Fannie Mae®

Multifamily Selling and Servicing Guide

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Chapter 2 Mortgage Loan

Section 201 Registration and Multifamily Affordability Estimator

Requirements

You must:

- register each Mortgage Loan in DUS Gateway; and
- submit the Multifamily Affordability Estimator (MAE), and all other required affordability data, in DUS Gateway at the earlier of when you:
  - request a pricing quote, if it will incorporate the Property's affordability; and
  - place the transaction under application.

Operating Procedures

You must submit:

- the MAE;
- all required data fields, including the following based on the completed MAE:
  - "% Mission Driven" in the "Deal Overview" section;
  - percent of AMI in the "Property Detail" section:
    - "% of Units <= 80% of AMI";
    - "% of Units <= 60% of AMI"; and
    - "% of Units <= 50% of AMI"; and
  - loan options based on the proposed transaction structure.

Section 202 Delegated Mortgage Loans

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).

Requirements

You must obtain Fannie Mae's Pre-Review approval before obtaining a Rate Lock for any

- Pre-Review Mortgage Loan, and
- Mortgage Loan 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 via DUS Gateway, including at a minimum:

- a preliminary 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 each Pre-Review reason;
- any additional information requested by Fannie Mae; and
- the following items.

Pre-Review Category	Required Submission
Credit Facility	Include an aggregate • summary of the overall transaction, and • loan-sizing spreadsheet roll-up of all Properties.
Crowdfunding Equity	• Borrower's organizational documents. • Your review per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302: Borrower Organizational Structure.

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Pre-Review Category	Required Submission
Delaware Statutory Trust (DST)	• Borrower's organizational documents. • Your review per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302: Borrower Organizational Structure.
Forward Commitment	Your preliminary analysis of the construction and/or rehabilitation and feasibility review per Part III, Chapter 19: Forward Commitments.

Pre-Review Category	Required Submission
Near Stabilized Property	Your analysis of the Property's monthly historical and projected lease-up schedule, including: • a spreadsheet presenting the Property's monthly underwriting operating data and a lease-up schedule, including: - DSCR; - cumulative economic occupancy; - bad debt; - cumulative physical occupancy; - concessions, incentives, discounts, and allowances for all ▪ new move-ins, and ▪ lease renewals; - expiring leases/renewals; - unit move-ins and move-outs since leasing inception; and - projected move-ins and move-outs through the stabilized occupancy period and beyond; and • a rent-comparable survey including: - each rent-comparable's ▪ occupancy, ▪ concessions, and ▪ rent level; and - an analysis of the comparable rents, net of concessions. Your submission must: • analyze the impact of the competitive supply of new apartments entering the Property's submarket during the Property's lease-up period; • note the target Rate Lock date; and • present the Property management company's experience leasing up newly constructed properties.

Pre-Review Category	Required Submission
Preferred Equity	• Preferred Equity Checklist (Form 6441). • Borrower's organizational documents. • Your review per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals.

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

- Pre-Review 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.
- Pre-Review Resubmission Required. You are authorized to underwrite the Mortgage Loan on the proposed terms and pricing, but at least 10 Business Days before Rate Lock, you must resubmit the Mortgage Loan for final Fannie Mae Pre-Review approval, along with:
  - the applicable required resubmission documentation per the Multifamily Underwriting Standards (Form 4660); and
  - any additional requested documentation.
- Enhanced Pre-Review Resubmission Required. You are authorized to underwrite the Mortgage Loan on the proposed terms and pricing, but at least 15 Business Days before Rate Lock, you must resubmit the Mortgage Loan for final Fannie Mae Pre-Review approval, along with:
  - the applicable required Enhanced Pre-Review resubmission documentation per the Multifamily Underwriting Standards (Form 4660); and
  - any additional requested documentation.
- Decline Approval. You do not have Fannie Mae Pre-Review approval and may not request a Commitment on the proposed terms. Fannie Mae will issue a notice of denial containing its rationale.

If you...	Within 30 days of Fannie Mae's notice of denial, you must...
Either: • deny the Borrower credit; or • offer the Borrower another quote, commitment, or credit option (from a source other than Fannie Mae) that the Borrower does not expressly accept	• issue the Borrower an adverse action letter including Fannie Mae's denial reasons; and • upload into the Deal Documents section of DUS Gateway your: - copy of final adverse action letter; and - issuance evidence (e.g., email, certified mail receipt, courier receipt, etc.).
Offer the Borrower another quote, commitment, or credit option (from a source other than Fannie Mae) that the Borrower expressly accepts	upload into the Deal Documents section of DUS Gateway a statement confirming: • the Borrower expressly accepted the credit; and • you sent no adverse action letter.

Section 204 Letters of Credit

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 4664.B) 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 4664.B to Lender Risk Management.

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

Step 1: Send the original Letter of Credit:

- to be delivered the following business day; and
- addressed to Multifamily Certification and Custody, Attention: Manager, Multifamily Operations - Recourse and Collateral.

Step 2: Include Form 4664.B in the Mortgage Loan Delivery Package.

Step 3: Retain a copy of Form 4664.B 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 rating criteria:

Letter of Credit Rating Criteria	
If rated by only 1 of the following rating agencies, the financial institution must have...	If rated by both of the following rating agencies, the financial institution must have...
Either a: • Standard and Poor's long-term issuer rating of "A" or better; or • Moody's long-term issuer rating of "A2" or better.	Both a: • Standard and Poor's long-term issuer rating of "A" or better; and • Moody's long-term issuer rating of "A2" or better.

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.

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

B

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

Business Day	Any day other than a • Saturday, • Sunday, • day when Fannie Mae is closed, • day when the Federal Reserve Bank of New York is closed, or • for any MBS and required remittance withdrawal, day when the Federal Reserve Bank is closed in the district where any of the MBS funds are held. **Synonyms** • Business Days

C

Collateral	Property, Personal Property, or other property securing a Mortgage Loan.
Commitment	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. **Synonyms** • Committed • Commitments
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

Debt Service Coverage Ratio	On an annual basis or any specified period, the ratio of Net Cash Flow to the total of: principal, interest, and required Mezzanine Financing or Hard Pay Preferred Equity payments. **Synonyms** • DSCR
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	Delegated Underwriting and Servicing
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.

F

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

Forward Commitment	Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property. **Synonyms** • Forward Commitment's • Forward Commitments

G

Guarantor	Key Principal or other Person executing a • Payment Guaranty, • Non-Recourse Guaranty, or • any other Mortgage Loan guaranty. **Synonyms** • Guarantors
Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

I

Issuer	Entity that: • issues Bonds for a Credit Enhancement Mortgage Loan; • packages mortgages for sale as a Security for an MBS; or • issues a Letter of Credit. **Synonyms** • Issuers

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
Lender	Person Fannie Mae approved to sell or service Mortgage Loans. **Synonyms** • Lenders • Lender's
Lender Contract	Program Documents per the Multifamily Selling and Servicing Agreement. **Synonyms** • Lender’s Contract • Lender Contracts • Contract • Multifamily Selling and Servicing Agreement • MSSA
Lender Risk Management	Team that can be contacted at lender_risk_management@fanniemae.com.

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 • Letter of Credit's • LOC • LOCs
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

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 Delivery Package	Loan Documents and underwriting material required in connection with the Delivery of a Mortgage Loan.

Multifamily Business Operations	Team that can be contacted at multifamily_bizops@fanniemae.com.
Multifamily Certification and Custody	Team responsible for taking custody of and certifying Mortgage Loans that can be contacted at • multifamcert_team@fanniemae.com, • (800) 940-4646, or • for submissions: Fannie Mae (Multifamily) Certification and Custody 21240 Ridgetop Circle Suite 125-130 Sterling, VA 20166. **Synonyms** • DDF • Document Delivery Facility • Document Delivery System

N

Near Stabilized Property	Newly constructed or recently rehabilitated Property, with all construction or rehabilitation complete, which is expected to achieve Stabilized Residential Occupancy and the applicable required Underwritten Debt Service Coverage Ratio within 120 days after the Mortgage Loan Origination Date.
Net Cash Flow	At underwriting or for any specified period, the amount calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III. **Synonyms** • NCF

Note	Instrument evidencing a Mortgage Loan obligation, including
	• Form 6010 series,
	• any other Fannie Mae-approved note, and
	• all applicable
	  - addenda,
	  - schedules, and
	  - exhibits.
	
	Synonyms
	• Notes

P

Personal Property	Furniture, fixtures, equipment, and other tangible personal property located on or used in connection with the Property.
Pre-Review	Requirement that you obtain Fannie Mae's approval before you Rate Lock a Mortgage Loan.
Pre-Review Mortgage Loan	Mortgage Loan that is not delegated to you and requires Fannie Mae's approval before Rate Lock.

Preferred Equity	A direct or indirect investment in the Borrower, for which the organizational documents provide that equity investor with: • an asset management fee or other fee before dividends, distributions, payments, or returns are paid to the investors; or • preferred or unequal rights to receive dividends, distributions, payments, or returns relative to other equity owners, but excluding: - an equity structure in which no equity investor has the right, whether individually or together with its affiliates, to a Forced Sale, a Control Takeover, or to remove any affiliate property manager; - an equity investment made solely for the allocation of LIHTCs; or - preferred or unequal dividends, distributions, payments, or returns paid to: ▪ a REIT equity investor from Excess Net Cash Flow; or ▪ an equity investor in the form of • payments of promote returns after pari passu payments are made to all equity investors based on a specified minimum internal rate of return or return threshold; or • repayment of a protective advance to pay debt service or other amounts due under the Loan Documents, or any other amounts reasonably required for the operation and maintenance of the Property.
Principal	Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), 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

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

R

Rate Lock	Agreement between you and the Investor containing the terms of the Lender-Arranged Sale or Multifamily Trading Desk trade of the Mortgage Loan and the MBS terms and conditions relating to the underlying MBS, if applicable, which may be documented via a recorded telephone conversation. **Synonyms** • Rate Locks
Replacements	Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required. **Synonyms** • Replacement

S

Servicing File	Your file for each Mortgage Loan serviced. **Synonyms** • Servicing Files