cost effective opportunities to increase a Property's energy and water efficiency and reduce costs.

Synonyms

- HPB Module

High Seismic Risk

Area or a specific site identified by the most recent USGS data (see United States Geological Survey (USGS) Peak Ground Acceleration (PGA) Calculator Tutorial) as having a PGA equal to or greater than 0.15g (i.e., 15% of the acceleration of gravity (g) using a 10% probability of exceedance in a 50 year period).

Homeowner

For an MH Community, a tenant of the Borrower who pays ground rent to the owner for use and occupancy of the MH Site and for use of the MH Community's utilities and amenities.

Synonyms

- Homeowners

HPB

High Performance Building

I

Improvements

Buildings, structures, improvements, and alterations, including the multifamily housing dwellings, now or hereafter constructed or placed on the Property, including all fixtures (as defined in the UCC).

Synonyms

- Improvements'



Independent Living

Seniors Housing providing limited programs of assistance for domestic activities (e.g. meals, housekeeping, activities, transportation, etc.), and typically resembles market rate units.

Synonyms

- IL

Insurable Value

For any Property, the estimate of the maximum dollar amount needed to replace, repair, or reproduce the Property, but excluding any land value.

Synonyms

- Insurable Values

J

Joint Loss Agreement

Provision used when more than 1 insurer gives the same property coverage to temporarily allocate losses to ensure prompt payment to the policyholder. For covered losses, insurers pay the policyholder:

- any undisputed amounts; and
- all remaining sums in equal shares and insurers arbitrate among themselves to determine final responsibility for those sums.

K

Key Principal

Person who

- controls and/or manages the Borrower or the Property,
- is critical to the successful operation and management of the Borrower and the Property, and/or
- may be required to provide a Guaranty.

Synonyms

- Key Principals
- Key Principal's

L



Lease	<p>Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Leases
Leasehold	<p>Property held under a long-term lease or Ground Lease.</p>
Lender	<p>Person Fannie Mae approved to sell or service Mortgage Loans.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Lenders• Lender's
Lender Contract	<p>Program Documents per the Multifamily Selling and Servicing Agreement.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Lender's Contract• Lender Contracts• Contract• Multifamily Selling and Servicing Agreement• MSSA
Lien	<p>Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Liens
Loan Documents	<p>All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Loan Document• Mortgage Loan Document• Mortgage Loan Documents



Loan-to-Value Ratio

Ratio of the actual aggregate UPB of the Mortgage Loan, plus any Pre-Existing Mortgage Loans, plus any Hard Pay Preferred Equity, plus any Mezzanine Financing, to the value of the Property, expressed as a percentage.

Synonyms

- LTV
- LTV Ratio

M

MAMP

Multifamily Asset Management Portal used to submit

- Property inspections,
- operating statements,
- requested modifications,
- asset management reports, and
- data corrections for loan or property attributes.

Synonyms

- Multifamily Asset Management Portal
- MAMP's

Manufactured Housing Community

Residential real estate development with lots on which manufactured homes are located, together with amenities, utility services, landscaping, roads, and other infrastructure.

Synonyms

- Manufactured Housing Property
- MH Community
- MH Community's
- MH Communities
- MHC



Material Commercial Lease

Lease, sublease, license, concession, grant, or other possessory interest

- for commercial purposes comprising 5% or more of the Property's annual EGI, or
- relating to:
 - solar power, thermal power generation, or co-power generation, or the installation of solar panels or any other electrical power generation equipment, and any related power purchase agreement; or
 - any Property dwelling units leased to
 - a Borrower Affiliate,
 - any Key Principal, or
 - any Principal.

Synonyms

- Material Commercial Leases

Maturity Date

Date all Mortgage Loan amounts become fully due and payable per the Loan Documents.

Synonyms

- Maturity Dates

MBA

Mortgage Bankers Association

Synonyms

- MBA's

MBS

Mortgage-Backed Security

Metropolitan Statistical Area

Geographic delineation for a metropolitan area determined by the U.S. Census Bureau.

Synonyms

- MSA



Moderate Rehabilitation Property

Property that will undergo at least \$8,000 per unit of Rehabilitation Work.

Synonyms

- Moderate Rehabilitation

Modular Housing

Property on which the multifamily Improvements are constructed of sections built off-site, such as modular, prefabricated, panelized, or sectional housing, and then assembled and installed on-site on a permanent foundation (and not a chassis).

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

Mortgage Loan Broker

Third-party Person who arranges

- Mortgage Loan financing on the Borrower's behalf, or
- Transfers/Assumptions on behalf of the
 - new Borrower for an assumption, or
 - transferee for a transfer.

Synonyms

- Broker
- Brokers
- Mortgage Loan Brokers

Mortgage Loan Origination Date

Date you fund a Mortgage Loan to the Borrower.

Synonyms

- Mortgage Loan's Origination Date
- Origination Date



Multifamily Affordable Housing Property

Property encumbered by a regulatory agreement, land use restriction agreement, extended use agreement, or similar restriction that limits rents that can be charged to tenants, or imposes income limits on tenants.

Synonyms

- MAH
- Multifamily Affordable Housing
- MAH Property

Multifamily Committing and Delivery System

Electronic committing and delivery system used for issuing and confirming Commitments for acquiring Mortgage Loans, or any such successor system.

Synonyms

- C&D
- Multifamily Committing and Delivery Systems

Multifamily Insurance

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

Multifamily Loan Agreement

Agreement evidencing Mortgage Loan terms using

- [Form 6001 series](#) Loan Documents, or
- another Fannie Mae-approved form.

Synonyms

- Multifamily Loan Agreements

N

National Flood Insurance Program

Program of flood insurance coverage and floodplain management administered under the National Flood Insurance Act.

Synonyms

- NFIP



National Society of
Professional Surveyors

National Society of Professional Surveyors

Synonyms

- NSPS

Near Stabilized
Property

Newly constructed or recently rehabilitated Property, with all construction or rehabilitation complete, which is expected to achieve Stabilized Residential Occupancy and the applicable required Underwritten Debt Service Coverage Ratio within 120 days after the Mortgage Loan Origination Date.

Net Cash Flow

At underwriting or for any specified period, the amount calculated per [Part VII, Chapter 1: Valuation and Income, Section 103: Income Analysis](#) and the applicable products and features in Part III.

Synonyms

- NCF

Net Operating Income

At underwriting or for any specified period, the Property's total Effective Gross Income minus operating expenses.

Synonyms

- NOI

Note

Instrument evidencing a Mortgage Loan obligation, including

- [Form 6010 series](#),
- any other Fannie Mae-approved note, and
- all applicable
 - addenda,
 - schedules, and
 - exhibits.

Synonyms

- Notes

O



Operations and Maintenance Plan

Required plan for remediating a Recognized Environmental Condition or Business Environmental Risk as described in Environmental Due Diligence Requirements ([Form 4251](#)).

Synonyms

- O&M
- O&M Plan
- O&M Plans

P

Payment Guaranty

Guaranty executed by a Key Principal on Form 4502 series or [Form 6020 series](#), or approved by Fannie Mae.

PCA Consultant

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

Synonyms

- PCA Consultant's

PCA Report

Property Condition Assessment Report documenting the findings of a PCA.



Permitted Encumbrances

The following permitted title exceptions:

- lien of current real property taxes, water charges, sewer rents and assessments not yet due and payable;
- covenants, conditions and restrictions, rights of way, easements and other matters of public record acceptable to the Lender and specifically identified in the Title Policy;
- pre-printed exceptions (general and specific) and exclusions set forth in the Title Policy and acceptable to the Lender;
- rights of tenants (as tenants only) under leases (including subleases) pertaining to the Property;
- if the Mortgage Loan is cross-collateralized, the lien of the Mortgage for another Mortgage Loan contained in the same cross-collateralized group; and
- condominium declarations of record acceptable to the Lender and identified in the Title Policy, provided that none of items (a) through (f), individually or in the aggregate, materially interferes with the current marketability or principal use of the Property, the security intended to be provided by the Mortgage, or the current ability of the Property to generate net cash flow sufficient to service the Mortgage Loan or the Borrower's ability to pay its obligations when they become due.

Personal Property

Furniture, fixtures, equipment, and other tangible personal property located on or used in connection with the Property.

PGA

Peak Ground Acceleration as determined by the United States Geological Survey.

Phase I ESA

Environmental Site Assessment conducted per the current ASTM E-1527 standard and the resulting report.

Synonyms

- Phase I Environmental Site Assessment
- Phase I ESAs



Phased Properties

Property that is one section of an existing or future complex and the Property is intended to be operated together with another property in the complex, and/or with shared access and amenities.

Synonyms

- Phased Property

Portfolio Mortgage Loan

Mortgage Loan purchased by Fannie Mae and held as of a certain date regardless of whether it is a Cash Mortgage Loan or an MBS Mortgage Loan.

Synonyms

- Portfolio Mortgage Loans
- Portfolio Mortgage Loan's

Prepayment Premium

For a Mortgage Loan prepayment, amount the Borrower must pay in addition to the prepaid principal and accrued interest per the Loan Documents.

Synonyms

- Prepayment Premiums

Prepayment Premium Period End Date

Last date when a Borrower owes a Prepayment Premium for a voluntary Mortgage Loan prepayment.

Pricing and Underwriting Tier

Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660).

Synonyms

- Tier



Principal

Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors.

Synonyms

- Principals

Project

Multifamily buildings

- on multiple Properties,
- owned by the same Borrower, and
- that comply with Part II, Chapter 1: Attributes and Characteristics, Section 102.01: Single Borrower Ownership.

Synonyms

- Projects

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

Property Condition Assessment

Assessment of the Property's physical condition and historical operation.

Synonyms

- PCA
- PNA
- Physical Needs Assessment
- PCAs



Property Condition Rating

An assessment of the Property's overall condition per the MBA Standard Inspection Form, expressed on a scale from 1 (the best Property Condition Rating) to 5 (lowest Property Condition Rating).

Synonyms

- Property Condition Ratings

R

Rate Lock

Agreement between you and the Investor containing the terms of the Lender-Arranged Sale or Multifamily Trading Desk trade of the Mortgage Loan and the MBS terms and conditions relating to the underlying MBS, if applicable, which may be documented via a recorded telephone conversation.

Synonyms

- Rate Locks

Rehabilitation Work

Aggregate repairs, replacements, or improvements (including all Completion/Repairs) required to be performed and completed within a specified time period after the Mortgage Loan Origination Date for a Moderate Rehabilitation Property.

Replacement Reserve

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

Synonyms

- Replacement Reserves



Replacement Reserve Schedule

The Required Replacement Schedule to the Multifamily Loan Agreement ([Form 6001 series](#)) and the applicable parts of the Multifamily Loan Agreement (or other agreement approved by Fannie Mae), that evidence the:

- Borrower's agreement to replace identified capital items and perform required maintenance;
- terms for funding the identified capital item replacement and maintenance; and
- disbursement of Replacement Reserve funds.

Synonyms

- Replacement Reserve Schedules

Replacements

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

Synonyms

- Replacement

Risk Retention Group

State-chartered insurance company created by the 1986 federal Liability Risk Retention Act, insuring commercial businesses and government entities against liability risks.

Synonyms

- RRG
- Risk Retention Groups

S

Security

MBS, PFP MBS, or REMIC.

Synonyms

- Securities



Security Instrument Instrument creating a lien or encumbrance on 1 or more Properties and securing the Loan Document obligations.

Synonyms

- Security Instruments
- Security Instrument's

Seniors Housing Property Multifamily residential rental property with any combination of Independent Living, Assisted Living, Alzheimer's/Dementia Care, or Skilled Nursing units.

Synonyms

- Seniors Housing
- Seniors Housing Properties

Servicing File Your file for each Mortgage Loan serviced.

Synonyms

- Servicing Files

Shared Use Documents Agreements benefiting and/or burdening a Shared Use Property, such as:

- reciprocal easement agreements (REA);
- declaration of covenants;
- conditions and restrictions (CCR);
- development agreements;
- shared use agreements;
- joint ownership agreement or similar agreements governing homeowners' associations (HOAs);
- planned unit developments (PUDs); or
- other common interest arrangements or planned developments.



Shared Use Property

Property subject to Shared Use Documents:

- benefiting the Property by granting the right to use Essential Elements on common areas created by, or other properties subject to, the Shared Use Documents, and/or
- burdening the Property by:
 - subjecting it to:
 - property-use or other restrictive covenants;
 - fees or assessments; or
 - maintenance obligations; or
 - allowing other parties subject to the Shared Use Documents the right to use the Essential Elements located on the Property.

Short Term Rental

Property permitting leases or master leases (including subleases, licenses, and other possessory interests, whether oral or written) of an individual dwelling unit where the intended occupancy of the unit is for less than 30 days, regardless of the stated lease term, such as through a peer-to-peer online marketplace or homestay network (e.g., Airbnb, VRBO®, etc.).

Synonyms

- STR
- STRs

Small Mortgage Loan

Mortgage Loan with an original loan amount less than or equal to \$9 million.

Synonyms

- Small Mortgage Loans



Solar Photovoltaic System

A renewable energy system located on the Property that converts sunlight into electricity and/or a battery storage system containing lithium ion batteries or equivalent technology capable of storing electricity received from the electric grid or a renewable energy system and delivering stored electricity to the Property.

Synonyms

- Solar PV System

Special Flood Hazard Area

Special Flood Hazard Area designated by FEMA.

Synonyms

- SFHA
- SFHAs
- SFHA Zone

Sponsor

Principal equity owner and/or primary decision maker of the Borrower (often the Key Principal or the Person Controlling the Key Principal).

Synonyms

- Sponsors
- Sponsor's

Supplemental Mortgage Loan

Mortgage Loan purchased by Fannie Mae that is subordinated to, and has a Mortgage Loan Origination Date after, the Senior Mortgage Loan that is also owned by Fannie Mae.

Synonyms

- Supplemental Mortgage Loans

T



Taxes and Insurance Taxes or assessments that may become a Lien on the Property and insurance premiums.

Synonyms

- T&I
- Tax and Insurance

Total Insurable Value For any Property, the sum of the full value of the insured's:

- covered Property;
- Property-related business income values; and
- any other covered Property interests.

Synonyms

- Total Insurable Values

Transfer/Assumption Transaction changing the ownership of the Borrower or Property.

Synonyms

- Transfers/Assumptions

U

UCC Uniform Commercial Code

Underwriting Value Value of the Property determined by the Lender to size the Mortgage Loan per [Part VII, Chapter 1: Valuation and Income, Section 102: Appraisal and Valuation](#).

UPB Unpaid Principal Balance

Synonyms

- UPBs