Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 203 Pre-Review Mortgage Loans

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.

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.

Glossary

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

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
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

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

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

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

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