

Property Inspection Reporting
CMSA Interim Guidance for use of
MBA Standard Property Inspection Form

Version 5.0 of the CMSA Investor Reporting Package™ (“CMSA IRP™”), effective February 1, 2008, incorporated the use of the MBA Standard Property Inspection Form which has now been updated as of May 2008 (the “Form”). While not typically a CMSA IRP required reporting item, the Form is available for use by servicers and special servicers via the CMSA website. The updated Form has seen wide adoption by servicers for many funding sources including Fannie Mae, Freddie Mac, which plans to adopt the Form in the future, actively participated in its development and fully endorses its use in the industry. The introduction of the new Form reinforces the same standards while expanding adoption within the industry. Additionally, this Form takes advantage of electronic data management and is MISMO compliant.

One of the biggest changes with the new Form versus the previous form was the adoption of a numerical-based overall property condition scale rather than the descriptive rating terms that were used previously. The new numerical rating scale is from one to five with one being an item in excellent or like new condition and five being an item in poor condition and indicating serious deferred maintenance and/or life safety issues. The descriptive terms per the Property Condition Legend in CMSA IRP version 5.0 are E (excellent), G (good), F (fair) and P (poor). These codes are reported in field P89, Property Condition, in the Property File. In addition to the Form expanding the overall property condition scale from four to five categories, a new Reference Guide for Commercial and Multifamily Property Inspection Reports was created to provide more clearly stated definitions for each rating. The new Reference Guide provides a foundation for more consistent inspection results by providing information on how to complete due diligence for property inspections and properly fill out the Form, while providing more detailed and standardized information for investors, inspectors and servicers about the criteria used to make the overall property assessment.

Servicer Watchlist code 3A of the CMSA Portfolio Review Guidelines requires that any property inspection rated Poor or Not Accessible as defined by the previous MBA Property Inspection Form should appear on the Watchlist. Since the new Form has moved to a numerical rating scale, it is necessary to provide guidance for reporting property inspection results under the new scale. This interim guidance is being provided since an update to the CMSA IRP is not anticipated to occur until after completion of the XML conversion, but inspection reports are being completed using the new Form. This interim guidance should be used by servicers until the next version of the CMSA IRP is published. The CMSA IRP Committee has concluded that the use of overall property assessment terms is preferable to the new numerical scale to facilitate consistency with the previously reported property inspection results. The CMSA IRP Committee has mapped the new numerical scale to the existing terms as follows:

<u>Current Term</u>	<u>New numerical rating</u>
• Excellent =	1
• Good =	2
• Fair =	3
• Poor =	4 and 5

As a result of this mapping, all property inspection reports with an overall assessment of 4 or 5 under the new Form would be included on the Watchlist since they would meet the 3A servicer watchlist code. Investors should read the new overall property assessment definitions to understand the criteria that were considered in the most recent assessments.