

Annual Inspection Form

Desk Reference



INTRODUCTION

Freddie Mac Multifamily has been working to standardize its servicing requirements to align with and establish industry standards. As part of this effort, Freddie Mac Multifamily will be adopting the Mortgage Bankers Association Inspection Form version 2.07, which was published by the MBA in December 2013. The adoption of the Mortgage Bankers Association Inspection Form will replace the existing Freddie Mac Annual Inspection Form template effective for all 2014 inspections. After January 10, 2014, the Freddie Mac Annual Inspection Form used for 2013 inspections submissions will no longer be accepted. Even though Freddie Mac will use the MBA inspection form in 2014, the template will continue to be named Annual Inspection Form (AIF) in the Property Reporting System and in Freddie Mac guidance materials. This desk reference highlights the new submission protocols and template submission requirements, and provides guidelines on how to complete the form to ensure pertinent information on property performance is communicated appropriately.

As a reminder, thoughtful and thorough completion of the form should provide clarity on the current performance of property management and the complete physical condition of the property, including if it is being adequately maintained to ensure protection of Freddie Mac's collateral.

NOTE

This desk reference should be used in conjunction with the **MBA Reference Guide – Commercial and Multifamily Property Inspection Reports**, which provides information regarding due diligence for property inspections, guidance on completion of the inspection form report, helpful tips regarding the inspection process, and best practices on review of the final report. If there are any conflicts in protocol between the MBA Reference Guide and Freddie Mac's Guide requirements, Freddie Mac's requirements take priority.

You can download the new MBA inspection form from the MBA website (see link on last page). It will also be available in the Property Reporting System in February 2014, where you will be able to download it as a blank template or a prepopulated template, similar to the current process. While Freddie Mac Multifamily is adopting the MBA Inspection form in full, you will not be required to complete all tabs on the form. This desk reference highlights all required tabs in the form. Please note that photos and rent roll are required to be submitted as separate attachments and are not required to be provided within the form.

Annual Inspection Form

Desk Reference



NEW SUBMISSION PROTOCOL

This table lists the new submission protocol for the AIF effective for all 2014 inspections

Steps	Comments
Quick Start Guide	<p>For successful completion of the AIF and submission to PRS, observe the following quick start guide:</p> <p>The MBA Standard Property Inspection Form is an Excel 2007 file type (.xlsm) which is native for Excel 2007 and later versions of Excel. If a user is utilizing a version of Excel earlier than Excel 2007, some features in the form may not work properly.</p> <p>The AIF can be downloaded from PRS or the MBA website. Once downloaded, users must enable Macros in Excel for the form to work properly. (See instructions for Excel 2007 here: http://office.microsoft.com/en-us/help/enable-or-disable-macros-in-office-documents-HA010031071.aspx)</p> <p>The template is to be completed and stored on your local machine, file server, or document management system (depending upon local IT policies and procedures). Upon successful completion, the completed form can be uploaded into the PRS system.</p>
Retrieve the AIF	<p>Within PRS, you have the option of downloading a blank AIF or a pre-populated form. When you download a pre-populated form, the system will populate the following data fields where applicable:</p> <ul style="list-style-type: none"> Freddie Mac Loan Number Property Name Servicer Name Owner of Loan Investor Loan Number
Understanding the Revised AIF	<p>Always enable the macro and Active X controls before using the template. Refer to the General Tips for Using the MBA Property Inspection Form provided in the MBA Reference Guide.</p>
Complete the AIF	<p>The AIF is an Excel based workbook that contains worksheets providing information on the property condition and management. Additional reporting is required on Senior Housing; you are required to complete five additional tabs for properties categorized as Senior Housing/Healthcare.</p>

Annual Inspection Form

Desk Reference



NEW SUBMISSION PROTOCOL cont'd

Steps	Comments
Data Validation and Completeness Verification — Submitting the AIF Package	<p>The system will perform data validation and completeness verification at the time of the form submission:</p> <p>Forms that do not pass the data validation and completeness verification will not be accepted and will be rejected for submission. Only forms that pass the data validation and completeness verification will be accepted by Freddie Mac.</p> <p>Incomplete forms or forms with incorrect data will be rejected by Freddie Mac and Servicers will be notified at the time of submission.</p> <p>Attachments can be uploaded to the system before, concurrently with or after form submission. Assessments will not move to Complete status until all required attachments have been uploaded.</p>

Annual Inspection Form

Desk Reference



GENERAL GUIDANCE

The MBA Reference Guide and Section 40 of the Seller/Service Guide provide comprehensive instructions on how to prepare for and conduct an inspection as well as how to complete the AIF.

AIF GUIDANCE

The guidelines listed below are Freddie Mac anticipated responses on certain data fields. The list is not all encompassing of all data fields, but focuses on data fields which may need further guidance.

GENERAL INFORMATION TAB

Section	Data Fields	Comments
Servicer, Loan and Contact Information	Loan Balance (UPB)	Include all Freddie Mac debt
	Contact Name/Phone/Email	Provide the contact information for the primary preparer of the AIF
	O&M Plan	Includes Lead Based Paint, Moisture Management Plan, Asbestos Containing Materials Plan, and "other" If other is selected, please specify type of O&M Plan in the O&M Plan Comments box. If property is out of compliance <i>with</i> any O&M Plan, please specify details of non-compliance in the Management Interview Tab
Property and Inspector Information	Property Inspector's General Comments	Required input: In addition to what is suggested in the MBA reference guide, please provide a brief summary of the overall performance/condition of the property
Overview of Property Information	Property offers Rental Concessions	If yes, enter details of concessions in comment box
	Are there down units?	If yes, enter details of down units in the comment box
Neighborhood and Site Comparison Data	All data fields in this section are required inputs	As suggested in the reference guide, please use the comment box in this section to describe the Subject's surroundings and trends that impact operations. For example, new construction that competes directly with Subject, high crime area, or poor visibility due to location.

Annual Inspection Form

Desk Reference



GENERAL INFORMATION TAB cont'd

Section	Data Fields	Comments
Management Company Information	Change since last inspection	<p>Only answer "Yes" if there has been a change in the Property Management Company (not simply a change in Property Manager or specific personnel)</p> <p>If "Yes", include a comment if Freddie Mac approvals were required/obtained and also a brief description of the Property Management Company (PMC). If the onsite Property Manager or specific personnel has changed and this has negatively impacted the property, describe the change and impact. Provide these comments in the "Other Information or Comments" box at the bottom of the Management Interview tab</p>
Other Information	Additional Collateral Description	<p>Provide any pertinent information that could explain property performance.</p> <p>Examples include property management negligence, tenant profile (student), LIHTC/rent regulations limiting tenant base, high turnover issues, absence of commercial tenants causing decline in income and unique unit configurations.</p>

Annual Inspection Form

Desk Reference



PHYSICAL CONDITION & DM TAB

Section	Data Fields	Comments
Property Assessment	Overall Rating and Trend	Overall Rating is required on all items; trend required if an overall rating of 1-5 is entered
	Inspector Comments	<p>Required Input. Please enter comments pertinent to the physical condition element</p> <p>Identify and describe the severity of capital needs and/or deferred maintenance where applicable</p> <p>Include cost estimates in the Deferred Maintenance Items list and photos (including comments) in the Photos attachments where applicable</p>
	Exterior/Interior – Additional description of the property conditions	<p>Comment on any completed/outstanding repair agreements/capital expenditure requirements/ renovations and the status of completions relative to due dates</p> <p>Comment on deferred maintenance items that have been corrected from previous inspection</p> <p>Comment on status of units brought online/offline due to hazard loss situations</p>
	Deferred maintenance Items	Ratings, Photo#, Life Safety, and Estimated Cost are required inputs if a deferred maintenance item is identified and described. Note: Senior Housing Items should not be included here. Use the Srs Supplement Tab 1 to detail Deferred Maintenance Items

COMP ASSMT ADDENDUM TAB

Section	Data Fields	Comments
All sections	Not Required	Not Required

Annual Inspection Form

Desk Reference



PHOTOS

Section	Data Fields	Comments
Photos	N/A	Photos are required to be submitted as a separate attachment

MANAGEMENT INTERVIEW TAB

Section	Data Fields	Comments
Management Information & Interview	In the past 12 months, have there been any fires, significant water intrusion or other property damage?	Select yes and comment on the situation if applicable Ensure Form 1140 – Hazard Loss Summary was submitted timely if required (refer to Section 43.8 of S/S Guide) Provide an update on the Hazard Loss
	Is the property undergoing any significant rehab/construction?	If Yes, in addition to location, size and costs, comment if Freddie Mac approval is required/obtained, how many units are impacted and expected rehab completion dates
	Is the property in compliance with ALL O&M Plan(s)?	If No, describe type of O&M plan in non-compliance and the steps that are being taken to ensure compliance

Annual Inspection Form

Desk Reference



MULTIFAMILY TAB

Section	Data Fields	Comments
Property Information	Unit Breakdown	Ensure there is no discrepancy between total units/inspected units in this section and the Overview of Property Information section on the General Info tab
Property Condition	Detailed Report of Units Inspected	At least five must be entered for the form to be accepted as complete. Please refer to Chapter 40 of the S/S Guide for full inspection requirements

RENT ROLL TAB

Section	Data Fields	Comments
Rent Roll	N/A	Rent Roll is required to be submitted as a separate attachment

MAPS TAB

Section	Data Fields	Comments
Maps	Optional	N/A

HEALTHCARE TAB

Section	Data Fields	Comments
All sections	Not Required	Not Required

REPAIRS VERIFICATION TAB

Section	Data Fields	Comments
Repairs Verification	Item Description and Location	All Deferred Maintenance items noted in prior year's inspection should be listed with appropriate comments and repair status of each item

Annual Inspection Form

Desk Reference



FRE ASSESSMENT ADDENDUM TAB

Section	Data Fields	Comments
Physical Inspection Additional Questions	Q1. Are any deferred maintenance items outstanding from last inspection?	If "Yes", comment on severity (minor/major) of items, what is being or will be done to have deferred maintenance corrected, estimated costs/anticipated date of remediation and whether follow up (annually or sooner) is required
	Q2. Was a harmful environmental condition observed that is not covered by an existing O&M plan (such as mold)?	If "Yes", comment on severity (minor/major) of items, what is being or will be done to have deferred maintenance corrected, estimated costs/anticipated date of remediation and whether follow up (annually or sooner) is required. For example, isolated instances of bathroom mold in the tub would rate much lower in severity than mold that has penetrated through the dry wall and is visible on the wall surfaces
	Q3. Is property out of compliance with any applicable ADA requirements?	If "Yes", describe ADA requirement, why property is out of compliance, what is being or will be done to ensure compliance, estimated costs/anticipated date of remediation and whether follow up (annually or sooner) is required. If Property is exempt from certain requirements (for example, due to age), the inspector should state "No", the property is not out of compliance

Annual Inspection Form

Desk Reference



SENIOR HOUSING ADDENDUM

All Senior Housing Supplement tabs are required to be completed for all Senior Housing properties

SRS SUPPLEMENT I TAB

Section	Data Fields	Comments
Part I: Physical Inspection	Site / Major Components (supplemental Items)	<p>Current Condition, Trend, and Life/Safety are required inputs</p> <p>If “Yes” to Life safety, comments become required inputs</p> <p>Comment on severity (minor/major) of items, what is being or will be done to have Life/Safety issues corrected, estimated costs and whether follow up (annually or sooner) is required</p> <p>Enter only cost to repair amounts that are specific to additional Senior Housing components. Other deferred maintenance cost to repair amounts should be captured in the Freddie Mac Inspection form</p>

SRS SUPPLEMENT II & III TAB

Section	Data Fields	Comments
Part II: Resident Rooms/Occupancy	Types of Services Provided	<p>Required inputs</p> <p>Provide occupancy based on # of beds to be consistent with senior housing industry standards</p>
	Does the unit mix comply with the unit mix specified in the Mortgage and/or approved by Freddie Mac since origination?	If “No”, describe why it is not in compliance, whether Freddie Mac has been notified of non compliance and steps taken to ensure compliance
Part III: Resident Services	Safety & Security	This subsection becomes a required input if Alzheimer’s/Memory Care is part of the unit mix

SRS SUPPLEMENT IV TAB

Section	Data Fields	Comments
Part IV: Management	Are there written Policies and Procedures in place for the eight items listed	<p>Required Input</p> <p>If “No”, explain what steps are being taken to ensure compliance</p>

Annual Inspection Form

Desk Reference



SRS SUPPLEMENT V TAB

Section	Data Fields	Comments
Part V: Marketing	Inspector's discussion with Marketing staff	Comment as appropriate
	Competitor Analysis	Comment as appropriate

SRS SUPPLEMENT VI TAB

Section	Data Fields	Comments
Part VI: Regulatory Compliance	Regulatory/Licensing Agency: Expiration Date of Operating License	Required input. For evergreen licenses, enter date of next scheduled Agency inspection. If there is no expiration date applicable, enter the next annual inspection date and add a comment in the Certification/Licensure row just below explaining why you used the next annual inspection date
	Purpose of Visit: 8 questions	5 of 8 are required inputs If property is not in compliance, please describe why, severity of non compliance, and steps taken toward ensuring compliance
Miscellaneous	Are there any material violations, lawsuits or judgments against any licensed professional employed by the operator?	If "Yes", describe issue at hand and status of resolution
	Are there any material violations, lawsuits or judgments against any other personnel at the property?	If "Yes", describe issue at hand and status of resolution

Annual Inspection Form

Desk Reference



ASSESSMENT TYPE/ATTACHMENT REQUIREMENTS/ NAMING CONVENTIONS/ DUE DATES

Inspections must be submitted within 60 days of the inspection date. The Annual Inspection Form must be submitted prior to or on the Due Date or it will be considered late.

Assessment Type	Submissions	Naming Convention	Due Dates
Annual Inspection	<p>Required:</p> <ol style="list-style-type: none"> 1. FM Inspection Form 2. Rent Roll (commercial units details should be included where applicable) 3. Photos <p>Optional:</p> <p>Other optional attachments include:</p> <ul style="list-style-type: none"> • Payment history • Repair agreements • O&M compliance certificates • Market surveys 	<ol style="list-style-type: none"> 1. XXXXXXXXX_Inspection_MM-DD-YY_S-YYYY (MM-DD-YY: due date of inspection) 2. XXXXXXXXX_ALI_RR_MM-DD-YY_S-YYYY (MM-DD-YY: date of rent roll) 3. XXXXXXXXX_ALI_Photo_MM-DD-YY_S-YYYY (MM-DD-YY: due date of inspection) <p>XXXXXXXXX_ALI_Other_MM-DD-YY_S-YYYY (MM-DD-YY: due date of inspection)</p>	<p>Quarterly of Anniversary of Note Date (unless stated otherwise) i.e. 3/31, 6/30, 9/30, 12/31</p>

Annual Inspection Form

Desk Reference



OTHER TOOLS

- MBA Inspection Form v2.07

[http://www.mba.org/files/CREF/WhitePapers/2013_MBA_Master_Inspection_Form_\(v2_07\)_12-11-13_Final.xlsm](http://www.mba.org/files/CREF/WhitePapers/2013_MBA_Master_Inspection_Form_(v2_07)_12-11-13_Final.xlsm)

- The MBA Property Inspection Reference Guide

http://www.mba.org/files/CREF/WhitePapers/13332_CMF_RefGuide_PropertyInspection.pdf

- Section 40 of the Seller/Service Guide

<http://www.allregs.com>