



Multifamily Selling and Servicing Guide

Effective as of November 25, 2019

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Chapter 2 Mortgage Loan

Section 201 Registration

Requirements

You must register each Mortgage Loan in DUS Gateway.

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](#)).

Section 203 Pre-Review Mortgage Loans

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

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](#)) 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](#) 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:

Fannie Mae - Midtown Center
1100 15th Street, NW
Mailstop 8S 33
Washington, DC 20005
Attention: Manager, Multifamily Operations - Recourse and Collateral.

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

Step 3: Retain a copy of [Form 4664](#) 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; AND



- 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.



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

B

Borrower

Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

C

Collateral

Property, Personal Property, or other property securing a Mortgage Loan.



Commitment

Contractual agreement between Fannie Mae and the Lender where Fannie Mae agrees to buy a Mortgage Loan from the Lender at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and the Lender agrees to Deliver that Mortgage Loan to Fannie Mae.

Synonyms

- Committed
- Commitments

D

DUS Gateway

Multifamily pre-acquisition system including deal registration, Pre-Review and/or waiver tracking, decision records, or any successor systems.

G

Guide

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 by any lender memo; provided, however, if a topic is covered in the Multifamily Selling and Servicing Guide, that Guide shall control unless a Lender Contract specifically requires use of another Guide.

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

L

Lender Contract Program Documents per the Mortgage Selling and Servicing Agreement.

Synonyms

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

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

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 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.

P

Partner Risk Management

Team that can be contacted at partner_risk_management@fanniemae.com.

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 the Lender and requires Fannie Mae's approval before Rate Lock.

Property

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).

Synonyms

- Properties
- Property's

S

Servicing File

File for each Mortgage Loan serviced by the Lender.

Synonyms

- Servicing Files