Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of November 16, 2026

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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.

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

G

Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

I

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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	Person Fannie Mae approved to sell or service Mortgage Loans. **Synonyms** • Lenders • Lender's
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

P

Personal Property	Furniture, fixtures, equipment, and other tangible personal property located on or used in connection with the Property.
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

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