Fannie Mae®

# Multifamily Selling and Servicing Guide

## Effective as of October 26, 2026

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# TABLE OF CONTENTS

Part I Section 204 Letters of Credit ..... 3
204.01 Generally ..... 3
204.02 Issuers and Ratings ..... 4
204.03 Verifying Issuer Ratings ..... 4
204.04 Restrictions on Issuer Collateral ..... 5
204.05 Drawing on Letter of Credit ..... 5
GLOSSARY ..... 6

# 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 Maes 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:<br><br>• Standard and Poors long-term issuer rating of "A" or better; or<br>• Moodys long-term issuer rating of A2 or better. | Both a:<br><br>• Standard and Poors long-term issuer rating of "A" or better; and<br>• Moodys 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 Maes 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

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| 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.<br>When referring to an affiliate of a Borrower or Key Principal:<br>• any Person that owns any direct ownership interest in Borrower or Key Principal;<br>• any Person that indirectly owns, with the power to vote, 20% or more of the ownership interests in Borrower or Key Principal;<br>• any Person Controlled by, under common Control with, or which Controls, Borrower or Key Principal;<br>• 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<br>• any other individual that is related (to the third degree of consanguinity) by blood or marriage to Borrower or Key Principal.<br><br>**Synonyms**<br>• Affiliates<br>• Affiliate's |

## B

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| Borrower | Person who is the obligor per the Note.<br><br>**Synonyms**<br>• Borrowers<br>• Borrower's |

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| Business Day | Any day other than a<br>• Saturday,<br>• Sunday,<br>• day when Fannie Mae is closed,<br>• day when the Federal Reserve Bank of New York is closed, or<br>• 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.<br><br>**Synonyms**<br>• Business Days |

## C

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

## D

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| 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 Maes satisfaction.<br><br>**Synonyms**<br>• Deliver<br>• Delivered<br>• Deliveries |

## G

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

## I

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

# L

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| Lender | Person Fannie Mae approved to sell or service Mortgage Loans.<br><br>**Synonyms**<br>• Lenders<br>• 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.<br><br>**Synonyms**<br>• Letters of Credit<br>• Letter of Credit's<br>• LOC<br>• LOCs |
| Lien | Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.<br><br>**Synonyms**<br>• Liens |

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| Loan Documents | All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.<br><br>**Synonyms**<br>• Loan Document<br>• Mortgage Loan Document<br>• Mortgage Loan Documents |

## M

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| Mortgage Loan | Mortgage debt obligation evidenced, or when made will be evidenced, by<br>• the Loan Documents, or<br>• a mortgage debt obligation with a Fannie Mae credit enhancement.<br><br>**Synonyms**<br>• Mortgage Loans<br>• 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. |

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

# P

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| 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<br>• fee simple or Leasehold interest,<br>• Improvements, and<br>• personal property (per the Uniform Commercial Code).<br><br>**Synonyms**<br>• Properties<br>• Property's |

# R

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| Replacements | Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required.<br><br>**Synonyms**<br>• Replacement |

# S

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| Servicing File | Your file for each Mortgage Loan serviced.<br><br>**Synonyms**<br>• Servicing Files |