



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## TABLE OF CONTENTS

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|   |   |
|---|---|
| Part III Section 1906 Credit Enhancing Fixed Rate Bonds ..... | 3 |
| 1906.01 Terms .....   | 3 |
| 1906.02 Multiple Fixed Rate Bonds .....                       | 4 |
| GLOSSARY .....  | 5 |



## Section 1906 Credit Enhancing Fixed Rate Bonds

### 1906.01 Terms

#### Requirements

| Terms                           | Credit Enhancement Instrument   | MBS for Bonds                         |
|---------------------------------|---|---------------------------------------|
| Interest Rate Reset             | <ul style="list-style-type: none"> <li>• Used if the Bonds               <ul style="list-style-type: none"> <li>- have a fixed rate for a specified period before maturity, and</li> <li>- require remarketing on scheduled mandatory tender dates.</li> </ul> </li> <li>• Occurs after the fixed rate period per the Bond and Loan Documents.</li> </ul> | Not available.                        |
| Loan Term                       | <p>Credit Enhancement Mortgage Loan must:</p> <ul style="list-style-type: none"> <li>• for a Property with new 4% LIHTCs, have a term of at least 10 years, with a maximum of 30 years; or</li> <li>• for a Property without new 4% LIHTCs, have a term less than or equal to the Bond term, with a maximum of 30 years.</li> </ul>                       |                                       |
| Fannie Mae Fees                 | Credit Enhancement Fee  | Guaranty Fee                          |
| Trustee Fee and Bond Issuer Fee | <p>Underwritten as</p> <ul style="list-style-type: none"> <li>• an operating expense, or</li> <li>• part of the Gross Note Rate.</li> </ul>   | Underwritten as an operating expense. |



| Terms           | Credit Enhancement Instrument  | MBS for Bonds   |
|-----------------|--|---|
| Gross Note Rate | Sum of the <ul style="list-style-type: none"> <li>• Bond interest rate,</li> <li>• Facility Fee (calculated per Part III, Chapter 19: Bond Transactions and Credit Enhancement Mortgage Loans, Section 1908: Facility Fee) divided by the Bond UPB, and</li> <li>• trustee fee and Bond Issuer fee, if they are not underwritten as an operating expense.</li> </ul> | Sum of the <ul style="list-style-type: none"> <li>• Bond interest rate,</li> <li>• Guaranty Fee, and</li> <li>• Servicing Fee.</li> </ul> |

## 1906.02 Multiple Fixed Rate Bonds

### Operating Procedures

If the fixed rate Bond issue has multiple Bonds with different maturity dates and interest rates, the fixed rate for the entire Bond issue will be the weighted average of the individual Bond rates, and considering the different maturities.



# Glossary

## B

**Bonds** Tax-exempt or taxable multifamily revenue bonds, or other tax-exempt or taxable bonds, issued to finance 1 or more Credit Enhancement Mortgage Loan Properties.

**Synonyms**

- Bond

## C

**Credit Enhancement Fee** Fee due to Fannie Mae for a Credit Enhancement Instrument.

**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

## G

**Gross Note Rate** Interest rate stated in the Loan Documents.



## Guaranty Fee

Fee retained by Fannie Mae for credit enhancing a Mortgage Loan or assuming credit risk on a Mortgage Loan, and which may be expressed as a percentage.

### **Synonyms**

- Guaranty Fees

## 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

## M

### MBS for Bonds

Fannie Mae MBS:

- issued to credit enhance tax-exempt Bonds; or
- exchanged for Bonds redeemed at MBS issuance.

### **Synonyms**

- MBS Exchange
- MTEB
- MTEM



## P

**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 Fee** Fee a Servicer receives for collecting payments, managing operational procedures, and assuming your portion of credit risk for a Mortgage Loan, and which may be expressed as a percentage.

### **Synonyms**

- Servicing Fees

## U

**UPB** Unpaid Principal Balance