Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of April 5, 2024

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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;
- does not include a stand-alone building containing less than 5 dwelling units (e.g., a single-family structure), unless it:
  - was originally constructed as part of a single multifamily development; or
  - is situated on the same tax parcel, or shares a tax parcel boundary, with a
    - multifamily property, or
    - MH Community;
- has suitable bathroom and cooking facilities within each unit;
- is located in 1 of the 50 states of the United States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, or Guam;
- is located on a publicly dedicated, all-weather road, or is accessible by a satisfactory easement from this type of road;
- consists of either a single parcel or multiple parcels per Part II, Chapter 1: Attributes and Characteristics, Section 102.01: Single Borrower Ownership;
- any commercial space is:
  - physically part of, and connected to, the multifamily space; or
  - a stand-alone building that is on the same tax parcel;
- has adequate water and sewer service, which may be delivered by a public utility or, where commercially acceptable for the market area, by a private system or utility;
- offers a suitable level of utility service (e.g., electrical, natural gas, refuse removal, etc.) for the market area;

- either complies with all applicable statutes, rules, regulations, and housing and building codes, or is being appropriately remediated;
- does not contain any Modular Housing; and
- has access to police and emergency services.

Guidance

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

- were originally constructed at the same time;
- were historically bought, operated, and sold as 1 Project since originally constructed;
- are generally consistent in physical appearance, with distinct boundaries such as
  - signage,
  - gates/fencing,
  - shared parking, or
  - dedicated streets;
- are located on a single tax parcel or adjacent tax parcels;
- are configured without any non-Borrower owned parcels or buildings separating/splitting or within the multifamily development; and
- are not part of a predominately homeowner development.

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

For Expanded Housing Choice pricing incentive eligibility, all of the following must be met:

- The Borrower agrees to:
  - accept Housing Choice Vouchers throughout the Mortgage Loan term;
  - not 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;

- advertise the Property and/or available units
  - with participating Public Housing Agencies, and
  - on https://www.affordablehousing.com (or successor site); and
- execute 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

102.01 Single Borrower Ownership

Requirements

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

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

- the overall building configuration across the Properties does not result in elevated vacancy levels at any building.

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

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

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

- comply with the minimum occupancy requirements in
  - Part II, Chapter 1: Attributes and Characteristics, Section 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 required PCA.

Guidance

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

- accept a consolidated third-party report for multiple Projects, if each

Property is identified and assessed separately; and

- consolidate the Underwritten NCF and overall underwriting in a single Transaction Approval Memo.

102.02 Joint and Several Borrower Ownership

Requirements

If...	Then...
A Mortgage Loan • is made to joint and several Borrowers, • is secured by multiple Properties, and • has a Property owned by a different Borrower.	The Mortgage Loan and each Borrower must comply with • Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.01: Single-Asset Entity, • Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.03: Joint and Several Borrowers with Multiple Properties , and • Part II, Chapter 1: Attributes and Characteristics, Section 102.01: Single Borrower Ownership.

Section 103 Property 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 Property's operation or value.

104.02 Ground Lease Rents

Requirements

You must:

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

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 the Property meets these minimum occupancy levels:

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

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

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

Certificates of Occupancy	
For any...	You must...
Property with construction or rehabilitation work completed within the last 12 months	• Ensure all units have a certificate of occupancy. • Obtain copies of all certificates of occupancy from the Borrower. • Retain them in your Servicing File.

Certificates of Occupancy	
Other Property	• Determine if each unit had a certificate of occupancy at some point. • Attempt to obtain copies of them. • Retain them in your Servicing File.

Guidance

No Certificate of Occupancy	
If you cannot obtain...	You should...
Copies of certificates of occupancy for a Property (for example, because of the Property's age, or the records of the jurisdiction where the Property is located)	• Exclude the income generated by any units without a certificate of occupancy, but include all expenses (including replacement reserves) for the maintenance of these units. • Look for other evidence that certificates of occupancy had been issued.
Copies or other sufficient evidence of a certificate of occupancy	Analyze the risk to the Property if one had never been issued, by considering if: • your physical inspection reveals any life safety issues; • all units are accessible through normal access routes (and not, for example, through a former janitorial closet); • the insurance excludes coverage of a casualty originating from a unit without a certificate of occupancy; and • the Property is located in a market that exhibits low vacancies and barriers to entry.

Section 107 Phased Properties

Requirements

If the Property is a Phased Property, you must evaluate

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

Guidance

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

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

In assessing the impact of future phases on a Property, you should consider:

- the short-term impact of construction activity; and
- long-term implications for the continued economic viability of the Property, taking into account the allocation of costs for shared facilities (such as roadways).

Requirements

You may only Deliver a Mortgage Loan on a Phased Property if Fannie Mae holds all other Mortgage Loans secured by other phases of the complex.

When the Phased Property is owned or Controlled by the same Borrower or Principals as the other phases in the complex:

- all Fannie Mae Mortgage Loans on each phase must be cross-defaulted

and cross-collateralized;

- when any new Phased Property Mortgage Loan is underwritten, the actual amortizing DSCR (per Form 4254.DEF) and current LTV for all existing Mortgage Loans on each phase must comply with Form 4660 for the same loan term, product, and Pricing and Underwriting Tier, where each property value is determined by
  - dividing the current NCF by the capitalization rate (i.e., a Direct Cap with Sales Comparables analysis),
  - broker's opinion of value, or
  - most recent Appraisal; and
- the new Phased Property Mortgage Loan must have a Prepayment Premium Period End Date on or before the Prepayment Premium Period End Date of the Mortgage Loans on the other phases.

Guidance

If a future phase is expected, consider issuing the first phase MBS with a potential future cross.

Section 108 Shared Use Properties

108.01 Eligibility

Requirements

This section does not apply to

- Condominium Properties, and
- Cooperative Properties.

Shared Use Property Delivery Eligibility for Essential Elements Not Located on the Property	
Topic	A Shared Use Property Mortgage Loan is eligible for Delivery if...
Documents	you determine the Shared Use Documents do not explicitly prohibit the Essential Elements from being rebuilt or repaired after any casualty or condemnation.

Shared Use Property Delivery Eligibility for Essential Elements Not Located on the Property	
Property	the Property benefits from Essential Elements per Shared Use Documents that: • are perpetual; • inure to the benefit of future Property owners; • are recorded in the land records; and • if applicable, are insured as beneficial easements under the lenders title policy.
Split Ownership of Units and Essential Elements	when the Borrower owns all units subject to the Shared Use Documents, and an Affiliate of the Borrower or Key Principal directly or indirectly owns the Essential Elements that benefit only the Property, such Affiliate joins the: • Loan Documents as a joint and several Borrower; or • Security Instrument using the Modification to Security Instrument (Joinder and Consent (Affiliate Owned Common Elements)) (Form 6324).

Shared Use Property Delivery Eligibility for All Essential Elements	
Topic	A Shared Use Property Mortgage Loan is eligible for Delivery if...
Financial	all: • Property and Essential Elements expenses and charges payable per the Shared Use Documents are current; • assessments and payments payable per the Shared Use Documents are current; and • to the extent permitted by law, future assessments owed by the Borrower and associated liens, if any, are subordinate to the Mortgage Loan.

Shared Use Property Delivery Eligibility for All Essential Elements	
Borrower Status	the Borrower: • has no outstanding community violations; and • is not involved in a community dispute that may - result in litigation, or - materially adversely impact the Property.

108.02 Documents

108.02A Loan Documents

☑ Requirements

You must:

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

108.02B Shared Use Documents

☑ Requirements

You must:

- evaluate the Shared Use Documents;
- document your evaluation in the Transaction Approval Memo; and
- obtain:
  - an ALTA title policy per Part II, Chapter 3: Legal Compliance, Section 304: Title Insurance; and
  - ALTA Endorsements (i.e., 5-06, 28-06, and 9-06) if available in the Property's jurisdiction.

Guidance

Shared Use Document Evaluation	
Topic	You should review the Shared Use Documents to evaluate...
Ownership and Control	• if the Borrower owns all Improvements and the underlying land; • if Essential Elements not located on the Property exist, and if ownership is: - directly or indirectly by an Affiliate of the Borrower or Key Principal; - by a separate association or governing body; - by another community owner or an adjacent property owner; or - shared by the community owners; and • how association and Essential Elements decisions are made by any - developer, - declarant, - association, - community owner, or - other governing body.
Responsibilitiesand Enforcement	how an association or governing body: • collects fees and assessments; • maintains Essential Elements; • obtains insurance; • mediates disputes; and • enforces covenants, including - levying fines or interest, or - pursuing liens or foreclosure.
Fees	the assessment fee structure, including • escalation provisions, • special assessments, and • if assessments should be escrowed.

Shared Use Document Evaluation	
Budget	the associations current • annual budget, • income/expense statements, and • reserve accounts.
Mandates	how the association dictates: • operations; • physical appearance; • insurance claim proceeds; • other restrictions, including limitations or modifications for using the Essential Elements; and • if the cost and maintenance of the Essential Elements located on the Property are not overly burdensome.
Insurance	the associations coverage for: • property, including if the Essential Elements not located on the Property must be rebuilt or repaired after any casualty or condemnation; • liability; and • directors and officers.

Section 109 Commercial Leases

Requirements

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

- the remaining lease term is at least 12 months after the Mortgage Loan Origination Date;
- the tenant is
  - paying rent, and
  - not delinquent on rent due outside the lease's cure period; and
- the underwritten commercial income includes the actual commercial rent due under the lease within 12 months after the Mortgage Loan Origination Date, including any

- discounts, or
- concessions.

Guidance

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

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

109.01 Material Commercial Leases

109.01A Lease Review

Requirements

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

- tenants,
- grantees, or
- other beneficiaries.

If Material Commercial Lease approval is required per Part II, Chapter 1: Attributes and Characteristics, Section 109.01B: Lease Approval you must:

- prepare a written summary of the material terms of the Material Commercial Lease; and
- keep a copy of your summary in your Servicing File.

Guidance

As you analyze the Material Commercial Lease, you should consider if:

- each tenant has the ability to fulfill its financial and other performance obligations under the Material Commercial Lease;
- the Material Commercial Lease insurance provisions are consistent with the insurance requirements in the applicable Loan Documents or

otherwise prescribed by Fannie Mae;

- each tenant is required to obtain the Lender's consent before the Material Commercial Lease is
  - assigned,
  - subleased,
  - subcontracted, or
  - otherwise transferred; and
- the tenant
  - has early termination clauses, and
  - understands the conditions under which they can terminate, including
    - a material casualty or condemnation, or
    - if the landlord cannot substantially restore the premises in a reasonable period of time following a casualty or condemnation.

109.01B 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.
Renewable Energy Generation Lease	You must only approve leases for renewable energy systems that comply with Part II, Chapter 1: Attributes and Characteristics, Section 110: Renewable Energy Generation Systems.
Other Material Commercial Leases	You must only approve other Material Commercial Leases that complywith Part II, Chapter 1: Attributes and Characteristics, Section 109: Commercial Leases.

109.01C Lease Modifications

Requirements

As you review each Material Commercial Lease modification, you must

consider if it:

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

If any of these conditions are present you must:

- require the Borrower to modify the Material Commercial Lease appropriately; or
- address the items in the Tenant Estoppel Certificate (Form 6413) and/or the Subordination, Non-Disturbance, and Attornment Agreement (Form 6415).

109.01D Tenant Estoppel Certificate

☑ Requirements

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

109.01E Subordination, Non-Disturbance and Attornment

☑ Requirements

You must use Form 6415 if:

- the Material Commercial Lease contains provisions for the Borrower to assume liability or other risks as landlord that would be unacceptable to the Lender in case of a Foreclosure Event; or
- the form
  - is necessary for subordination and attornment, or
  - would otherwise be beneficial.

You must ensure that each Material Commercial Lease (including any renewal or extension):

- is subordinate to the Lien of the Security Instrument; and
- requires the tenant to attorn to the Lender under the Mortgage Loan.

109.02 Non-Material Commercial Leases

109.02A 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.

109.02B 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 ensureit does not: • comprise more than 5% of the Property'sEffective Gross Income; • negatively impact the Property's - value, - visibility, - livability, or - marketability; • impose an undue financial or operating burden on the Property or the Borrower; • obligate the Borrower to rebuild any Improvements at the Property post-casualty or condemnation; • have a lease term (including extension options) in excess of 25 years; • contain a purchase option; or • convey any right to the tenant other than simple lessee rights (e.g., a perpetual easement, a purported sale of a portion of the Improvements, unjustified exclusivity, etc.).

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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'sEffective 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 - 600 feet from any Property boundary line; • have a material adverse effect on - public health and safety, - air quality or noise levels, or - the Property's marketability or occupancy; • permit oil or gas well activities with potential negative effects on the Property's - access, - visibility, or - storm water drainage; • have a negative effect on the Property's - zoning, or - allowable density; • 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	You do not need to subordinate the lease to the Lien of the Security Instrument if you confirm that the lease: • is not with an Affiliate of the Borrower or any Key Principal or Principal; • has market terms; • contains an acceptable termination for cause provision; and • meets recognized industry standards.
Equipment or Related Maintenance Services Lease	You must ensure that the lease: • is subordinate to the Security Instrument; • contains an acceptable termination for cause provision; and • meets recognized industry standards.

Guidance

Non-Material Commercial Lease Type	
Storage Unit Lease	You do not need to subordinate the lease to the Lien of the Security Instrument if you determine the unit is being leased pursuant to a residential Lease.

109.03 Short Term Rentals

Requirements

You must ensure that:

- the residential nature of any Property with units available for STR is maintained, even though any Lease of an STR unit will be
  - classified as a commercial lease, and
  - subject to the space and income limitations per Form 4660;
- no more than 5% of the Property's units (not counting recreational vehicle sites) are available for STR; and
- the Underwritten NCF accurately incorporates all STR income.

You must include the following information in your underwriting analysis:

- Borrower's strategy for implementing STR;
- a description of the STR arrangement;
- length of time the STR has been in place;
- Borrower's action plan for handling liability issues for
  - STR tenants at the Property, and
  - safety concerns for non-STR tenants;
- if the STR units are furnished or unfurnished; and
- confirmation that the
  - STR is legally permissible and in compliance with applicable laws and zoning,
  - Borrower's or master tenant's insurance covers any STR, and
  - Property is residential in nature (i.e., not operated as a hotel or other single room occupancy arrangement).

Guidance

Examples of an STR arrangement include an arrangement between the Borrower and:

- a tenant/master tenant, where the tenant/master tenant has an agreement with an STR provider or platform (such as Airbnb, VRBO®, etc.); or
- an STR provider or platform, where the Borrower's tenants may make their units available for STR.

You should seek to establish a leasing history of at least 12 months for any STR unit.

Section 110 Renewable Energy Generation Systems

110.01 Acceptable Renewable Energy Generation Systems

Requirements

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

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

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

110.02 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.

110.03 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.

110.04 Underwritten NCF

Requirements

When calculating Underwritten NCF:

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

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

Section 111 Oil/Gas Wells and Mineral Exploration

111.01 Active Oil and Gas Wells

Requirements

You must ensure the Property has no evidence of any surface entry related to active mineral, oil, or gas activities.

For Properties with mineral, oil, or gas exploration on an adjacent property, you must:

- Identify whether the exploration is active or inactive.
- Deliver a Phase I ESA for the Property reporting no Recognized Environmental Conditions.
- Confirm all mineral, oil, or gas:
  - equipment is located more than 600 feet from any Property boundary line; and
  - exploration on the adjacent property does not impact the health or safety of the Property's tenants or have a material adverse impact to its marketability.
- Confirm:
  - the adjacent property is not owned by an Affiliate of the Borrower; and
  - either:
    - no history of spills or leaks exists; or
    - if spills or leaks have occurred, all applicable permits are in place.

Guidance

Evidence of active mineral, oil, or gas activities on the Property may include:

- wells associated with production, exploration, or extraction;
- active storage or processing; or

- associated pits, ponds, or lagoons.

111.02 Inactive Oil and Gas Wells

Requirements

You must ensure the Property has no evidence of inactive mineral, oil, or gas equipment, unless:

- the Property's Phase I ESA is acceptable;
- if the Property is subject to an oil and gas lease, the lease complies with Part II, Chapter 1: Attributes and Characteristics, Section 109.02B: 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 112 Property Management and Agreement

112.01 Property Management

Requirements

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

Guidance

An independent, professional Property management company is not required. However, when analyzing Property management, you should consider if the management team:

- has adequate experience to ensure effective Property

- administration,
- leasing,
- marketing, and
- maintenance; and

- is staffed appropriately for the
  - Property type and size, and
  - services provided.

112.02 Property Management Agreement

Requirements

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

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

Guidance

You should ensure the Property management agreement clearly states the

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

Glossary

A

Affiliate	When referring to an affiliate of a Lender, any other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender. When referring to an affiliate of a Borrower or Key Principal: • any Person that owns any direct ownership interest in Borrower or Key Principal; • any Person that indirectly owns, with the power to vote, 20% or more of the ownership interests in Borrower or Key Principal; • any Person Controlled by, under common Control with, or which Controls, Borrower or Key Principal; • any entity in which Borrower or Key Principal directly or indirectly owns, with the power to vote, 20% or more of the ownership interests in such entity; or • any other individual that is related (to the third degree of consanguinity) by blood or marriage to Borrower or Key Principal. **Synonyms** • Affiliates • Affiliate's
Affordable Regulatory Agreement	Regulatory, land use, extended use, or similar agreement or recorded restriction limiting rents, imposing maximum income restrictions on tenants, or placing other affordability restrictions on the use or occupancy of the Property (whether imposed by a government entity or self-imposed by a Borrower per the Sponsor-Initiated Affordability Agreement (Form 6490)).
ALTA	American Land Title Association

Appraisal	Written statement independently and impartially prepared by a qualified appraiser stating an opinion of the Property's market value • as of a specific date, and • supported by the presentation and analysis of relevant market information. **Synonyms** • Appraisals

B

Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

C

Collateral	Property, Personal Property, or other property securing a Mortgage Loan.
Commitment Date	Date a Commitment is confirmed by Fannie Mae per Part IV, Chapter 2: Rate Lock and Committing, Section 204: Commitments.
Condominium	Statutorily established Property ownership regime where Condominium Documents designate: • individual units for separate ownership; and • common areas for shared use and joint ownership by the unit owners.

Control	Possessing, directly or indirectly, the power to direct or cause the management and operations of an entity (e.g., through the ownership of voting securities or other ownership interests, or by contract). **Synonyms** • Controlling • Controlled • Controls
Credit Facility	Structured Transaction governed by a Master Credit Facility Agreement requiring Mortgage Loans and Properties to be • cross-defaulted, and • cross-collateralized. **Synonyms** • Credit Facilities • Credit Facility's

D

Delivery	Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Mae’s satisfaction. **Synonyms** • Deliver • Delivered • Deliveries
DUS Gateway	Multifamily pre-acquisition system, or any successor systems, recording deal registration, Pre-Review and/or waiver tracking, Mortgage Loan Commitments, and decision records.

E

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

F

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

Form 4660	Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans. **Synonyms** • Multifamily Underwriting Standards

G

Ground Lease	Contract for the rental of land, usually on a long term basis.
Guarantor	Key Principal or other Person executing a • Payment Guaranty, • Non-Recourse Guaranty, or • any other Mortgage Loan guaranty. **Synonyms** • Guarantors

H

HUD	U.S. Department of Housing and Urban Development **Synonyms** • HUD's

I

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

K

Key Principal	Person who • controls and/or manages the Borrower or the Property, • is critical to the successful operation and management of the Borrower and the Property, and/or • may be required to provide a Guaranty. **Synonyms** • Key Principals • Key Principal's

L

Lease	Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent. **Synonyms** • Leases
Leasehold	Property held under a long-term lease or Ground Lease.
Lender	Person Fannie Mae approved to sell or service Mortgage Loans. **Synonyms** • Lenders • Lender's
Lien	Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind. **Synonyms** • Liens

Loan Documents	All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan. **Synonyms** • Loan Document • Mortgage Loan Document • Mortgage Loan Documents

M

Material Commercial Lease	Lease, sublease, license, concession, grant, or other possessory interest • for commercial purposes comprising 5% or more of the Property's annual EGI, or • relating to: - solar power, thermal power generation, or co-power generation, or the installation of solar panels or any other electrical power generation equipment, and any related power purchase agreement; or - any Property dwelling units leased to ▪ a Borrower Affiliate, ▪ any Key Principal, or ▪ any Principal. **Synonyms** • Material Commercial Leases
MBS	Mortgage-Backed Security
Modular Housing	Property on which the multifamily Improvements are constructed of sections built off-site, such as modular, prefabricated, panelized, or sectional housing, and then assembled and installed on-site on a permanent foundation (and not a chassis). **Synonyms** • Cardinal

Mortgage Loan	Mortgage debt obligation evidenced, or when made will be evidenced, by • the Loan Documents, or • a mortgage debt obligation with a Fannie Mae credit enhancement. **Synonyms** • Mortgage Loans • Mortgage Loan's
Mortgage Loan Origination Date	Date you fund a Mortgage Loan to the Borrower. **Synonyms** • Mortgage Loan's Origination Date • Origination Date

P

Payment Guaranty	Guaranty executed by a Key Principal on Form 4502 series or Form 6020 series, or approved by Fannie Mae.
Phase I ESA	Environmental Site Assessment conducted per the current ASTM E-1527 standard and the resulting report. **Synonyms** • Phase I Environmental Site Assessment • Phase I ESAs
Prepayment Premium Period End Date	Last date when a Borrower owes a Prepayment Premium for a voluntary Mortgage Loan prepayment.
Pricing and Underwriting Tier	Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660). **Synonyms** • Tier

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Principal	Person who owns or controls specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors. **Synonyms** • Principals
Project	Multifamily buildings • on multiple Properties, • owned by the same Borrower, and • that comply with Part II, Chapter 1: Attributes and Characteristics, Section 102.01: Single Borrower Ownership. **Synonyms** • Projects
Property	Multifamily residential real estate securing the Mortgage Loan, including the • fee simple or Leasehold interest, • Improvements, and • personal property (per the Uniform Commercial Code). **Synonyms** • Properties • Property's

S

Security	MBS, PFP MBS, or REMIC. **Synonyms** • Securities

Security Instrument	Instrument creating a lien or encumbrance on 1 or more Properties and securing the Loan Document obligations. **Synonyms** • Security Instruments • Security Instrument's
Servicing File	Your file for each Mortgage Loan serviced. **Synonyms** • Servicing Files
Shared Use Documents	Agreements benefiting and/or burdening a Shared Use Property, such as: • reciprocal easement agreements (REA); • declaration of covenants; • conditions and restrictions (CCR); • development agreements; • shared use agreements; • joint ownership agreement or similar agreements governing homeowners' associations (HOAs); • planned unit developments (PUDs); or • other common interest arrangements or planned developments.
Shared Use Property	Property subject to Shared Use Documents: • benefiting the Property by granting the right to use Essential Elements on common areas created by, or other properties subject to, the Shared Use Documents, and/or • burdening the Property by: - subjecting it to: ▪ property-use or other restrictive covenants; ▪ fees or assessments; or ▪ maintenance obligations; or - allowing other parties subject to the Shared Use Documents the right to use the Essential Elements located on the Property.

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Solar Photovoltaic System	A renewable energy system located on the Property that converts sunlight into electricity and/or a battery storage system containing lithium ion batteries or equivalent technology capable of storing electricity received from the electric grid or a renewable energy system and delivering stored electricity to the Property. **Synonyms** • Solar PV System
Sponsor-Initiated Affordability	Voluntary rent and income restrictions recorded against the Property by the Borrower to preserve or create multifamily affordable housing.