



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 1904.02 Credit Enhancement Instrument

### Guidance

Fannie Mae's Credit Enhancement Instrument Loan Documents presume the Bond Issuer will:

- be the initial lender and secured party under the Security Instrument; and
- immediately assign the Multifamily Bond Note and Security Instrument to Fannie Mae and the Bond Trustee, as co-assignees.

### Requirements

You must ensure that Fannie Mae (not you or the Bond Issuer) is named as the counterparty or beneficiary in the Credit Enhancement Mortgage Loan agreements and collateral assignments.

### Operating Procedures

Fannie Mae and its counsel will:

- prepare the
  - Credit Enhancement Commitment Letter,
  - credit enhancement documents,
  - multifamily Note; and
- review and approve all Bond documents.

You may ask Fannie Mae's counsel to also prepare other Loan Documents, or your counsel may prepare these documents.



# Glossary

## B

**Bond Trustee** Trustee for a Credit Enhancement Instrument.

**Synonyms**

- Bond Trustee's

## 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 Enhancement Instrument** Agreement between Fannie Mae and a Bond Trustee where Fannie Mae provides credit enhancement of a Credit Enhancement Mortgage Loan, Bonds issued to finance a Credit Enhancement Mortgage Loan, or an Interest Rate Hedge Agreement; and if applicable, a Bond liquidity facility.

**Synonyms**

- Credit Enhancement Instruments

**Credit Enhancement Mortgage Loan** Mortgage Loan financed by a Bond issuance where Fannie Mae provides credit enhancement by

- a Credit Enhancement Instrument, or
- an MBS for Bonds.

**Synonyms**

- Credit Enhancement Mortgage Loans

## 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

**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

## N

**Note** Instrument evidencing a Mortgage Loan obligation, including [Form 6010 series](#), any other note approved by Fannie Mae, and all applicable addenda, schedules, and exhibits.

**Synonyms**

- Notes

## S

**Security Instrument** Instrument creating a lien or encumbrance on 1 or more Properties and securing the obligations under the Loan Documents.

**Synonyms**

- Security Instruments