

# Inspection Update FAQs

---

July 2025

# Inspection Update FAQs

The MBA inspection form was updated in 2025 to version 4.03. As a result of the form updates, along with our continued focus on property condition, Freddie Mac implemented multiple updates to the *Multifamily Seller/Service Guide* (Guide). This FAQ document answers questions related to form completion and submission, as well as the 2025 Guide updates. If your question is not answered, please send it to the [Multifamily Surveillance mailbox](#) so we can address it for you and add it to the FAQ.

## Table of Contents

Which MBA Inspection Form version should we be submitting to PRS? .....	3
What if we completed a 2Q25 inspection using v3.1 or v4.0 but can't submit it until after July 1? .....	3
What if the inspection we submitted using v3.1 or 4.0 is returned to us for correction after the cutoff date? .....	3
Is the Agency Assmt Addendum required? .....	3
What happened to the Freddie Mac Assmt Addendum? .....	4
Should I still upload a separate photos attachment? .....	4
Do inspections need to include at least one photo of each unit type at the property? .....	4
What if commercial units are closed at the time of inspection? .....	4
How do I distinguish between Imminent and Potential Life Safety on the form? .....	4
Do outstanding PR-90 and Priority Repairs need to be classified as Imminent and Potential Life Safety, respectively? .....	5
Do we need to verify Deferred Maintenance items that do not require Borrower notification? .....	5
How should we report Routine Maintenance? .....	5
Do you have any recommendations for understanding the rating scale? .....	5
Does the presence of any major or imminent life safety issue preclude an MBA Rating of 2? .....	6
Do you have different expectations than Fannie Mae? .....	6
I'd like to learn more about filling out the form correctly. What are the available resources? .....	7
If I'd like to discuss an inspection before I submit it into PRS, who should I contact? .....	7
Can you summarize the Guide requirements for notification and escalation of inspection findings? .....	7
The June 2025 Guide update removed redundancy and improved clarity of the actions that need to be taken when a physical condition issue arises from the inspection. To offer a more visual representation of the guidance, we have included a table below. Please note the official guidance and further details of the requirements should be referenced in Chapter 40.7(d)(3). .....	7
Which inspections require a Seller/Service Certification? .....	8
Is Borrower notification of property-related issues required within 30 days of the inspection or 30 days of PRS upload? .....	8
Do we need to make monthly comments in PRS Loan Item Tracking (LIT) for physical condition issues if we have received an acceptable action plan from the Borrower? .....	8
Are Servicers notified when an LIT entry is created? .....	9
How does Freddie Mac define "appropriate and timely remediation plans or other documentation depending on the identified risk" as it relates to property condition LITs? .....	9

If replacement reserves are reinstated due to property condition or imminent life safety issues, should we mark the LMF for escrow issues? .....	9
How do we know if an inspection requires an Exempt Inspector? .....	9
How will the Exempt Inspector requirement be tracked? .....	9
What if an applicable loan fails to have an inspection completed by an Exempt Inspector at least every other year as required? .....	10
Are the inspections performed by the different defined types of Inspectors all following the same scope? .....	10
Can we engage a third-party inspector for properties securing high-risk loans? .....	10
Do we still need to look at HUD REAC or NSPIRE inspections? .....	10
If we received approval for a due date change request, how will this impact future annual inspection due dates? .....	10
Are Servicers fully responsible for third-party inspections? .....	11
How will Freddie Mac determine a submitted inspection is unacceptable? .....	11
How can I obtain a waiver if a Guide requirement can't be met? .....	11
Will there be late fees on A-CREFC or Q-CREFC assessments like there are for Inspections? .....	12
How and when will the late fees on Inspections be communicated? .....	12

## Completing the Form

### Which MBA Inspection Form version should we be submitting to PRS?

**Version 4.03** will be required for all inspections submitted on or after 7/8/2025. We began accepting version 4.0 in January 2025 and will stop accepting it on 7/8/2025. We will no longer accept version 3.1 after 7/7/2025. Please ensure you are using the correct version which is identifiable in the upper left-hand corner of the 'Tools' tab.

### What if we completed a 2Q25 inspection using v3.1 or v4.0 but can't submit it until after July 1?

The inspection will need to be transferred to v4.03 for PRS to be able to accept it.

### What if the inspection we submitted using v3.1 or 4.0 is returned to us for correction after the cutoff date?

For resubmissions only, you will be able to resubmit using the same form. You will not have to transfer the data to v4.03.

### Is the Agency Assmt Addendum required?

With the new version of the form, the Fannie Mae Assmt Addendum has been updated and renamed to the Agency Assmt Addendum. This tab is required to be completed for all inspections. We believe it will be a helpful tool for selecting the most appropriate rating. For additional information on the seller/servicer certification section on this tab, please see the Guide Update FAQs below.

### **What happened to the Freddie Mac Assmt Addendum?**

The three questions on this tab were moved to other locations within the form and the tab was removed.

### **Should I still upload a separate photos attachment?**

No, photos should be uploaded directly into the form on the Photos tab. Deferred Maintenance (DM) items can only be added to the grid via the Photos tab. Even if there are no DM or Repair Verification items, the photos should still be included within the form itself and not as a separate document.

### **Do inspections need to include at least one photo of each unit type at the property?**

No. The guidance related to photos and unit inspection requirements has not changed. Per Guide [section 40.7\(a\)](#), inspectors are required to visit a cross-section of unit types and locations that make up a representative sample. Per Section 40.7(b), the photographs must include samples of interiors of typical unit types. Inspectors are not required to upload photos of every different unit type that was inspected, provided a representative sample is uploaded, including any photos displaying deteriorating conditions.

### **If Mobile Home Communities (MHC) have very few rental homes available at the property and these units cannot be accessed, what do we do?**

For MHCs only, we typically expect that if the property has few rental homes, they may be difficult to inspect. We ask that best efforts are made to inspect our requested minimum. When that is not possible, we ask the inspector to inspect the surrounding area(s) and pad(s). They should also indicate the number of rental homes available and why they weren't available for inspection in the General Comments box on the 'General Info' tab.

### **What if commercial units are closed at the time of inspection?**

One hundred percent of commercial units must be inspected per the Guide. When scheduling the inspection, please ensure the borrower/manager knows they should be notifying the commercial tenants of the need to be open during the inspection.

### **How do I distinguish between Imminent and Potential Life Safety on the form?**

Version 4.03 has been upgraded to incorporate the life safety classifications of Imminent or Potential, meaning you no longer need to identify it in the DM item's description. First, be sure that "Freddie Mac Inspection" is selected on the 'Tools' tab. Then, when you upload a photo to the 'Photos' tab, click the

“Options” button and select the photo category “DM: Life Safety.” The Freddie Mac Life Safety options will become clickable. Select either “Potential Life Safety” or “Imminent Life Safety.” Send the item to the DM grid. In the Life Safety column, you’ll see either “Yes (I)” or “Yes (P).”

## Do outstanding PR-90 and Priority Repairs need to be classified as Imminent and Potential Life Safety, respectively?

Beginning with the June 2025 Guide update, outstanding PR-90 and Priority Repairs no longer need to be automatically classified as Imminent or Potential Life Safety. If these items remain outstanding at the time of the first annual inspection, they should be added as a DM item on the inspection form and classified as life safety as appropriate. The servicer must follow the steps as defined in Guide [section 40.7\(d\)\(6\)](#), which includes referring the borrower to its obligation under the Loan Agreement to complete the identified repairs.

## Do we need to verify DM items that do not require borrower notification?

Yes, all DM items from the prior inspection need to be verified in the current inspection, even if they did not meet the threshold for borrower notification.

## How should we report Routine Maintenance?

Routine maintenance items should not be added to the DM grid, provided they are actively being done. Routine maintenance items can easily become DM, and it is essential to recognize when the routines are being ignored and leading to deteriorating conditions. Any photos of routine maintenance can be labeled as such on the Photos tab.

## Do you have any recommendations for understanding the rating scale?

The current rating scale was adopted in 2024 and offers a more objective approach to the assessment of physical condition. As you can see in the table below, the prior rating scale incorporated comparative adjectives which implies the property is being compared to something other than itself. When assessing physical condition, it is important to compare the property to itself. The current rating scale makes it easier to accomplish this with more definitive qualifiers.

	Prior Rating Scale (2023 and earlier)	Current Rating Scale (Since 2024)
Rating 1	New or Like New / Superior	Excellent
Rating 2	Above-Average	Very Good/Good
Rating 3	Average/Normal	Fair/Declining
Rating 4	Below-Average/Deteriorating	Deteriorated Conditions
Rating 5	Inferior/Poor	Unacceptable Conditions

To distinguish in more detail between Ratings 2, 3, and 4 of the new rating scale, please refer to the following table (emphasis added in bold):

	Rating 2	Rating 3	Rating 4
Overall Condition	Very Good to Good	Fair/Declining	Deteriorated

Life Safety	None or limited, minor issues	Some life safety issues requiring <b>immediate</b> attention	Immediate attention and <b>possible Capex</b>
Deferred Maintenance	<b>Isolated</b> or minor DM, which can be <b>addressed in-house</b> or at a limited expense.	<b>Pervasive</b> and is a heightened concern; likely <b>unable to be addressed in house.</b>	<b>Substantial</b> and affecting major areas/systems, <b>requiring significant funds</b>
Routine Maintenance	<b>Proactive</b>	<b>Reactive</b>	<b>Reactive</b>
Capital Needs	Are being addressed and property performance does not appear to be impacted	Addressed as needed, <b>but additional capital is required</b> to maintain the asset quality and systems	Not being addressed, performance negatively impacted
Major Systems & Components	In good condition and will likely exceed the loan term	In average condition and may not meet or exceed the loan term	Very likely will not meet or exceed the loan term

The Fannie Mae Assessment Addendum within the Annual Inspection Form (AIF) requires inspectors to rate the above components (Life Safety, DM, RM, etc.) individually. We encourage inspectors to complete this Addendum to help determine an appropriate overall property rating. If you are initially thinking a property looks like a “2”, but several of the above components receive a rating other than “2”, then it may need to be rated an overall “3.” We will require this addendum in the future, and we are working to rename the information in the next MBA Inspection Form release (v4.0).

Further, if you have any team members who have experience working on Fannie Mae inspections, we also encourage you to leverage their knowledge of the rating scale.

## Does the presence of any major or imminent life safety issue preclude an MBA Rating of 2?

No, life safety issues should be evaluated for pervasiveness and severity. If an imminent life safety issue is not pervasive or severe, and all other rating components are reflective of a 2 or higher rating, it is reasonable to not drop the rating to a 3 solely due to the presence of the life safety issue(s).

## Do you have different expectations than Fannie Mae?

The benefit of using a singular rating scale is consistency across the industry. We don’t want to use the same scale and have a completely different outlook on it as that would negate the benefit. The one place where we differ from Fannie Mae as it relates to rating determination is with **hazard losses**. Freddie Mac will not necessitate use of a “4” or “5” rating for a property with hazard loss damage. If the insurance covers the repairs, repair plans are in-place, and/or work is actively being done, the property condition rating may not warrant a 4 or 5, barring other factors. If hazard loss damage is being ignored with no plans to repair, then dropping the rating to a “4” or “5” should be considered.

## I'd like to learn more about filling out the form correctly. What are the available resources?

For more information on completing the inspection form, please refer to the [PRS Annual Inspection Form \(AIF\) Desk Reference](#) and the [Assessments Completion Best Practices](#) documents, both of which are on the [Freddie Mac Asset Management](#) website.

## If I'd like to discuss an inspection before I submit it into PRS, who should I contact?

We are more than happy to discuss an inspection with you if you have any concerns prior to submission. Please contact the [Multifamily Surveillance mailbox](#) and your email will be redirected to the appropriate team member.

## Guide Updates

### Can you summarize the Guide requirements for notification and escalation of inspection findings?

The June 2025 Guide update removed redundancy and improved clarity of the actions that need to be taken when a physical condition issue arises from the inspection. To offer a more visual representation of the guidance, we have included a table below. Please note the official guidance and further details of the requirements should be referenced in [section 40.7\(d\)\(3\)](#).

Area of Concern	Borrower Notification Required	Freddie Mac Notification Required	Monthly PRS Monitoring (LIT or WL)	Borrower Action Plan Required	Notice of Default / RoR Issuance	Repl. Reserve Reinstatement
<b>Timing</b>	Within 30 days of inspection	Within 10 business days of PRS submission	Month-end	Within 30 days from notification if not remediated	Within 10 days after 30-day remediation / plan period	
<b>DM &gt; \$10,000</b>	Yes					
<b>DM &gt; 10% of UPB</b>	Yes		Yes	Yes		
<b>Potential LS</b>	Yes			Yes		
<b>Imminent LS</b>	Yes		Yes	Yes	Yes	Yes, if not remediated in 90 days
<b>&gt;10% of down units (no 1140)</b>	Yes		Yes	Yes		
<b>Occupancy &lt; 65% (no 1140)</b>	Yes		Yes	Yes		
<b>Overall Rating of 4 or 5</b>	Yes		Yes	Yes	Yes	Yes

Significant deficiency affecting structure/value or tenant health	Yes	Yes	Yes	Yes	Yes	
Unauthorized PMC change	Yes	Yes	Yes	Yes	Yes	
Unauthorized significant capital improvements or renovations likely to impact operations	Yes	Yes	Yes		Yes	
Situation that may require additional monitoring (FM discretion)			Yes	Based on Event	Yes, at FM discretion	

### Which inspections require a Seller/Service Certification?

Effective July 1, 2025, inspections with a 3, 4, or 5 rating must be certified by a servicer representative to ensure accuracy and completeness of the report.

The representative certifying the form must have experience equal to that of a Certified or Exempt inspector. If an in-house Certified or Exempt inspector inspected the property, they can self-certify.

Guidelines for review and certification are in Guide section 40.7(d)(11),

### Is borrower notification of property-related issues required within 30 days of the inspection or 30 days of PRS upload?

Borrower notification for the issues noted in Guide section 40.7(d)(3) is required within 30 days of the **inspection date**. This timing remains the same and represents a reasonable amount of time to perform additional research post-inspection. Additionally, since there is a 60-day window to submit the AIF in PRS, notifying the borrower within 30 days provides an opportunity for issues to be remediated prior to submission.

If you are leveraging a third-party inspection company and feel the 30-day notification window is too short upon receipt of their inspection, we would recommend updating your contracts with the inspection company to ensure you receive the report, or relevant information, in a timely manner. This could be by requiring the third-party to notify the servicer within a shortened timeframe if any of the noted issues are present.

### Do we need to make monthly comments in PRS Loan Item Tracking (LIT) for physical condition issues if we have received an acceptable action plan from the borrower?

No, if we receive an acceptable borrower action plan, then the due date will be adjusted accordingly.



## **Are servicers notified when an LIT entry is created?**

Servicers are expected to run their PRS Compliance Due Queue at regular intervals to keep track of due dates and LITs requiring attention.

## **How does Freddie Mac define “appropriate and timely remediation plans or other documentation depending on the identified risk” as it relates to property condition LITs?**

As per the Guide, the servicer must work closely with the borrower to provide appropriate and timely remediation plans or other documentation depending on the identified risk. While there is no remediation plan template, an appropriate plan would identify the issues, detail the specific remediation steps, and identify realistic timing and resources necessary to address the repairs and/or restoration. For property condition ratings of 4 or 5, the focus would be on the issues driving the rating. However, certain issues may require different types of documentation. An unauthorized property management change (PMC) or occupancy less than 65% may require completed consent requests or marketing & leasing plans, respectively.

## **If replacement reserves are reinstated due to property condition or imminent life safety issues, should we mark the Loan Management Form (LMF) for escrow issues?**

No, the reinstatement of an escrow account does not mean there are issues with the escrow account. You should only mark the LMF for escrow problems such as collection issues, underfunding, misuse of funds, etc.

## **How do we know if an inspection requires an Exempt Inspector?**

Exempt inspector requirements are set forth in Guide section 40.13. In short, an exempt inspector is required to inspect certain kinds of properties at least every other year. Those properties are defined as TAH loan originations, loans with HUD involvement, and properties older than 40 years. The population of loans will adjust slightly each year to account for the age and HUD involvement changes. To help you easily determine which of your loans require an Exempt Inspector at least every other year, we have added an “Exempt Req’d” field in the PRS Inspection Due Queue to flag those loans requiring an Exempt Inspector.

For those properties that underwent significant rehab per the Guide requirements, thereby reducing the effective age to less than 40 years, please e-mail the [Multifamily Asset Performance mailbox](#) with the relevant loan list. Please indicate how the property passes (effective age < 40 years) and what year it will no longer have a pass (effective age > 40 years), so that we can update our records. Completing this exercise at loan origination will prevent all of us from having to go through the request and approval process on an annual basis.

## **How will the Exempt Inspector requirement be tracked?**

The servicer must maintain information used to determine each inspector’s history (like a resume). The Counterparty Risk & Compliance (CRC) team will review those files to confirm exempt inspectors were

used when required. Since the requirement is at least every other year, there won't be findings in the first year but there may be observations related to not having satisfactory resume/information for half of the inspectors, etc. Surveillance won't actively be involved in validating the level of inspector but retains the right to ask for qualifications if there's a quality issue with the report.

### **What if an applicable loan fails to have an inspection completed by an Exempt Inspector at least every other year as required?**

Beginning with the review of 2025 inspections, the CRC team will issue a finding to the servicer if it has been determined that an Exempt Inspector wasn't used when required at least once over the prior two years (2024 and 2025 inspections). The CRC team will work with the servicer to determine a remediation plan within the allotted time. The remediation plan would involve scheduling an updated inspection performed by an Exempt Inspector.

### **Are the inspections performed by the different defined types of Inspectors all following the same scope?**

Yes, the scope of the AIF/inspection is the same whether or not it requires an Exempt Inspector. The properties requiring Exempt Inspections every other year are those that have a higher level of innate risk and would benefit from being inspected by someone with sufficient industry experience.

### **Can we engage a third-party inspector for properties securing high-risk loans?**

Beginning with the June 2025 Guide update, the servicer may use a third-party, or fee inspector company, to conduct inspections on any property, no matter the loan's risk rating. Previously, third-party inspectors were not permitted for loan collateral with a Freddie Mac risk rating greater than six. If a third-party is used, the servicer is responsible for ensuring they meet the minimum requirements. The servicer must also be diligent in providing the third-party any pertinent information that will aid them while on-site. The S=servicer is ultimately responsible for the accuracy of all information included in the inspection, whether or not the servicer performed the inspection directly.

### **Do we still need to look at HUD REAC or NSPIRE inspections?**

While the Guide requirement to obtain the HUD inspection was removed with the June 2025 update given the NSPIRE data is not publicly available, getting the information from the borrower remains a best practice. We liken the HUD inspections to agency inspections for seniors housing. It is pertinent to our assessment of seniors housing communities to understand if they have any code violations or deficiencies that are concerning to their governing body. Reviewing a HUD inspection prior to going on an inspection allows the inspector to address issues or concerns with management/maintenance when they are on-site and allows for a more comprehensive review. While the scope is different and it's possible to have a failing HUD inspection and "passing" MBA inspection (or vice versa), the additional data points can help us detect early warning signs of risk.

### **If we received approval for a due date change request, how will this impact future annual inspection due dates?**

As detailed in Guide section 40.8, Freddie Mac will adjust future inspection due dates to the same quarter in which the previous inspection was submitted, i.e., the mortgage was originated in the second quarter, so the annual inspections have always been completed in the second quarter, until this year when it had to be deferred to third quarter. The next annual inspection will be due in the third quarter. The intent is to make sure that the timing between inspections is maintained at approximately 12 months.

## **Are servicers fully responsible for third-party inspections?**

Yes. A servicer may submit a third-party inspection that was properly QC'ed with the information provided, but if it is later found that information related to deteriorating conditions was withheld or missed, the servicer is ultimately responsible. Per section 40.14(a), "the servicer is ultimately responsible for the accuracy of all information included in the inspection, whether or not the servicer performed the inspection directly." We recommend updating your contracts with your third-party inspection companies to hold them accountable if a situation like this arises.

## **How will Freddie Mac determine a submitted inspection is unacceptable?**

Not following Guide requirements is unacceptable. Please ensure to follow the Guide requirements set forth in Chapter 40. Please refer to the next question for details on what to do if Guide requirements cannot be met.

If the ratings, narrative, and/or photos in the report are not in alignment with the final condition rating, this would not automatically yield an "unacceptable assessment" fine. What makes an inspection unacceptable is when the property condition is materially misrepresented in the report, i.e., a property is rated 2 ("good") but comments and photos indicate it is in poor condition; or a property has well-known significant maintenance issues that were excluded from the report. Provided you are taking the time to compare the condition to the rating descriptions and have quality control processes in-place, we would not expect you to submit an unacceptable assessment.

For example, an inspector's review of a property is subjective and there are slight nuances between a 4 and a 5. Both of those ratings are telling us the property is not in good condition (they are "gradations of bad"). Submitting one over the other is likely not an "egregious miss," barring other factors. The main concern arises when the inspection is telling us the property is in good condition when it's not.

If you have questions about a potential property rating before submitting the report, we are happy to discuss with you. Please contact the [Multifamily Surveillance mailbox](#) to be directed to the appropriate team member.

## **How can I obtain a waiver if a Guide requirement can't be met?**

There may be instances when Guide requirements cannot be met; for example, not all commercial units are accessible or down units are roped off for security reasons. To avoid an unacceptable assessment, it is necessary to obtain a waiver from Freddie Mac for the Guide requirement.

The Servicer should contact the [Multifamily Surveillance mailbox](#) to discuss the situation and waiver request. If granted, the servicer needs to include who approved the waiver in the General Comments box on the 'General Info' tab.

## **Will there be late fees on A-CREFC or Q-CREFC assessments like there are for Inspections?**

No, the Late Assessment Fee does not apply to financials, but Freddie Mac does require you to add and continue to update comments in the Late Assessment page to inform us of your contact with the borrower and rationale for the outstanding information.

## **How and when will the late fees on Inspections be communicated?**

We will communicate with the Chief Servicing Officer (CSO) each quarter to indicate fees being charged and how to submit. If a servicer doesn't have any fees for a given quarter, no communication will be sent to the CSO.