



# Multifamily Selling and Servicing Guide

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## Chapter 1 Overview

### Section 101 Using the Guide

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#### 101.01 Organization

##### Requirements

The Guide is divided into 3 categories:

- Requirements are mandatory conditions that must be satisfied for all Lender-delegated Mortgage Loans and activities. You must obtain Fannie Mae's prior approval to Deliver a Mortgage Loan or perform an activity that does not comply with any requirement.
- Guidance are best practices to inform and support a Lender's delegated analysis and decision-making. Fannie Mae expects you to exercise your delegated authority in a prudent manner, and will review your analysis and delegated decisions.
- Operating Procedures are required steps or processes that must be followed.

The Lender Contract provides Fannie Mae with certain rights, remedies, and corrective actions if you fail to satisfy requirements, follow the operating procedures, or exercise delegated authority in a prudent manner.

If the Guide does not specify a category, then the information is a requirement.

#### 101.02 References

##### Requirements

In the Guide:

- a reference to any Person also includes the Person's successors and assigns;
- a reference to any Loan Document, statute, regulation, or standard, also includes all amendments, modifications, or restatements made from time to time; and
- whenever you make a representation "to your knowledge" or "to the best of your knowledge," you mean the actual state of knowledge of your officers and employees responsible for the underwriting, origination, servicing, or sale of the Mortgage Loan regarding the matters expressly set forth in the representation, in each case without having conducted any independent inquiry into such matters, and without any obligation to do so



(except as expressly set forth herein). All information contained in documents which are part of or required to be part of your Servicing File is deemed to be within your knowledge.

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## Section 102 Delegation and Underwriting

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### Requirements

You must comply with the Guide in its entirety. Your Lender Contract describes your delegated authority to underwrite and Deliver Mortgage Loans.

For underwriting and Delivery to be fully delegated to you, you must underwrite the Mortgage Loan to meet the requirements provided in

- the Multifamily Underwriting Standards (Form 4660),
- Part I,
- Part II, and
- the applicable chapters of Part III based on the specific products and features of the Mortgage Loan.

If the Mortgage Loan does not comply with the applicable requirements, it is a Pre-Review Mortgage Loan (see [Part I, Chapter 2: Mortgage Loan, Section 203: Pre-Review Mortgage Loans](#)).

## Section 103 Transaction Approval Memo

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### Requirements

Your Transaction Approval Memo must:

- document your analysis of all reasonably identifiable strengths and weaknesses of the proposed Mortgage Loan transaction; and
- address and mitigate the following:
  - Property's financial performance, trends, and value;
  - Property's current physical condition and expected condition over the term of the Mortgage Loan;
  - environmental conditions and seismic risk impacting the Property;
  - ability of the Property to be refinanced at the Maturity Date;



- Borrower's, Key Principals', and Guarantors' financial capacity and experience;
- Property market's performance and trends;
- any other factors that could impact the transaction during the Mortgage Loan term or at the Maturity Date; and
- analysis and support for your decisions on any matters covered by requirements or guidance in Parts I, II, and III.

### ➔ Guidance

Fannie Mae will consider the quality and thoroughness of your analysis, and the appropriateness and quantity of adjustments made

- in the underwriting,
- during the monitoring process, and
- when exercising the remedies or corrective actions provided in the Lender Contract.

## Section 104

### Representations

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#### Requirements

When you Deliver a Mortgage Loan to Fannie Mae you represent that:

- At all times during the origination and underwriting of the Mortgage Loan, you were authorized to transact business in the Property's jurisdiction. If you were not authorized, then none of your activities related to the Mortgage Loan requires authorization to transact business in the Property's jurisdiction.
- If the laws of the Property's jurisdiction do not require you to be authorized to do business, then this lack of authorization will not adversely affect the mortgagee's ability to enforce the Mortgage Loan.
- You are the sole owner and holder of the Mortgage Loan and have full right and authority to sell the Mortgage Loan to Fannie Mae.
- Your right to sell the Mortgage Loan to Fannie Mae is not subject to any other party's interest or Lien, or to any agreement with any other party.
- You complied with all applicable federal or state laws, regulations, or other requirements regarding
  - fair lending,
  - fair housing,
  - consumer credit,



- equal credit opportunity,
  - truth-in-lending, and
  - the prohibition of redlining and other forms of disparate treatment.
- Unless modified by Fannie Mae's Pre-Review approval, the Mortgage Loan meets
    - the requirements of the Guide,
    - the Form 4660, and
    - all applicable requirements of your Lender Contract.
  - The Mortgage Loan either meets or is exempt from any usury laws or regulations.
  - The Loan Documents you deliver to Fannie Mae are the appropriate and correct forms for the particular transaction under the Guide and contain the same provisions as those provided to you by Fannie Mae (except for completion of blanks, deletion of bracketed information which is not applicable, and other changes approved by Fannie Mae).
  - The Borrower is not in default under any of the terms of the Loan Documents and would not be in default under any of the terms of the Loan Documents with the passage of time, the giving of notice, or both.
  - The terms and conditions of the Mortgage Loan (as reflected in the Loan Documents) have not been amended, modified, or supplemented by
    - any other agreement or understanding of the parties, or
    - waiver of any of the material provisions of those Loan Documents.
  - All documents that evidence, secure, or otherwise relate to the Mortgage Loan have been delivered to Fannie Mae. If you are not the actual party assigning the Mortgage Loan to Fannie Mae because of the financing structure (e.g., a variable rate bond transaction), you make this representation only to the best of your knowledge.
  - The Mortgage Loan has not been materially modified, satisfied, cancelled, released, or subordinated, or if it has, then Fannie Mae has approved the matter in writing.
  - The Lien on the Collateral identified in the Transaction Approval Memo is valid.
  - The Borrower has properly signed the Loan Documents; they are valid and enforceable obligations of the Borrower, subject to bankruptcy, reorganization, or insolvency laws, or other general principles of equity.
  - To the best of your knowledge, as of the Delivery of the Mortgage Loan:
    - the Property does not have any subordinate loans that have not been pre-approved by Fannie Mae;



- the Property has not been damaged by any Catastrophic Event;
- the Property has not been condemned or been a part of any proceeding that would impair
  - the value of the Mortgage Loan,
  - the value of the Property, or
  - the usefulness of the Property for the contemplated purpose; and
- there are no proceedings – pending or contemplated – to partially or totally condemn the Property.
- To the best of your knowledge:
  - the credit reports and financial statements relating to the Borrower(s) (and to any other person or entity required by the Guide) correctly reflect the financial condition of these person(s) without material exception; and
  - as of the Delivery of the Mortgage Loan, none of the following is the subject of an existing or contemplated bankruptcy, reorganization, insolvency, or comparable proceeding
    - any Borrower,
    - any general partner of a Borrower,
    - any Key Principal,
    - any Guarantor, or
    - any other party whose bankruptcy could negatively impact one of these parties.
- If the Mortgage Loan is insured or guaranteed by any party, including any governmental authority
  - you have ensured that insurance or guaranty is in effect, and
  - you have complied with all applicable provisions of the insurance or guaranty that covers the Mortgage Loan.
- The Property is free of all mechanics', materialmen's, or similar Liens, and there are no rights outstanding that could cause such liens. (The only exception are mechanics' or materialmen's Liens which attach automatically under the laws of any governmental authority when work is started or materials are delivered to the Property and the Borrower is not delinquent in the payment for this work or materials).
- You have not made or knowingly received from others, any advance of funds (directly or indirectly) on behalf of the Borrower connected with the Mortgage Loan transaction, except for funds permitted in the Guide or related to interest paid from the earliest of the:



- date of the Note;
  - date the Mortgage Loan proceeds were disbursed to the Borrower; or
  - date 1 month before the first installment of P&I on the Mortgage Loan is due.
- To the best of your knowledge, based solely on the survey and the title insurance policy connected with the origination of the Mortgage Loan (except for encroachments that do not materially and adversely affect the current marketability or principal use of the Property, or that are insured against by the title insurance policy):
    - all material improvements used to determine the appraised value of the Property when the Mortgage Loan was originated are within the boundaries of the Property;
    - no material improvements on adjoining parcels encroach onto the Property; and
    - no material improvements encroach onto any easements.
  - To the best of your knowledge, nothing involving the Mortgage Loan, the Property, or the Borrower can reasonably be expected to:
    - cause private institutional investors to regard the Mortgage Loan as an unacceptable investment;
    - cause the Mortgage Loan to become delinquent; or
    - adversely affect the Mortgage Loan's value or marketability.
  - If the Mortgage Loan provides that the interest rate or principal balance may be adjusted, Fannie Mae may enforce the terms of the Mortgage Loan, and these adjustments will not affect the priority of the Lien.
  - All electronic data you submit is accurate and complete.
  - If Fannie Mae's interest in the Mortgage Loan is a Participation Interest, all of the information and statements in any participation certificate that you deliver are complete, correct, and true.

### Guidance

Redlining is illegal and occurs when a lender provides unequal access to credit, or offers unequal credit terms, because of the race, color, national origin, or other prohibited characteristics of the residents of the area in which the mortgaged property is located.

You may consider locational factors when appraising and underwriting if your risk analysis





- is based only on valid credit factors that reliably predict risk, and
- applies Fannie Mae's guidelines in a consistent, equitable, and legal manner.



## Glossary

### B

**Borrower** Person who is the obligor under the Note.

#### **Synonyms**

- Borrowers
- Borrower's

### C

**Catastrophic Event** Natural or man-made hazard resulting in an event of substantial extent causing significant physical damage or destruction, loss of life, or drastic change to the natural environment such as earthquake, flood, terrorist attack and windstorm.

#### **Synonyms**

- Catastrophic Events

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

### D

**Delivery** Meeting all of the data delivery requirements in [Part IV A, Chapter 4: Delivery Procedures – Data](#), and submitting an acceptable Mortgage Loan Delivery Package per [Part IV A, Chapter 5: Delivery Procedures – Documents](#). A Mortgage Loan is “Delivered,” when all documents, data, and information are correct, accurate, and able to be certified by Fannie Mae, with all required documents properly completed, executed, and recorded (if applicable), and any deficiencies are resolved to Fannie Mae’s satisfaction.

#### **Synonyms**

- Deliver
- Delivered
- Deliveries



## F

Form 4660

Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the minimum 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

## G

Guarantor

Key Principal or other Person who executes a Payment Guaranty, a Non-Recourse Guaranty, or any other guaranty in connection with the Mortgage Loan.

### **Synonyms**

- Guarantors

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

## K

Key Principal

Person(s) who control and/or manage the Borrower or the Property, are critical to the successful operation and management of the Borrower and the Property, and who may be required to provide a Guaranty.

### **Synonyms**

- Key Principals



## L

**Lender** Person approved by Fannie Mae to sell or service Mortgage Loans.

### **Synonyms**

- Lenders
- Lender's

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

### **Synonyms**

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

**Lien** Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.

### **Synonyms**

- Liens

**Loan Documents** All documents evidencing, securing, or guaranteeing the debt obligation executed for a Mortgage Loan and approved by Fannie Mae.

### **Synonyms**

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

## M



Maturity Date	<p>Date all amounts due and owing under the Mortgage Loan become fully due and payable per the Loan Documents.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Maturity Dates</li></ul>
Mortgage Loan	<p>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.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Mortgage Loans</li></ul>
<b>N</b>	
Note	<p>Current instrument evidencing a Mortgage Loan obligation, including <a href="#">Form 6010 series</a>, any other note approved by Fannie Mae, and all applicable addenda, schedules, and exhibits.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Notes</li></ul>
<b>P</b>	
P&I	<p>Principal and interest</p>
Participation Interest	<p>Undivided interest in a Mortgage Loan specified in the participation certificate consisting of the specified percentage of the principal (and a like percentage of all rights and benefits of the seller of such Participation Interest in any collateral or guaranty securing the Mortgage Loan), together with a specified yield on the Participation Interest.</p>



**Person** Legal person, including an individual, estate, trust, corporation, partnership, limited liability company, financial institution, joint venture, association, or other organization or entity (whether governmental or private).

**Synonyms**

- Persons

**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