



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## Part I Mortgage Loan

### Chapter 1 Overview

#### Section 101 Using the Guide

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##### 101.01 Organization

###### Requirements

The Guide is divided into 3 categories:

- Requirements are mandatory conditions that must be satisfied for all Lender-delegated Mortgage Loans and activities. You must obtain Fannie Mae's prior approval to Deliver a Mortgage Loan or perform an activity that does not comply with any requirement.
- Guidance are best practices to inform and support a Lender's delegated analysis and decision-making. Fannie Mae expects you to exercise your delegated authority in a prudent manner, and will review your analysis and delegated decisions.
- Operating Procedures are required steps or processes that must be followed.

The Lender Contract provides Fannie Mae with certain rights, remedies, and corrective actions if you fail to satisfy requirements, follow the operating procedures, or exercise delegated authority in a prudent manner.

If the Guide does not specify a category, then the information is a requirement.

##### 101.02 References

###### Requirements

In the Guide:

- a reference to any Person also includes the Person's successors and assigns;
- a reference to any Loan Document, statute, regulation, or standard, also includes all amendments, modifications, or restatements made from time to time; and
- whenever you make a representation "to your knowledge" or "to the best of your knowledge," you mean the actual state of knowledge of your officers and employees responsible for the underwriting, origination,



servicing, or sale of the Mortgage Loan regarding the matters expressly set forth in the representation, in each case without having conducted any independent inquiry into such matters, and without any obligation to do so (except as expressly set forth herein). All information contained in documents which are part of or required to be part of your Servicing File is deemed to be within your knowledge.

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## Section 102 Delegation and Underwriting

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### Requirements

You must comply with the Guide in its entirety. Your Lender Contract describes your delegated authority to underwrite and Deliver Mortgage Loans.

For underwriting and Delivery to be fully delegated to you, you must underwrite the Mortgage Loan to meet the requirements provided in

- the Multifamily Underwriting Standards ([Form 4660](#)),
- Part I,
- Part II, and
- the applicable chapters of Part III based on the specific products and features of the Mortgage Loan.

If the Mortgage Loan does not comply with the applicable requirements, it is a Pre-Review Mortgage Loan (see [Part I, Chapter 2: Mortgage Loan, Section 203: Pre-Review Mortgage Loans](#)).

## Section 103 Transaction Approval Memo

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### Requirements

Your Transaction Approval Memo must:

- document your analysis of all reasonably identifiable strengths and weaknesses of the proposed Mortgage Loan transaction; and
- address and mitigate the following:
  - Property's financial performance, trends, and value;
  - Property's current physical condition and expected condition over the term of the Mortgage Loan;



- environmental conditions and seismic risk impacting the Property;
- ability of the Property to be refinanced at the Maturity Date;
- Borrower's, Key Principals', and Guarantors' financial capacity and experience;
- Property market's performance and trends;
- any other factors that could impact the transaction during the Mortgage Loan term or at the Maturity Date; and
- analysis and support for your decisions on any matters covered by requirements or guidance in Parts I, II, and III.

### → Guidance

Fannie Mae will consider the quality and thoroughness of your analysis, and the appropriateness and quantity of adjustments made

- in the underwriting,
- during the monitoring process, and
- when exercising the remedies or corrective actions provided in the Lender Contract.

## Section 104 Representations

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### Requirements

When you Deliver a Mortgage Loan to Fannie Mae you represent that:

- At all times during the origination and underwriting of the Mortgage Loan, you were authorized to transact business in the Property's jurisdiction. If you were not authorized, then none of your activities related to the Mortgage Loan requires authorization to transact business in the Property's jurisdiction.
- If the laws of the Property's jurisdiction do not require you to be authorized to do business, then this lack of authorization will not adversely affect the mortgagee's ability to enforce the Mortgage Loan.
- You are the sole owner and holder of the Mortgage Loan and have full right and authority to sell the Mortgage Loan to Fannie Mae.
- Your right to sell the Mortgage Loan to Fannie Mae is not subject to any other party's interest or Lien, or to any agreement with any other party.
- You complied with all applicable federal or state laws, regulations, or other requirements regarding
  - fair lending,



- fair housing,
  - consumer credit,
  - equal credit opportunity,
  - truth-in-lending, and
  - the prohibition of redlining and other forms of disparate treatment.
- Unless modified by Fannie Mae's Pre-Review approval, the Mortgage Loan meets
    - the requirements of the Guide,
    - the [Form 4660](#), and
    - all applicable requirements of your Lender Contract.
  - The Mortgage Loan either meets or is exempt from any usury laws or regulations.
  - The Loan Documents you deliver to Fannie Mae are the appropriate and correct forms for the particular transaction under the Guide and contain the same provisions as those provided to you by Fannie Mae (except for completion of blanks, deletion of bracketed information which is not applicable, and other changes approved by Fannie Mae).
  - The Borrower is not in default under any of the terms of the Loan Documents and would not be in default under any of the terms of the Loan Documents with the passage of time, the giving of notice, or both.
  - The terms and conditions of the Mortgage Loan (as reflected in the Loan Documents) have not been amended, modified, or supplemented by
    - any other agreement or understanding of the parties, or
    - waiver of any of the material provisions of those Loan Documents.
  - All documents that evidence, secure, or otherwise relate to the Mortgage Loan have been delivered to Fannie Mae. If you are not the actual party assigning the Mortgage Loan to Fannie Mae because of the financing structure (e.g., a variable rate bond transaction), you make this representation only to the best of your knowledge.
  - The Mortgage Loan has not been materially modified, satisfied, cancelled, released, or subordinated, or if it has, then Fannie Mae has approved the matter in writing.
  - The Lien on the Collateral identified in the Transaction Approval Memo is valid.
  - The Borrower has properly signed the Loan Documents; they are valid and enforceable obligations of the Borrower, subject to bankruptcy, reorganization, or insolvency laws, or other general principles of equity.
  - To the best of your knowledge, as of the Delivery of the Mortgage Loan:



- the Property does not have any subordinate loans that have not been pre-approved by Fannie Mae;
- the Property has not been damaged by any Catastrophic Event;
- the Property has not been condemned or been a part of any proceeding that would impair
  - the value of the Mortgage Loan,
  - the value of the Property, or
  - the usefulness of the Property for the contemplated purpose; and
- there are no proceedings – pending or contemplated – to partially or totally condemn the Property.
- To the best of your knowledge:
  - the credit reports and financial statements relating to the Borrower(s) (and to any other person or entity required by the Guide) correctly reflect the financial condition of these person(s) without material exception; and
  - as of the Delivery of the Mortgage Loan, none of the following is the subject of an existing or contemplated bankruptcy, reorganization, insolvency, or comparable proceeding
    - any Borrower,
    - any general partner of a Borrower,
    - any Key Principal,
    - any Guarantor, or
    - any other party whose bankruptcy could negatively impact one of these parties.
- If the Mortgage Loan is insured or guaranteed by any party, including any governmental authority
  - you have ensured that insurance or guaranty is in effect, and
  - you have complied with all applicable provisions of the insurance or guaranty that covers the Mortgage Loan.
- The Property is free of all mechanics', materialmen's, or similar Liens, and there are no rights outstanding that could cause such liens. (The only exception are mechanics' or materialmen's Liens which attach automatically under the laws of any governmental authority when work is started or materials are delivered to the Property and the Borrower is not delinquent in the payment for this work or materials).
- You have not made or knowingly received from others, any advance of funds (directly or indirectly) on behalf of the Borrower connected with the



Mortgage Loan transaction, except for funds permitted in the Guide or related to interest paid from the earliest of the:

- date of the Note;
  - date the Mortgage Loan proceeds were disbursed to the Borrower; or
  - date 1 month before the first installment of P&I on the Mortgage Loan is due.
- To the best of your knowledge, based solely on the survey and the title insurance policy connected with the origination of the Mortgage Loan (except for encroachments that do not materially and adversely affect the current marketability or principal use of the Property, or that are insured against by the title insurance policy):
    - all material improvements used to determine the appraised value of the Property when the Mortgage Loan was originated are within the boundaries of the Property;
    - no material improvements on adjoining parcels encroach onto the Property; and
    - no material improvements encroach onto any easements.
  - To the best of your knowledge, nothing involving the Mortgage Loan, the Property, or the Borrower can reasonably be expected to:
    - cause private institutional investors to regard the Mortgage Loan as an unacceptable investment;
    - cause the Mortgage Loan to become delinquent; or
    - adversely affect the Mortgage Loan's value or marketability.
  - If the Mortgage Loan provides that the interest rate or principal balance may be adjusted, Fannie Mae may enforce the terms of the Mortgage Loan, and these adjustments will not affect the priority of the Lien.
  - All electronic data you submit is accurate and complete.
  - If Fannie Mae's interest in the Mortgage Loan is a Participation Interest, all of the information and statements in any participation certificate that you deliver are complete, correct, and true.

### Guidance

Redlining is illegal and occurs when a lender provides unequal access to credit, or offers unequal credit terms, because of the race, color, national origin, or other prohibited characteristics of the residents of the area in which the mortgaged property is located.

You may consider locational factors when appraising and underwriting if your risk analysis





- is based only on valid credit factors that reliably predict risk, and
- applies Fannie Mae's guidelines in a consistent, equitable, and legal manner.



## Chapter 2 Mortgage Loan

### Section 201 Registration

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#### Requirements

You must register each Mortgage Loan in DUS Gateway.

### Section 202 Delegated Mortgage Loans

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#### Requirements

If your Lender Contract provides you with the delegated authority, you may underwrite, commit, and Deliver any fully-delegated Mortgage Loan (see [Part I, Chapter 1: Overview, Section 102: Delegation and Underwriting](#)).

### Section 203 Pre-Review Mortgage Loans

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#### Requirements

You must obtain Fannie Mae's Pre-Review approval before requesting a Commitment for any Pre-Review Mortgage Loan and any Mortgage Loan that is not fully delegated to you.

You must ensure that your Chief Underwriter, or a delegated employee directly supervised by your Chief Underwriter, reviews and approves all material supporting the Pre-Review approval request before submitting it.

#### Operating Procedures

The Pre-Review approval process must follow these steps:

**Step 1:** You submit a Pre-Review request to the Deal Team via DUS Gateway that includes, at a minimum:

- a loan-sizing spreadsheet with the preliminary Underwritten NCF and a refinance risk analysis;
- a narrative describing the overall transaction, including risks and mitigating factors for Pre-Review reasons;
- any required data fields and loan options based on the proposed structure of the transaction;
- a completed Multifamily Affordability Estimator (MAE) form; and
- any additional information requested by Fannie Mae.

**Step 2:** Fannie Mae's Pre-Review response will indicate:



- Approval. You have Pre-Review approval to underwrite the Mortgage Loan and request a Commitment on the proposed terms without further Fannie Mae approval before purchase.
- Resubmission Required. You are authorized to underwrite the Mortgage Loan on the proposed terms and pricing, but you must resubmit it after full underwriting for Fannie Mae Pre-Review approval at least 10 Business Days before requesting a Commitment.
- Decline Approval. You do not have Fannie Mae Pre-Review approval and may not request a Commitment on the proposed terms.

## Section 204 Letters of Credit

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### 204.01 Generally

#### Requirements

You must comply with this Section for all Letters of Credit posted as Collateral for a Mortgage Loan.

You must obtain Fannie Mae's approval for any new or renewal Letter of Credit, regardless of whether the Letter of Credit is required by you or Fannie Mae.

All Letters of Credit must:

- Name Fannie Mae as the sole beneficiary.
- Have a minimum term of 1 year.
- Be issued or confirmed by a financial institution that meets the eligibility criteria in [Part I, Chapter 2: Mortgage Loan, Section 204.02: Issuers and Ratings](#).

All Letters of Credit must meet the requirements in the Irrevocable Letter of Credit Instructions ([Form 4663](#)), including the form of sight draft on the Issuer.

#### Operating Procedures

##### How do you request approval to use a Letter of Credit?

Step 1: Complete the Letter of Credit Authorization and Certification Form ([Form 4664B](#)) that states

- whether the Letter of Credit is new or will renew or confirm an existing Letter of Credit, and
- that the Letter of Credit is posted as Collateral for a Mortgage Loan.



Step 2: Indicate whether the Letter of Credit is required by the Guide or is required by you as additional collateral. If you require the Letter of Credit, include the Loan Document imposing the requirement.

Step 3: Send the completed [Form 4664B](#) to Partner Risk Management.

### **What do you do after Fannie Mae has approved a Letter of Credit?**

Step 1: Send the original Letter of Credit to Multifamily Operations to be delivered the following business day. The address is:

Multifamily Certification and Custody Team  
13150 Worldgate Drive  
Mailstop: 5H-2W/01  
Herndon, VA 20170  
Attention: Manager, Multifamily Operations - Recourse and Collateral.

Step 2: Include [Form 4664B](#) in the Mortgage Loan Delivery Package

Step 3: Retain a copy of [Form 4664B](#) in your Servicing File.

## **204.02 Issuers and Ratings**

### Operating Procedures

#### **Who is eligible to issue a Letter of Credit?**

A financial institution that satisfies the ratings criteria may issue or confirm a Letter of Credit.

You, one of your Affiliates, or an Affiliate of the Borrower may issue a Letter of Credit, but only if it is confirmed by a financial institution that is not an Affiliate of you or the Borrower.

Fannie Mae, in its sole discretion, may prohibit you from obtaining a Letter of Credit (or confirming a Letter of Credit) from a specific financial institution.

#### **What ratings do Issuers need to satisfy?**

A financial institution is eligible to issue or confirm a Letter of Credit if it satisfies the following ratings criteria:

- a Standard and Poor's long-term issuer rating of
  - "A+" or better, or
  - "A" and the financial institution has a "stable" or "positive outlook" rating; OR
- a Moody's long-term issuer rating of
  - "A1" or better, or
  - "A2" and the financial institution has a "stable" or "positive outlook"



rating.

### 204.03 Verifying Issuer Ratings

#### Requirements

You must monitor and verify the rating of any financial institution issuing or confirming a Letter of Credit

- throughout the term of the Letter of Credit,
- on each anniversary of the date of issuance, and
- on the date of any renewal, replacement, or amendment.

If the ratings of the financial institution issuing or confirming the Letter of Credit fall below the ratings criteria you must

- contact Multifamily Business Operations promptly, and
- use a financial institution that satisfies the ratings criteria to replace or confirm the Letter of Credit.

A change from “stable” or “positive outlook” to “negative outlook” or “on watch for downgrade” would represent a fall below the ratings criteria.

### 204.04 Restrictions on Issuer Collateral

#### Requirements

You must ensure that the Issuer does not collateralize the Letter of Credit with a lien on

- the Property, or
- any personal property that secures the Mortgage Loan.

### 204.05 Drawing on Letter of Credit

#### Operating Procedures

You may, with Fannie Mae’s written approval, instruct the issuing bank to honor a draw on the Letter of Credit by depositing the proceeds into an account designated by Fannie Mae.



## Chapter 3

## Borrower, Guarantor, Key Principals, and Principals

### Section 301

#### Generally

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##### Operating Procedures

You must perform an overall risk assessment of the Borrower, Guarantor, Key Principals, and Principals considering the specifics of the transaction.

##### Guidance

You should:

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

### Section 302

#### Borrower Organizational Structure

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##### **302.01** Single-Asset Entity

##### Requirements

You must ensure that

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

##### Guidance

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

- Can the Borrower acquire any additional real property, personal property, or assets?
- Can the Borrower participate in any business other than managing and



operating the Property?

- Are the Borrower's assets or funds commingled with anyone else's? If so, can these assets or funds be separated and identified?
- Are the Borrower's financial statements, accounting records, and other organizational documents maintained with anyone else's?
- Except for the Mortgage Loan, has the Borrower assumed, guaranteed, or obligated itself to cover anyone else's liabilities?

### Requirements

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

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

### Guidance

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

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

## **302.02** Co-Tenant Borrowers

### Requirements

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



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

## 302.02A Tenancy-in-Common Agreement

### Requirements

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

You must review the agreement to ensure that:

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

### Guidance

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

#### **Representation**

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

#### **Buy outs**

- Does each Co-Tenant Borrower have buy out rights to any other co-





tenant?

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

### Communication

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

### 302.02B Key Principal Execution of Guaranty

#### Requirements

You must ensure that:

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

## Section 303 Key Principals, Principals, and Guarantors

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#### Requirements

For every Mortgage Loan, you must:

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

You must identify the Principals per the following table.

If the Borrower is a...	Then a Principal is...
General Partnership or Joint Venture	any general partner or joint venturer.



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

### 303.01 Entity Review

#### Guidance

When you review an entity, consider the following questions:

- Is it an existing entity (e.g., a corporation, limited liability company, limited liability partnership, or other acceptable structure) that is not newly formed?
- Is it a well-capitalized, stable, on-going business that would be expected to:
  - Remain financially healthy?
  - Support the Property?
  - Meet all Guarantor requirements and obligations under the Guaranty?
  - Have assets and net worth that are significantly greater than what would be minimally acceptable for an individual Key Principal?

### 303.02 Fund

#### Guidance

When you review a fund, consider the following questions:

- What is the experience and performance history of the fund manager with similar funds?



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

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

- the fund's expiration date;
- any extension to the fund's existence and conditions to approve that extension; and
- the process for winding up the business affairs of the fund, including whether the fund is organized in a state that requires the orderly dissolution of investment funds, such as Delaware or Illinois.

## Section 304 Financial Statements

### Requirements

You must obtain signed financial statements from all parties relevant to the Mortgage Loan.

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

For all financial statements, you must collect:



- A schedule of real estate owned by the party providing the financial statement, including the loan information (such as lender, DSCR, and maturity date) for all assets on the schedule.
- A listing of all other assets, including
  - notes receivable from related entities, and
  - an estimate of the market value of each asset and the basis for calculating value estimates.
- All liabilities and contingent liabilities, including
  - debts under lines or letters of credit,
  - personal guaranties,
  - unmet obligations to partnerships or other entities, and
  - other future obligations (describe the amount and timing of these).
- Any other factors that may impact the party's financial position immediately or during the term of the Mortgage Loan (including any known threat of potential lawsuits that may arise from the parties' business operations).

## Section 305

### Multifamily Underwriting Certificate

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#### Requirements

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

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

- signed and certified as true, correct, and complete, and
- dated within 90 days before the Commitment date.

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

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

## Section 306

### Fraudulent Conveyance

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#### Requirements

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



## ➔ Guidance

To show that you have made the Mortgage Loan in good faith, consider the following questions:

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

## Section 307 Applicant Experience Check

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### Requirements

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

- the Borrower,
- each Key Principal of the Borrower,
- each Principal of the Borrower,
- each Guarantor, and
- any person who owns or controls an entity Key Principal.

### Operating Procedures

#### **Where can you find ACheck?**

You can find the ACheck application at [www.fanniemae.com/multifamily/acheck](http://www.fanniemae.com/multifamily/acheck).

#### **When do you use the ACheck application?**

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

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

#### **How do you view ACheck results?**

The ACheck application will provide either a "Continue Processing" or "Do Not Process" electronic response instantaneously.



### ■ “Continue Processing” Response

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

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

### ■ “Do Not Process” Response

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

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

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

### **What about confidentiality?**

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

### **How do you maintain ACheck results?**

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

## **Section 308**

### **Compliance**

---

#### **Requirements**

You must confirm that the Borrower, Key Principal, Guarantor, and Principals:

- Are not on the U.S. Treasury Department OFAC list.
- Do not exhibit “red flags” that indicate a high risk of money laundering.



- Are not on the FHFA SCP List.

Fannie Mae will not purchase any Mortgage Loan with a Borrower, Key Principal, Principal, or Guarantor that is on either the U.S. Treasury Department OFAC or FHFA SCP List.

### Operating Procedures

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

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

## **Section 309** Execution of Non-Recourse Guaranty

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### Requirements

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

- an Underwritten DSCR less than
  - 1 .35 for fixed rate or
  - 1 .10 for variable rate, or
- an LTV greater than 65%.

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

## **Section 310** Conflict Mortgage Loans

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### **310.01** Description

### Requirements



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





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

You must not Deliver a Prohibited Conflict Mortgage Loan.



## 310.02 Restrictions

### 310.02A Underwriting

#### Requirements

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

You must include the following in your Transaction Approval Memo:

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

In addition, your underwriting submission must include:

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

#### Operating Procedures

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



## 310.02B Servicing

### Requirements

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

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

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

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

### Operating Procedures

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

## 310.02C No First Right of Refusal

### Requirements

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

## 310.02D Additional Disclosure

### Operating Procedures



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

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

### **310.02E** Notifications

#### Requirements

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



## Glossary

### A

**ACheck** Lender due diligence performed for the Borrower, Key Principal, and Principal using the ACheck application.

**Synonyms**

- Applicant Experience Check

**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

### B

**Borrower** Person who is the obligor per the Note.

**Synonyms**

- Borrowers
- Borrower's

### C



Catastrophic Event	<p>Natural or man-made hazard resulting in an event of substantial extent causing significant physical damage or destruction, loss of life, or drastic change to the natural environment such as earthquake, flood, terrorist attack and windstorm.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Catastrophic Events</li></ul>
Co-Tenant Borrower	<p>Borrower consisting of tenants-in-common that own the Property in equal or unequal shares.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Co-Tenant Borrowers</li></ul>
Collateral	<p>Property, Personal Property, or other property securing a Mortgage Loan.</p>
Commitment	<p>Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Committed</li><li>• Commitments</li></ul>
Commitment Date	<p>Date a Commitment is confirmed by Fannie Mae per <a href="#">Part IV, Chapter 2: Rate Lock and Committing, Section 204: Commitments</a>.</p>
Controlling Interest	<p>For any entity, ownership or control of 50% or more of the ownership interests in the entity or the power or right to control or modify, directly or indirectly, the management and operations of the entity.</p>



Cooperative  
Organization

Corporation or legal entity where each shareholder or equity owner is granted the right to occupy a unit in a multifamily residential property under a proprietary lease or occupancy agreement.

## 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 including deal registration, Pre-Review and/or waiver tracking, decision records, or any successor systems.

## F

Form 4660

Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the minimum 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



Guarantor	<p>Key Principal or other Person executing a Payment Guaranty, Non-Recourse Guaranty, or any other guaranty related to the Mortgage Loan.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Guarantors</li></ul>
Guaranty	<p>Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.</p>
Guide	<p>Multifamily Selling and Servicing Guide and Delegated Underwriting and Servicing Guide, including any exhibits, appendices, or other referenced forms, as updated, amended, restated, modified, or supplemented; however, for any topic in the Multifamily Selling and Servicing Guide, that Guide shall control unless a Lender Contract specifies another Guide.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• DUS Guide</li></ul>
<b>I</b>	
Issuer	<p>Entity that:</p> <ul style="list-style-type: none"><li>• issues Bonds for a Credit Enhancement Mortgage Loan;</li><li>• packages mortgages for sale as a Security for an MBS;</li></ul> <p>or</p> <ul style="list-style-type: none"><li>• issues a Letter of Credit.</li></ul> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Issuers</li></ul>

## **K**





## Key Principal

Any 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 who may be required to provide a Guaranty.

### **Synonyms**

- Key Principals

## **L**

## Lender

Person approved by Fannie Mae to sell or service Mortgage Loans.

### **Synonyms**

- Lenders
- Lender's

## Lender Affiliate

Other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender.

## Lender Contract

Program Documents per the Multifamily Selling and Servicing Agreement.

### **Synonyms**

- Lender's Contract
- Lender Contracts
- Contract
- MSSA



## Lender Senior Executive

For any Lender any:

- a. senior executive officer serving as its president, chief executive officer, chief financial officer, chief operating officer, chief production officer, chief underwriter, chief asset manager, chief legal officer, or substantially equivalent position;
- b. individual with voting or approval rights over whether the Lender commits to make a Mortgage Loan; or
- c. family member of, or individual having a close relationship with, any individual identified in (a) or (b).

### **Synonyms**

- Lender Senior Executives

## Letter of Credit

Letter of Credit approved by Fannie Mae per [Part I, Chapter 2: Mortgage Loan, Section 204: Letters of Credit](#).

### **Synonyms**

- Letters of Credit
- LOC
- LOCs

## Lien

Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.

### **Synonyms**

- Liens

## Loan Documents

All documents evidencing, securing, or guaranteeing the debt obligation executed for a Mortgage Loan and approved by Fannie Mae.

### **Synonyms**

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

# M



Maturity Date	Date all amounts due and owing under the Mortgage Loan become fully due and payable per the Loan Documents.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Maturity Dates</li></ul>
MBS	Mortgage-Backed Security
Mezzanine Financing	Subordinate debt financing provided to a direct or indirect owner of a Borrower that is secured by a pledge of the direct or indirect equity interest in the Borrower held by the owner, and not by a Lien on the Property.
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.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Mortgage Loans</li><li>• Mortgage Loan's</li></ul>
Mortgage Loan Delivery Package	Loan Documents and underwriting material required in connection with the Delivery of a Mortgage Loan.
Multifamily Asset Management	Team that can be contacted at <a href="mailto:drawer_am@fanniemae.com">drawer_am@fanniemae.com</a> .
Multifamily Business Operations	Team that can be contacted at <a href="mailto:multifamily_bizops@fanniemae.com">multifamily_bizops@fanniemae.com</a> .



## Multifamily Certification and Custody

Team responsible for taking custody of and certifying Mortgage Loans that can be contacted at

- [multifamcert\\_team@fanniemae.com](mailto:multifamcert_team@fanniemae.com),
- (800) 940-4646, or
- for submissions:

Fannie Mae (Multifamily)  
New Loan Submission  
13150 Worldgate Drive  
Mail Stop: 5H-2W/01  
Herndon, VA 22070.

### **Synonyms**

- DDF
- Document Delivery Facility
- Document Delivery System

## Multifamily Underwriting Certificate

Multifamily Underwriting Certificate ([Form 6460](#)), and/or other agreement approved by Fannie Mae that provides underwriting information for a Mortgage Loan.

## **N**

## Non-Performing Mortgage Loan

Mortgage Loan that is subject to an uncured default.

### **Synonyms**

- Non-Performing Mortgage Loans
- Non-Performing

## Non-Recourse Guaranty

Guaranty executed by a Key Principal on [Form 4501 series](#) or [Form 6015 series](#), or approved by Fannie Mae.

### **Synonyms**

- Guaranty of Non-Recourse Obligations



**Note** Instrument evidencing a Mortgage Loan obligation, including [Form 6010 series](#), any other note approved by Fannie Mae, and all applicable addenda, schedules, and exhibits.

**Synonyms**

- Notes

## O

**OFAC** U.S. Treasury Department, Office of Foreign Assets Control.

## P

**P&I** Principal and interest

**Participation Interest** Undivided interest in a Mortgage Loan per the participation certificate for a specified percentage of principal (and proportionate rights and benefits of the Participation Interest seller in any Mortgage Loan collateral or guaranty), and a specified yield.

**Synonyms**

- Participation Interests

**Partner Risk Management** Team that can be contacted at [partner\\_risk\\_management@fanniemae.com](mailto:partner_risk_management@fanniemae.com).

**Payment Guaranty** Guaranty executed by a Key Principal on Form 4502 series or [Form 6020 series](#), or approved by Fannie Mae.

**Person** Legal person, including an individual, estate, trust, corporation, partnership, limited liability company, financial institution, joint venture, association, or other organization or entity (whether governmental or private).

**Synonyms**

- Persons



Pre-Review	Requirement that the Lender obtain Fannie Mae's approval before Rate Lock of a Mortgage Loan.
Pre-Review Mortgage Loan	Mortgage Loan that is not delegated to you and requires Fannie Mae's approval before Rate Lock.
Principal	<p>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.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Principals</li></ul>
Property	<p>Multifamily residential property securing the Mortgage Loan and including the land (or Leasehold interest in land), Improvements, and personal property (as defined in the Uniform Commercial Code).</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Properties</li><li>• Property's</li></ul>
<b>S</b>	
SCP List	FHFA's Suspended Counterparty Program list located at <a href="http://www.fhfa.gov">www.fhfa.gov</a> .
Servicer	<p>Primary Person responsible for servicing the Mortgage Loan (e.g., the originator, the selling Lender, or a third-party servicer).</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Servicers</li></ul>



Servicing File

File for each Mortgage Loan serviced by the Lender.

**Synonyms**

- Servicing Files

Suspicious Activity Report

Report made by a financial institution to the Financial Crimes Enforcement Network (FinCEN), regarding suspicious or potentially suspicious activity.

**Synonyms**

- SAR

## T

Transfer/Assumption

Transaction resulting in a change in the ownership of the Borrower or Property.

**Synonyms**

- Transfers/Assumptions