



Multifamily Selling and Servicing Guide

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Summary of Changes

HIGHLIGHTS

Effective for Mortgage Loans Committed on or after April 8, 2022, the requirements for Mortgage Loans secured by multiple Properties with separate ownership structures were updated.

Primary Changes

Added new requirements and Loan Documents when a Mortgage Loan is secured by multiple Properties and any Property is owned by a separate Borrower, including:

- Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals;
- Part II, Chapter 1: Attributes and Characteristics;
- Modifications to Multifamily Loan and Security Agreement (Co-Borrowers) (Form 6274); and
- Modifications to Security Instrument (Co-Borrowers) (Form 6322).

Questions

Please contact the Fannie Mae Deal Team with any questions.



Chapter 3 Borrower, Guarantor, Key Principals, and Principals

Section 301 Generally

Operating Procedures

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

Guidance

You should:

- Complete a credit review by analyzing information about their
 - organizational structure,
 - multifamily business experience and qualifications,
 - general credit history, and
 - current and prospective financial condition.
- Ensure that the financial strength, experience, qualifications, character, and credit history of the [Borrower](#), [Guarantor](#), [Key Principals](#), and [Principals](#) support the size, complexity, structure, and risk of the transaction.

Section 302 Borrower Organizational Structure

302.01 Single-Asset Entity

Requirements

You must ensure that

- the [Borrower](#) is a domestic single-asset entity, and
- if the [Borrower](#) is ultimately owned by foreign persons or entities, it has at least 1 domestic tier of ownership.

Guidance



As you analyze the **Borrower** and its organizational documents to confirm that it is a single-asset entity, consider the following questions:

- Can the **Borrower** acquire any additional real property, personal property, or assets?
- Can the **Borrower** participate in any business other than managing and operating the **Property**?
- Are the **Borrower's** assets or funds commingled with anyone else's? If so, can these assets or funds be separated and identified?
- Are the **Borrower's** financial statements, accounting records, and other organizational documents maintained with anyone else's?
- Except for the **Mortgage Loan**, has the **Borrower** assumed, guaranteed, or obligated itself to cover anyone else's liabilities?

Requirements

If the **Borrower** owns more than a single asset, the **Borrower** may still qualify as a single asset entity if you:

- Obtain an operating statement for each real property owned.
- Obtain proof that the **Borrower** has no existing debt secured by a **Lien** on any of the **Borrower's** real property, other than a **Mortgage Loan** purchased by Fannie Mae.
- Obtain proof that the **Borrower** does not have any direct or indirect equity interest subject to mezzanine financing.
- Ensure that the **Loan Documents** prohibit the **Borrower** from
 - acquiring any additional debt (except for supplemental debt on existing Fannie Mae loans),
 - increasing any existing debt, or
 - acquiring any additional real property.

Guidance

As you analyze the **Borrower** that owns more than a single asset, you should consider whether its other real estate assets are only

- multifamily properties, or



- other types of real estate that do not pose an environmental risk to the Borrower.

302.02 Co-Tenant Borrowers

Requirements

You must ensure that any Co-Tenant Borrower meets these eligibility requirements:

- the Borrower has no more than 10 co-tenants;
- no co-tenant is an individual;
- each co-tenant is a single-asset entity complying with Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.01: Single-Asset Entity; and
- each co-tenant has jointly and severally executed the Loan Documents.

302.02A Tenancy-in-Common Agreement

Requirements

You must ensure that a validly executed Tenancy-in-Common Agreement is in place prior to or at the Mortgage Loan closing.

You must review the agreement to ensure that:

- Each co-tenant is bound by the terms of the agreement.
- The Property has a manager of its day-to-day business and affairs, which can be
 - a single co-tenant (or the Key Principal of such co-tenant) known as the “co-tenant representative”, or
 - a validly-appointed property manager.
- Distributions to the co-tenant representative are subordinate to
 - all payments under any Mortgage Loan secured by a Lien on the Property, and
 - the terms and conditions of any such Mortgage Loan.



➔ Guidance

As you analyze the Tenancy-in-Common Agreement, consider the following questions. The term “co-tenant” also includes any **Key Principal** who has the rights of the co-tenant.

Representation

- Have the **Co-Tenant Borrowers** given the co-tenant representative the power to deal with the **Lender** through the Tenancy-in-Common Agreement or an irrevocable power-of-attorney?
- Has each **Co-Tenant Borrower** waived its right to reside in the **Property**?

Buy outs

- Does each **Co-Tenant Borrower** have buy out rights to any other co-tenant?
- Is each **Co-Tenant Borrower** financially able to buy out any other co-tenant?

Communication

- Does each **Co-Tenant Borrower** have a name, address, telephone number, and percentage of ownership interest listed?
- Has each **Co-Tenant Borrower** agreed to promptly notify all other **Co-Tenant Borrowers** and you if their address or telephone number changes?
- Has a single **Key Principal** of the co-tenant representative agreed to receive any communication from you on behalf of all **Co-Tenant Borrowers**?

302.02B Key Principal Execution of Guaranty

☑ Requirements

You must ensure that:

- each **Co-Tenant Borrower** names at least 1 **Key Principal**; and
- if a **Guaranty** is required, each **Key Principal** must become a **Guarantor** and execute either a **Non-Recourse Guaranty** or **Payment Guaranty**.



302.03 Joint and Several Borrowers with Multiple Properties

Requirements

If a Mortgage Loan not in a Credit Facility is secured by multiple Properties and any Property is owned by a different Borrower, you must require each Borrower to:

- execute a single set of Loan Documents with joint and several liability for the Mortgage Loan;
- comply with the “single purpose entity” requirements per Modifications to Multifamily Loan and Security Agreement (Co-Borrowers) (Form 6274);
- be owned by the same Persons having the same percentage ownership interests (whether direct or indirect);
- be Controlled by the same Sponsor or Key Principal;
- execute Form 6274, restricting Property Transfer/Assumption or release during the Mortgage Loan term;
- execute an acceptable Contribution Agreement complying with Form 6274; and
- if separate Security Instruments are recorded to encumber Properties in different counties, execute separate Modifications to Security Instrument (Co-Borrowers) (Form 6322) for each Security Instrument.

Each Property securing the Mortgage Loan must:

- be in the same State; and
- comply with Part II, Chapter 1: Attributes and Characteristics, Section 102: Multiple Parcels.

Section 303

Key Principals, Principals, and Guarantors

Requirements

For every Mortgage Loan, you must:

- Identify and underwrite any Guarantor and all Key Principals and Principals of the Borrower.



- Ensure the **Guarantor**
 - is not a foreign person or a foreign entity, and
 - either has an ownership interest in the **Borrower** or ensure that the **Guarantor** has adequate consideration to enter into the **Guaranty**.

You must identify the **Principals** based on the aggregate of all direct and indirect ownership interests in the **Borrower** held per the following table.

If the Borrower is a...	Then a Principal is...
General Partnership or Joint Venture	any general partner or joint venturer.
Limited Partnership	all general partners and any Person who owns a 25% or more limited partnership interest.
Privately-Held Corporation	any Person who owns 25% or more of the voting stock.
Limited Liability Company	all non-member managers, member-managers, and any Person who owns a 25% or more membership interest.
Trust (other than a Land Trust)	the grantor (if the trust is a revocable trust or if the grantor or settlor has retained powers), any Person who has a 25% or more beneficial interest in the trust, and any trustee.
Land Trust	any Person who owns a 25% or more beneficial interest in the land trust.

303.01 Entity Review

Guidance

When you review an entity, consider the following questions:

- Is it an existing entity (e.g., a corporation, limited liability company, limited liability partnership, or other acceptable structure) that is not newly formed?



- Is it a well-capitalized, stable, on-going business that would be expected to:
 - Remain financially healthy?
 - Support the **Property**?
 - Meet all **Guarantor** requirements and obligations under the **Guaranty**?
 - Have assets and net worth that are significantly greater than what would be minimally acceptable for an individual **Key Principal**?

303.02 Fund

➔ Guidance

When you review a fund, consider the following questions:

- What is the experience and performance history of the fund manager with similar funds?
- Can the fund raise equity from financially substantial investors?
- What is the performance of the fund?
- What is the leverage level of the fund?
- What is the net worth and liquidity of the fund?
- What is the type and quality of
 - the **Property** and market,
 - other existing properties and markets, and
 - any potential additional properties and markets targeted by the fund pursuant to its agreements?

Additionally, you should review the organizational documents and private placement memorandum (if applicable) for the following information:

- the fund's expiration date;
- any extension to the fund's existence and conditions to approve that extension; and
- the process for winding up the business affairs of the fund, including



whether the fund is organized in a state that requires the orderly dissolution of investment funds, such as Delaware or Illinois.

Section 304 Financial Statements

Requirements

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

If these statements...	Then...
Are dated less than 12 months before the Commitment Date	You do not need a signed "no material adverse change" certification.
Are dated 12 – 24 months before the Commitment Date	You must include a signed certification dated within 30 days before loan application that states they have experienced no material adverse change to their financial condition.
Are dated more than 24 months old	You cannot use them.

For all financial statements, you must collect:

- A schedule of real estate owned by the party providing the financial statement, including the loan information (such as lender, [DSCR](#), and maturity date) for all assets on the schedule.
- A listing of all other assets, including
 - notes receivable from related entities, and
 - an estimate of the market value of each asset and the basis for calculating value estimates.
- All liabilities and contingent liabilities, including
 - debts under lines or letters of credit,
 - personal guaranties,
 - unmet obligations to partnerships or other entities, and



- other future obligations (describe the amount and timing of these).
- Any other factors that may impact the party's financial position immediately or during the term of the [Mortgage Loan](#) (including any known threat of potential lawsuits that may arise from the parties' business operations).

Section 305 Multifamily Underwriting Certificate

Requirements

You must obtain the appropriate [Multifamily Underwriting Certificate \(Form 6460\)](#) from the [Borrower](#) and each [Key Principal](#).

You must ensure that the [Form 6460](#) is

- signed and certified as true, correct, and complete, and
- dated within 90 days before the [Commitment](#) date.

If the 90-day limit is exceeded, the [Borrower](#) and [Key Principals](#) must certify that there has been no material adverse change to the financial condition shown in the [Form 6460](#).

You must keep a copy of the [Form 6460](#) in your [Servicing File](#).

Section 306 Fraudulent Conveyance

Requirements

You must not obtain a [Commitment](#) for any [Mortgage Loan](#) if you believe that the [Borrower](#), [Key Principals](#), [Principals](#), or [Guarantors](#) intend to delay, hinder, or defraud creditors.

Guidance

To show that you have made the [Mortgage Loan](#) in good faith, consider the following questions:

- Have you carefully reviewed the facts so that you have a clear defense to potential fraudulent conveyance or fraudulent transfer claims?
- Have you obtained a [Form 6460](#) that confirms the [Borrower's](#) good faith?



Section 307

Applicant Experience Check

Requirements

For both initial applications, [Supplemental Mortgage Loans](#), and any [Transfer/Assumption](#), you must perform an [ACheck™](#) and receive a "Continue Processing" response for

- the [Borrower](#),
- each [Key Principal](#) of the [Borrower](#),
- each [Principal](#) of the [Borrower](#),
- each [Guarantor](#), and
- any person who owns or controls an entity [Key Principal](#).

Operating Procedures

Where can you find ACheck?

You can find the [ACheck](#) application at <https://multifamily.fanniemae.com/applications-technology/acheck>.

When do you use the ACheck application?

As soon as you receive an application request and the necessary tax identification numbers and/or social security numbers, enter the information into [ACheck](#).

- If you have not yet identified all parties at this stage, you must enter all [Key Principals](#), [Principals](#), and [Guarantors](#) of the [Borrower](#) into [ACheck](#) as soon as you identify them.
- If more than 90 days pass between the initial [ACheck](#) and [Commitment Date](#), you must repeat an [ACheck](#).

How do you view ACheck results?

The [ACheck](#) application will provide either a "Continue Processing" or "Do Not Process" electronic response instantaneously.

■ **"Continue Processing" Response**

You must receive a "Continue Processing" response in order to proceed with the application.



This does not mean that the [Borrower](#), [Key Principal](#), [Principal](#), [Guarantor](#), or [Principal](#) is approved; you are still required to complete full [Mortgage Loan](#) credit underwriting.

■ “Do Not Process” Response

If you receive a response stating “do not continue processing an application for a Fannie Mae loan that involves this applicant” (or similar wording), then:

- Do not proceed with the application, and do not omit any [Key Principal](#), [Principal](#), or [Guarantor](#) for which a “Do Not Process” response was given.
- Use the “Do Not Process” response to indicate that you need to have direct communication with Fannie Mae.
- Follow the instructions provided by the [ACheck](#) application and contact Fannie Mae before proceeding to underwrite the [Mortgage Loan](#).
- Never use the “Do Not Process” response as the sole reason for rejecting or denying credit in any cases not involving Fannie Mae.

You will not be provided any information as to why a particular [Borrower](#), [Key Principal](#), [Principal](#), or [Guarantor](#) received a “Do Not Process” response.

What about confidentiality?

You must establish procedures to ensure that all [ACheck](#) responses obtained for [Borrowers](#), [Key Principals](#), [Principals](#), and [Guarantors](#) are kept confidential.

How do you maintain ACheck results?

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

Section 308

Compliance

Requirements

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



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

Fannie Mae will not purchase any Mortgage Loan with a Borrower, Key Principal, Principal, or Guarantor that:

- is sanctioned or blocked by OFAC;
- exhibits "red flags" that indicate a high risk of money laundering; or
- is on the
 - FHFA SCP List,
 - HUD "Limited Denial of Participation, Funding Disqualifications and Voluntary Abstentions List," or
 - GSA "System for Award Management (SAM)" Exclusion List.

Operating Procedures

If you find a “red flag” for money laundering:

1. Do not inform the Borrower, any Borrower Affiliate, Key Principal, Principal, or Guarantor.
2. Report all information that triggered the “red flag” to Fannie Mae to:
 - <https://fims.secure.force.com/MortgageFraudSubmission> or (800) 232-6643, and
 - Lender Risk Management.
3. Obtain Fannie Mae’s written approval to Deliver the Mortgage Loan.
4. Do not provide any information to Fannie Mae that would indicate whether you have filed a Suspicious Activity Report (SAR) with the Financial Crimes Enforcement Network (FinCEN).



Section 309 Execution of Non-Recourse Guaranty

Requirements

You must obtain a Non-Recourse Guaranty from a Key Principal (the Guarantor) for any Mortgage Loan that has

- an Underwritten DSCR less than
 - 1.35 for fixed rate or
 - 1.10 for variable rate, or
- an LTV greater than 65%.

You do not need to obtain a Non-Recourse Guaranty if the Borrower is a Cooperative Organization or if the Key Principal (who would otherwise be the Guarantor) is a publicly traded entity.

Section 310 Conflict Mortgage Loans

310.01 Description

Requirements



Conflict Mortgage Loan Type	
Conflict Mortgage Loan	<ul style="list-style-type: none"> • Any Mortgage Loan in which: <ul style="list-style-type: none"> - a Lender, any Lender Affiliate, or any Lender Senior Executive <ul style="list-style-type: none"> ▪ owns (or will own) any direct or indirect equity interest in the Borrower, or ▪ directly or indirectly controls the Borrower; or - any Lender employee, or group of employees, owns (or will own) more than a 5% direct or indirect equity interest in the Borrower. • Any Mortgage Loan with DLA Mezzanine Financing. <p>Any equity interest you acquire in the Borrower relating solely to obtaining the associated LIHTCs is not considered when determining if the Mortgage Loan is a Conflict Mortgage Loan (see Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 709: LIHTC Properties – Lender Equity Interest).</p>
Prohibited Conflict Mortgage Loan	<p>Any Mortgage Loan in which</p> <ul style="list-style-type: none"> • the Lender or any single Lender Senior Executive owns more than a 5% direct or indirect equity interest in the Borrower, • any group of Lender Senior Executives together owns more than a 10% direct or indirect equity interest in the Borrower, or • the Lender or any Lender Affiliate is the Property manager.



Conflict Mortgage Loan Type	
Controlling Conflict Mortgage Loan	<p>Any Conflict Mortgage Loan where:</p> <ul style="list-style-type: none">• the Lender<ul style="list-style-type: none">- can (other than through the exercise of a lender's rights and remedies under the Loan Documents) require changes to the management, operations, or decision-making of the Borrower, the Key Principal, any Person holding a Controlling Interest in the Borrower or Key Principal, or any Principal or Guarantor, or<ul style="list-style-type: none">- owns any Preferred Equity in the Borrower;• any Lender Affiliate or employee or group of employees of the Lender or any Lender Affiliate<ul style="list-style-type: none">- can require changes to the management, operations, or decision-making of the Borrower, the Key Principal, any Person holding a Controlling Interest in the Borrower or Key Principal, or any Principal or Guarantor,<ul style="list-style-type: none">- individually or together own a 25% direct or indirect equity interest in the Borrower or in any Person holding a Controlling Interest in the Borrower at or after loan origination (including any interest acquired as part of a Transfer/Assumption),<ul style="list-style-type: none">- own any Preferred Equity in the Borrower, or- exercises rights under DLA Mezzanine Financing that results in a Controlling Conflict Mortgage Loan under these requirements; or• any Lender Senior Executive owns any direct or indirect equity interest in the Borrower.

You must not

- [Deliver](#) a [Prohibited Conflict Mortgage Loan](#), or
- cause any [Portfolio Mortgage Loan](#) to become a [Prohibited Conflict Mortgage Loan](#).

310.02 Restrictions

310.02A Underwriting



☑ Requirements

You must ensure that no **Lender** employee or other person involved in Conflict Mortgage Loan underwriting and approval owns any direct or indirect equity interest in the **Borrower**.

You must include the following in your Transaction Approval Memo:

- the amount of any direct or indirect equity interest in the **Borrower** owned by any **Lender Senior Executive**, other **Lender** employee or group of employees; and
- answers to the following questions, including an explanation if your answer to a question is yes:
 - Does any **Lender Senior Executive**, other **Lender** employee or group of employees, or any person who participated in the underwriting or approval of the **Mortgage Loan**, own any direct or indirect equity interest in the **Borrower**?
 - Can any **Lender Senior Executive**, other **Lender** employee or group of employees, or any person who participated in the underwriting or approval of the **Mortgage Loan**, require changes to the management, operations, or decision-making of the **Borrower**?

In addition, your underwriting submission must include:

- copies of the **Borrower**'s organizational documents and financial statements;
- copies of all organizational documents and financial statements for any **Lender Affiliate** that holds a direct or indirect equity ownership interest in the **Borrower**; and
- an organizational chart or diagram showing
 - the complete ownership structure of the **Borrower**,
 - the relationship among the **Lender**, **Borrower**, and applicable **Lender Affiliate**, and
 - the percentage ownership of each entity.

🌿 Operating Procedures

You must designate the **Mortgage Loan** as a Conflict Mortgage Loan in C&D.



310.02B Servicing

Requirements

As **Servicer** of a Controlling Conflict Mortgage Loan, you must not

- participate in loss mitigation or special asset management decisions if it becomes a **Non-Performing Mortgage Loan**, or
- be notified of, or participate in, any negotiations or communications between Fannie Mae and the **Borrower**, **Key Principal**, or **Principal** (or any **Affiliate** of any of them).

Fannie Mae will make reasonable efforts to provide copies of written communications between Fannie Mae and other parties.

These servicing restrictions apply as long as the **Mortgage Loan** is considered a Controlling Conflict Mortgage Loan.

Operating Procedures

1. Fannie Mae has sole discretion to decide what action, if any, to take regarding any Controlling Conflict Mortgage Loan, any **Property** securing a Controlling Conflict Mortgage Loan, or any **Borrower** or **Guarantor**.
2. If Fannie Mae decides that a Controlling Conflict Mortgage Loan has a material risk of default or other characteristics of increased risk, it can
 - designate a substitute servicer or subservicer, or
 - terminate (with or without cause) your right to service the **Mortgage Loan**.
3. Fannie Mae will comply with the **Program Rules** Part 3 Sections B and C relating to Fannie Mae initiated servicing transfers. After servicing is transferred, you will retain your loss sharing obligation.

310.02C No First Right of Refusal

Requirements

You will not have any First Right of Refusal to purchase a **Property** that secured a **Conflict Mortgage Loan**, even if the Loss Sharing Addendum to the **MSSA** grants you this right.



310.02D Additional Disclosure

Operating Procedures

For an MBS backed by a Conflict Mortgage Loan, you must indicate in C&D

- that additional disclosure is required, and
- whether it is the Lender, a Lender Affiliate, a Lender Senior Executive, a Lender employee, or group of employees who has a Controlling Interest or a non-Controlling Interest.

310.02E Notifications

Requirements

If, after delivering a Mortgage Loan, it becomes a Conflict Mortgage Loan, you must deliver all materials described in this Section to Multifamily Asset Management within 30 days after acquiring each equity interest.



Chapter 1 Attributes and Characteristics

Section 101 Eligible Properties

101.01 Generally

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;
- has suitable bathroom and cooking facilities located 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: Multiple Parcels](#);
- 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, plumbing, 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.

101.02 Expanded Housing Choice

Guidance

A [Mortgage Loan](#) is eligible for a pricing incentive if the [Borrower](#) and



Property comply with this Section.

Requirements

To be eligible for the Expanded Housing Choice pricing incentive, all of the following must be met:

■ The Borrower:

- agrees to accept [Housing Choice Vouchers](#) at the Property throughout the [Mortgage Loan](#) term;
- agrees not to discriminate against applicants, tenants, their family members, and occupants for using [Housing Choice Vouchers](#) to pay rent and other lawful fees, including
 - applying stricter screening standards,
 - charging larger security deposits, rent, or fees, or
 - subjecting them to additional community rules;
- agrees to advertise the [Property](#) and/or available units
 - with participating Public Housing Agencies, and
 - on <https://www.affordablehousing.com> (or successor site); and
- executes a
 - Modification to Multifamily Loan and Security Agreement (Expanded Housing Choice) ([Form 6273](#)), and
 - Payment Guaranty (Pricing Incentive Recapture) ([Form 6020.PIR](#)).

■ The Property:

- is located in
 - Texas, or
 - North Carolina;
- is not already required to accept [Housing Choice Vouchers](#) as a financing condition, such as per
 - an [Affordable Regulatory Agreement](#),
 - [Sponsor-Initiated Affordability Agreement](#), or



— LIHTC agreement; and

- on the Mortgage Loan Origination Date, has at least 20% of its units within the applicable HUD Fair Market Rent or Small Area Fair Market Rent, as adjusted per the applicable Public Housing Agency payment standard, with the qualifying unit mix being in proportion to the Property's overall unit mix.

Operating Procedures

Use the [Housing Choice Vouchers: Expanded Housing Choice \(EHC\) Job Aid](#) to commit and [Deliver a Mortgage Loan](#) qualifying for an Expanded Housing Choice pricing incentive.

Guidance

For an acceptable unit mix within the applicable HUD Fair Market Rent or Small Area Fair Market Rent, the qualifying units must be proportional to the Property's overall unit mix. An acceptable unit mix at a sample 100-unit building would be:

Sample 100-Unit Building		
Apartment Type	Number of Units	Minimum 20% Unit Mix
Studio	10	2
1 Bedroom	50	10
2 Bedroom	30	6
3 Bedroom	10	2
Total	100	20

Section 102

Multiple Properties

Section ~~Multiple Parcels~~ Single Borrower Ownership

102

102.01

Requirements



When a Property Mortgage Loan consists of non-contiguous not in a Credit Facility is secured by multiple parcels Properties, the multifamily units on each parcel Property must individually:

- comply with the minimum occupancy requirements in Part II, Chapter 1: Attributes and Characteristics, Section 105: Minimum Occupancy, or Part III, Chapter 9: Small Mortgage Loans, Section 903: Occupancy;
 - Part II, Chapter 1: Attributes and Characteristics, Section 105: 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 PCA.

Guidance

When a Property consists of non-contiguous multiple parcels and operates as a single project, you should also consider whether the Property:

- ~~has historically, and will continue to, operate as a single project;~~
- if separated by a major thoroughfare primarily intended for traffic traveling through the area (rather than a street primarily intended to provide access to the Property), can be managed effectively by the Borrower;
- has amenities located on any parcel that are available to all Property tenants;
- has reciprocal agreements and easements in place; and
- is adversely affected by material differences in rent among the parcels.

102.02 Joint and Several Borrower Ownership

Requirements



If...	Then...
<p><u>A Mortgage Loan</u></p> <ul style="list-style-type: none">• <u>is made to joint and several Borrowers.</u>• <u>is secured by multiple Properties, and</u>• <u>has a Property owned by a different Borrower.</u>	<p><u>The Mortgage Loan and each Borrower must comply with</u></p> <ul style="list-style-type: none">• <u>Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.01: Single-Asset Entity,</u>• <u>Joint and Several Borrowers with Multiple Properties (17021), and</u>• <u>Part II, Chapter 1, Section 102.01: Single Borrower Ownership.</u>

Section 103 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 104 Ground Leased Properties

104.01 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 operation or value of the **Property**.

104.02 Ground Lease Rents

Requirements

You must establish an escrow for ground rents and ensure that the



Borrower deposits sufficient funds for you to make all payments due under the [Ground Lease](#).

104.03 Ground Lease Estoppel Certificate

Requirements

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

104.04 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 105 Minimum Occupancy

105.01 Residential Occupancy

Requirements

You must ensure that the [Property](#) meets the following minimum occupancy levels:

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

These minimum levels apply at the time of the [Commitment](#) and for the preceding 3-month period.

105.02 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 106

Certificates of Occupancy

Requirements

For any **Property** with construction or rehabilitation work completed within the last 12 months, you must:

- ensure that all units have a certificate of occupancy;
- obtain copies of all certificates of occupancy from the **Borrower**; and
- retain them in your **Servicing File**.

For all other **Properties**, you must:

- determine whether each unit had a certificate of occupancy at some point;



- attempt to obtain copies of all certificates of occupancy; and
- retain them in your [Servicing File](#).

➔ Guidance

If you are unable to obtain copies of certificates of occupancy for a [Property](#) (for example, because of the age of the [Property](#) or the records of the jurisdiction where it is located), you should look for other evidence that certificates of occupancy had been issued.

If you cannot obtain a copy or other sufficient evidence of a certificate of occupancy, you should analyze the risk to the [Property](#) if one had never been issued, by considering whether:

- 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.

You should exclude the income generated by any units without a certificate of occupancy but include all expenses (including replacement reserves) for the maintenance of such units.

Section 107

Phased Properties

Requirements

If the [Property](#) is a [Phased Property](#), you must evaluate

- how the [Property](#) will be affected by other phases of the complex, and
- whether the [Property](#) will be able to succeed independently from other phases.

➔ Guidance

In determining whether a [Phased Property](#) is viable as a separate



Property, you should consider whether:

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

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** that is on or before the **Prepayment Premium Period End Date** of the other **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 108 **Commercial Leases**

108.01 **Material Commercial Leases**

108.01A **Lease Review**

Requirements

You must analyze all aspects of each **Material Commercial Lease** and the tenants. Tenant refers to each tenant, grantee, or other beneficiary of the **Material Commercial Lease**.

If **Material Commercial Lease** approval is required by the terms of **Part II, Chapter 1: Attributes and Characteristics, Section 108.01B: 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 the following questions:

- Does each tenant have the ability to fulfill its financial and other performance obligations under the [Material Commercial Lease](#)?
- Are the insurance provisions of the [Material Commercial Lease](#) consistent with the insurance requirements in the applicable [Loan Documents](#) or otherwise prescribed by Fannie Mae?
- Is each tenant required to obtain the [Lender's](#) consent before making any assignment, sublease, subcontracting, or other transfer of the [Material Commercial Lease](#)?
- Does the tenant have early termination clauses and if so, what are the conditions under which the tenant can terminate? For example,
 - if there is 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.

108.01B 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.
Solar Power or Other Power Generation Lease	You must only approve leases for renewable energy systems that comply with Part II, Chapter 1: Attributes and Characteristics, Section 109: 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 108: Commercial Leases .

108.01C Lease Modifications



Requirements

As you review each [Material Commercial Lease](#) modification, you must consider the following questions:

- Does it violate any of the requirements of this Section?
- Does it contain terms that are inconsistent with the [Mortgage Loan](#)?
- Does it present risks that are inappropriate for the [Mortgage Loan](#)?

If the answer to any of these questions is “yes”, then 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 \(Form 6415\)](#).

108.01D Tenant Estoppel Certificate

Requirements

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

108.01E Subordination, Non-Disturbance and Attornment

Requirements

You must:

- evaluate whether an [SNDA \(Form 6415\)](#) is necessary to provide for subordination and attornment or would be beneficial for other reasons; and
- use [Form 6415](#) if the [Material Commercial Lease](#) contains provisions for the [Borrower](#) to assume liability or other risks as landlord that would not be acceptable to the [Lender](#) in case of a [Foreclosure Event](#).

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](#).

108.02 Non-Material Commercial Leases

108.02A 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](#).

108.02B Non-Material Commercial Lease Types

Requirements



Non-Material Commercial Lease Type

Telecommunications and Cell Tower Leases

You must review any telecommunications and cell tower lease to ensure that it does not:

- comprise more than 5% of the **Property's Effective Gross Income**;
- negatively impact the value, visibility, livability, or marketability of the **Property**;
- impose an undue financial or operating burden on the **Property** or the **Borrower**;
- obligate the **Borrower** to rebuild any **Improvements** at the **Property** following a 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.).



Non-Material Commercial Lease Type

Communications Service Agreement

You do not need to subordinate the service agreement to the [Lien](#) of the [Security Instrument](#) if:

- 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](#).

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](#).



Non-Material Commercial Lease Type

Mineral Rights; Oil and Natural Gas Leases

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:

- 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 250 feet below the surface of the [Property](#), or within 600 feet from any [Property](#) boundary line;
- have a material adverse effect on public health and safety, air quality or noise levels, or on the marketability or occupancy of the [Property](#);
- permit oil or gas well activities that could have a negative effect on access, visibility, or storm water drainage at the [Property](#);
- have a negative effect on the zoning or allowable density of the [Property](#);
- facilitate drilling, storage, or processing of oil or gas on the [Property](#) or any adjacent property; or
- 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. 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](#).



Non-Material Commercial Lease Type	
Laundry Lease	<p>You do not need to subordinate the lease to the Lien of the Security Instrument if you confirm that the lease:</p> <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	<p>You must ensure that the lease:</p> <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	<p>You do not need to subordinate the lease to the Lien of the Security Instrument if you determine that the unit is being leased pursuant to a residential Lease.</p>

108.03 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:

- 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;
- **Borrower's** strategy for implementing **STR**;
- whether the **STR** units are furnished or unfurnished;
- confirmation that the **STR** is legally permissible and in compliance with applicable laws and zoning;
- confirmation that the **Borrower's** or master tenant's insurance covers any **STR**; and
- confirmation that the **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 109

Renewable Energy Generation Systems

109.01 Acceptable Renewable Energy Generation Systems



Requirements

An operational renewable energy generation system located on the **Property** must be:

- comprised of a **Solar PV System**;
- **Borrower**-owned; and
- installed or begin installation on or before the **Mortgage Loan Origination Date**.

109.02 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.

109.03 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](#).

109.04 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;
- 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 110 Oil/Gas Wells and Mineral Exploration

110.01 Active Oil and Gas Wells

Requirements

You must ensure that 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 mineral, oil, or gas 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;
 - the mineral, oil, or gas 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;

- the adjacent property is not owned by an **Affiliate** of the **Borrower**; and
- either:
 - there is no history of spills or leaks; 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 mineral, oil, or gas production, exploration, or extraction;
- actively storing or processing mineral, oil, or gas; or
- pits, ponds, or lagoons associated with oil and gas exploration or production.

110.02 Inactive Oil and Gas Wells

☑ Requirements

You must ensure that 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 108.02B: 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 111 Property Management and Agreement

111.01 Property Management

Requirements

You must ensure that the **Property's** management team is adequate.

Guidance

Fannie Mae does not require an independent, professional management company. However, when analyzing **Property** management, you should consider whether the management team:

- has adequate experience to ensure effective administration, leasing, marketing, and maintenance of the **Property**; and
- is staffed appropriately for the type and size of the **Property** and the services provided.

111.02 Property Management Agreement

Requirements

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

- that the **Borrower** has a written management agreement with a **Property** management company that allows for cancellation by the **Lender** without penalty or prior notice in case of a **Borrower** default under the **Mortgage Loan**; or
- the **Borrower** and **Property** manager complete the Assignment of Management Agreement (**Form 6405**).

Guidance



You should ensure that the **Property** management agreement clearly states

- the responsibilities of the **Property** manager, and
- the amount of the management fee (or describes the method for determining the fee).