Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of October 26, 2026

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Section 1903 Unfunded Forward Commitments

1903.01 Terms and Interest Rate Determination

1903.01A Terms

Requirements

Terms	Unfunded Forward Commitment Requirements
Forward Commitment Term	30-month maximum for construction and lease up, unless extended per Part III, Chapter 19: Forward Commitments, Section 1903.05C: Forward Commitment Extensions.
Borrower Commitment	Must: • have the same terms as the Forward Commitment Confirmation; • comply with this Chapter; and • comply with all Forward Commitment documents.
Loan Type	Must be a fixed rate or variable rate: • Mortgage Loan; or • tax-exempt bond credit enhancement or associated Taxable Tail.
Expiration or Termination	You must not Deliver a Mortgage Loan as an immediate Delivery if the Forward Commitment • expired, or • terminated.

1903.01B Interest Rate Determination and Rate Lock

Guidance

The interest rate for a permanent Mortgage Loan is determined:

- with a Rate Lock as of the Forward Commitment date; or
- for a Forward Commitment on a Credit Enhancement Mortgage Loan, at Bond pricing per Part IV, Chapter 8: Bond Transactions and Credit

Enhancement Mortgage Loans, Section 801.04: Rate Lock.

Operating Procedures

You must

- set the Guaranty Fee and Servicing Fee at Rate Lock, and
- ensure they are paid only on the permanent Mortgage Loan.

No Guaranty Fee or Servicing Fee will be charged during the construction period.

1903.02 Good Faith Deposit and Fees

1903.02A Good Faith Deposit

Requirements

You must collect the Good Faith Deposit from the Borrower per

- Part IV, Chapter 2: Rate Lock and Committing, Section 203.01: Borrower Deposit, and
- Part IV, Chapter 2: Rate Lock and Committing, Section 203.02: Minimum Good Faith Deposit.

1903.02B Fees

Requirements

The following fees apply to Forward Commitments.

Fees	Requirements
Standby Fee	For the Forward Commitment term, the fee is: • per the Forward Commitment; and • due when the Forward Commitment is confirmed.

Fees	Requirements
Standby Extension Fee	For each extension contemplated in the Forward Commitment, the fee is: • per the Forward Commitment; and • due when Fannie Mae processes the extension. Any additional extension terms and fees are at Fannie Maes discretion.
Rate Lock Extension Fee	For a Forward Commitment not involving a Credit Enhancement Mortgage Loan, per Part IV, Chapter 2: Rate Lock and Committing, Section 204.03B: Rate Lock Extensions and the Pricing Memo.
Non-Delivery Fee	If the conversion conditions are not met or the permanent Mortgage Loan is not Delivered per the Forward Commitment, the fee is: • for: - a Forward Commitment involving a Credit Enhancement Mortgage Loan, per the Credit Enhancement Commitment Letter; or - all other Forward Commitments, per Form 4210; and • drafted from your account on the earlier of the Forward Commitments - expiration date, or - termination by Fannie Mae.

Fees	Requirements
Shortfall Fee	For a Forward Commitment not involving a Credit Enhancement Mortgage Loan, if the permanent Mortgage Loan closes, but its original principal amount is less than 90% of the maximum Mortgage Loan amount, the fee is: • per Form 4210; and • drafted from your account by the permanent Mortgage Loan closing.
Origination Fee; Construction Loan Administration Fee	You must: • charge the Borrower: - an Origination Fee per the Pricing Memo; and - a Construction Loan Administration Fee covering the actual loan administration costs, but no less than $500 per month; and • not pay these fees to Fannie Mae.

1903.03 Forward Commitment Underwriting

1903.03A Generally

☑ Requirements

You must:

- Underwrite, originate, and service a Forward Commitment Mortgage Loan as if it were an immediate funding Mortgage Loan.
- Agree to issue the Borrower Commitment.
- Determine the construction lender has
  - completed its underwriting, and
  - agreed to issue a construction financing commitment.
- Confirm the Investor will
  - issue its commitment to purchase the MBS, and
  - meet the Forward Commitment conditions, including timing.

1903.03B Construction and Feasibility Review

Guidance

You should:

- Assess the:
  - construction lenders capacity to fund and monitor the construction loan; and
  - ability of the development team and general contractor to
    - complete the project, and
    - post an acceptable bond or letter of credit for the construction lender.
- Review and approve the:
  - project budget, including construction contingencies, and align any deferred development fee to market rates;
  - LIHTC equity funding schedule;
  - pro forma underwriting;
  - feasibility of repaying the construction loan at conversion, including:
    - evaluating several stress-test scenarios such as a decline in rents, an increase in operating expenses, or other circumstances;
    - having the LIHTC investor or construction lender retain an appropriate portion of the development fee until specified construction and lease up milestones are met;
    - the sufficiency of the LIHTC investors equity funding; and
    - the availability of other capital sources such as grants or subordinate debt;
  - absorption schedule, including a capture band analysis of submarket income;
  - Borrower organizational documents;
  - Affordable Regulatory Agreements; and
  - Subordinate Loan documents.
- Ensure the Forward Commitment term is sufficient to allow for:
  - the Property to be completed and leased;
  - you to submit the conversion package;

- Fannie Mae to approve the conversion; and
- you to Deliver the permanent Mortgage Loan.

1903.03C Third-Party Reports

Requirements

If you and the construction lender use a single set of third-party reports for underwriting, the reports

- must be addressed to both lenders, but
- can be contracted and paid for by either lender.

Operating Procedures

You must obtain the following reports.

Report	Timing	You must...
Property Condition Assessment	Before Forward Commitment	Complete a PCA for all substantial rehabilitation properties.
	Before conversion	Obtain a PCA and complete the Replacement Reserve Schedule per Part II, Chapter 4: Lease Audits, Inspections, and Reserves.
Environmental Site Assessment	Before construction	Obtain a Phase I ESA.
	Before conversion	• Obtain a new Phase I ESA. • Obtain a Phase II ESA if recommended by the new Phase I ESA. • Ensure any required remediation is complete before you Deliver the permanent Mortgage Loan.

Report	Timing	You must...
Architectural Review	Before Forward Commitment	From an independent consulting architect, obtain an architectural review assessing the Property's • preliminary plans and specifications, • compliance with local building codes, • site characteristics, • choice of building materials and finishes, • asset quality, • marketability, and • overall design appropriateness for the intended use.
	During construction	Use a consulting architect for in-field inspections.
	Final inspection	Require the consulting architect to conduct a final inspection confirming the Property: • was built according to the approved plans and specifications; and • meets all applicable building codes and zoning requirements.
Appraisal	Before Commitment	Obtain an Appraisal per Part II, Chapter 2: Valuation and Income.
	Before conversion	Obtain a new or updated Appraisal if • you request an increase in the permanent Mortgage Loan amount above the Forward Commitment terms, or • Fannie Mae requires it.

Guidance

You may use the same consulting architect as the construction lender if the consulting architect:

- is independent and not an employee of the construction lender
- is retained directly by you and engaged separately by the construction lender and
- acknowledges they may be required to make recommendations that do not align with those of the construction lender.

1903.04 Commitment

Requirements

All:

- Forward Commitments must comply with Part IV, Chapter 2: Rate Lock and Committing.
- Borrower Commitments must comply with Part IV, Chapter 2: Rate Lock and Committing, Section 201.01: Borrower Commitment.

Operating Procedures

You must

- complete the steps in the following table, and
- submit the Forward Commitment in C&D per the Committing & Delivery of Unfunded Forwards Job Aid.

Step	You must...
For All Mortgage Loans	

Step	You must...
1	Obtain an executed Borrower Commitment including: • Borrower covenants to - close the permanent Mortgage Loan per the Forward Commitment terms, and - pay all required fees and deposits; and • all required Loan Documents and third-party documents in final form, including - Affordable Regulatory Agreements (or other affordable housing restrictions), and - Subordinate Loan documents and subordination agreements.
2	Pay all fees or submit acceptable collateral to Fannie Mae.
3	Ensure the Borrower • accepted the construction loan commitment, and • complied with its conditions.
4	Obtain evidence that state and local authorities issued the Borrower all • land disturbance, • site, • grading, • foundation, and • building permits, or their equivalents.
Additionally, for all non-Credit Enhancement Mortgage Loans	
5	Obtain a Rate Lock.
6	Obtain the signed Delivery Assurance Agreement (Unfunded Forwards) (Form 6488).
7	Ensure any Delivery Assurance Security Instrument covers any permitted Borrower Commitment extension terms.
8	Record any Delivery Assurance Security Instrument on the Property before the construction loan closing.
Additionally, for all Credit Enhancement Mortgage Loans	

Step	You must...
9	Ensure Bond pricing complies with Part IV, Chapter 8: Bond Transactions and Credit Enhancement Mortgage Loans, Section 801.04: Rate Lock.
10	Obtain the Credit Enhancement Commitment Letter.

After you complete these steps, Fannie Mae will confirm the Forward Commitment in C&D.

Within 30 days after the Forward Commitment is confirmed, you must Deliver the documents listed in:

- steps 4, 6, 8, and 10; and
- the Pre-Construction Monitoring Package (Form 4543).

1903.05 Construction Period

1903.05A Monitoring

Requirements

You must monitor the construction process to ensure that when the permanent Mortgage Loan is converted it will comply with the

- Forward Commitment, and
- permanent Mortgage Loan Commitment.

Guidance

During the construction or substantial rehabilitation period:

Responsible Party	Activities
You	• Evaluate inspections and change orders. • Reject any change orders that would: - change the Property'smain design or asset quality features; - make material changes; or - result in combined hard and contingency costs greater than the construction loan budget (i.e., the construction loan must remain in balance). • Review the consulting architects progress reports and provide them to Fannie Mae upon request. • Monitor the construction loan and lease-up status.
Consulting Architect	• Regularly perform on-site construction progress inspections. • Ensure the time between inspections is not more than 2 months. • Issue a progress report after each - inspection, and - whenever the construction lender approves a disbursement.

You and the construction lender may both use the same consulting architect for the

- preliminary and final plans,
- specification reviews, and
- construction period inspections.

1903.05B Reporting

☑ Requirements

You must provide quarterly reports to Fannie Mae via DUS Gateway using Construction Period Monitoring (Form 4211).

1903.05C Forward Commitment Extensions

☑ Requirements

You must inform the Fannie Mae Deal Team and the Forwards Team if conversion may be delayed.



Guidance

If the Forward Commitment permits, you may approve a maximum delegated Forward Commitment extension up to:

- for MBS for Bonds, two 6-month periods; or
- for any other Mortgage Loan, one 6-month period.

Operating Procedures

The delegated Forward Commitment extension will become effective when all of the following occur:

- you submit the following extension documentation to Fannie Mae at least 30 days before the Forward Commitment expiration:
  - the Borrower's extension request;
  - a project status report, including reasons for the delay;
  - verification the Forward Commitment is likely to convert to a permanent Mortgage Loan within the extension period;
  - anticipated shortfall analysis of the Mortgage Loan amount at conversion and the source of funds for filling the shortfall;
  - confirmation there has been no material adverse change in the Borrower or Property; and
  - confirmation the Borrower's construction loan will be extended by the same extension period as the Forward Commitment term.
- Fannie Mae processes the extension request; and
- at least 1 business day before the Forward Commitment expiration:
  - you enter all fees into C&D;
  - Fannie Mae receives the fees;
  - you submit a C&D request to adjust the Forward Commitment expiration date; and
  - you are notified the adjustment has been completed.

Requirements

Fannie Mae must approve all Forward Commitment extensions beyond the maximum delegated term. To request Fannie Mae approval:

- you must submit

- all extension documentation required for a delegated extension, and
- any requested revised stabilization analysis; and

- the Borrower must pay any required fees.

1903.06 Construction Completion

Reqiurements

You must ensure that all Improvements on the Property are completed, including

- amenities,
- landscaping,
- signage,
- parking, etc.

If sufficient funds will be reserved in a Completion/Repair Escrow, minor punch list and weather-sensitive items may be incomplete.

Guidance

Use the following table for confirming construction completion and occupancy.

Responsible Party	Activities
Consulting Architect	• Conduct a final Property inspection. • Certify the Property was completed per this Section.



Responsible Party	Activities
You	Ensure all Improvements: • were completed in a good and workmanlike manner per the approved plans and specifications; • are Lien-free; and • for all governmental authorities with jurisdiction over the Property, comply with all - applicable laws, - building codes, - zoning requirements, - subdivision requirements, - fire and safety laws, - ADA requirements, and - design and construction requirements per the Fair Housing Act. Obtain: • certificates and reports showing the Borrower completed all Improvements per the Guide from the - architect, - consulting architect, and - other project consultants; • evidence of all public utilities for the Property; • copies of: - all Property operating permits and licenses; and - either: ▪ each unconditional certificate of occupancy (or the local equivalent) for all required portions of the Property; or ▪ evidence the Property passed all inspections and received all approvals before occupancy, if local law does not require certificates of occupancy; and • a Certification of Substantial Completion (AIA Document G704) stating the Improvements were completed per the final plans and specifications, and executed by the appropriate parties, including the - architect, - general contractor, and - Borrower.

1903.07 Permanent Loan Final Underwriting

1903.07A Generally

☑ Requirements

Before converting, you must complete the permanent Mortgage Loan final underwriting.

Topic	You must...
DSCR and LTV	Ensure the Property complies with the committed DSCR and LTV.
Eligibility	Ensure: • The Borrower: - does not change; - remains eligible; and - still owns the Property. • The Key Principals: - do not change; and - have not reduced their direct or indirect ownership interest and control over the Borrower or the Property. • There is no material adverse change in the condition, financial or otherwise, of - the Borrower, - any Guarantor, - any Key Principal, or - the Property.
Construction Loan Status	Ensure the Borrower • is current on the construction loan payments and not in default, and • has not been delinquent during the previous 12 months.
Certification of Rent Roll	On the permanent Mortgage Loan Origination Date, certify with the Borrower there has been no material adverse change in the Certification of Project Rent Roll.

Topic	You must...
Equity Contributions	As of the permanent Mortgage Loan Delivery, obtain a Borrower certificate, or other Fannie Mae-accepted evidence, that all funds reflected on the Borrower's sources and uses of funds statement were: • received, including all equity contributions; and • properly invested in the Property.
LIHTC Reservation or Allocation	If the Property is eligible for LIHTCs, verify the Borrower's IRS Form 8609 issued by the state housing finance agency reflects the required LIHTC amount.

Guidance

Fannie Mae may defer the requirement to obtain IRS Form 8609 before conversion based on factors such as whether:

- the Property's financials exceed the pro-forma underwriting per the Forward Commitment;
- all other conversion criteria were met;
- the Borrower certified the Property complies with the LIHTC requirements;
- you and the tax accountant approved the cost certification;
- the Borrower submitted the cost certification to the state, with no anticipated significant adjustments;
- the LIHTC investor contributed at least 90% of their equity, with the remaining 10% withheld for any minor adjustments to the
  - Property tax depreciable basis,
  - adjusters, or
  - developer fee;
- the sources and uses of funds are in balance, and all required funds were received to complete and lease-up the Property;
- you have documentation confirming the IRS Form 8609 application and the states acknowledgement of receipt;
- you expect to receive the IRS Form 8609 timely post-conversion;
- you will monitor receipt of IRS Form 8609 as a post-closing matter and

deliver a copy to Fannie Mae; and

- the Borrower has experience complying with IRS Form 8609 in the specific state.

1903.07B Stabilized NCF

☑ Requirements

You must:

- Confirm the Property will qualify for the full Commitment by
  - evaluating its performance, and
  - assessing whether it meets the projected
    - income,
    - expenses, and
    - NCF.

- Use the Forward Loan Conversion Analysis (Form 4212) to
  - annualize the certified project rent rolls,
  - compare pro forma and actual operating expenses, and
  - calculate the Property's stabilized NCF per
    - this Chapter, and
    - Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis or the applicable Part III chapter based on the specific product.

- Submit the Forward Conversion Analysis Summary (Form 4618) that verifies your Chief Underwriters involvement and agreement with the analysis.

The permanent Mortgage Loan Delivery Package documentation must include:

- the percentage of the Property's occupied units categorized by
  - bedroom configuration,
  - square footage, and
  - rent type (low income or market rate) delineating any Section 8 or other subsidized rental program tenants;

- the Property's actual Effective Gross Income for each of the previous 3 months, including only rental income and permitted other income from the units less any
  - rent concessions,
  - reductions,
  - inducements, or
  - forbearance; and
- rental income by rent type (low income or market rate).

You must use the following table to calculate stabilized NCF.

STABILIZED NCF		
Item	Function	Description
1		For each of the most recent trailing 3 months before conversion: • determine the Gross Potential Rent from an executed Certification of Project Rent Roll; and • confirm that at least 90% of the units were physically occupied by a Qualified Tenant with an acceptable Lease.
	EQUALS	GROSS POTENTIAL RENT
2	MINUS	• Economic vacancy using the higher of - original Forward Commitment underwriting, or - actual annualized trailing 3-month operating statements.[1] • Include: - concessions if they ▪ are prevalent in the market, or ▪ were used to achieve initial stabilization and will remain; and - a re-leasing cost allowance if the Property has short term leases.

STABILIZED NCF		
3	PLUS	For an MAH Property, include annualized other income per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703.01: Underwritten NCF.
4	PLUS	Commercial income per Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
	EQUALS	EFFECTIVE GROSS INCOME
5	MINUS	Line-by-line operating expenses using the higher of: • actual annualized trailing 3-month operating statements; or • original Forward Commitment underwriting, adjusted by substituting the following actual expenses, if known: - real estate taxes; - property liability and other insurance; and - management fees.
6	MINUS	Replacement Reserve expense per Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
	EQUALS	STABILIZED NCF
1 Assess if there was any decline in NRI per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.		

1903.07C Final Permanent Mortgage Loan Amount

Requirements

You must ensure the permanent Mortgage Loan amount is less than or equal to the Forward Commitment.

Operating Procedures

Steps	Actions
1	You must determine the permanent Mortgage Loan amount using the Forward Loan Conversion Analysis (Form 4212).
2	If the Property's actual stabilized NCF before permanent Mortgage Loan Delivery is less than the original Forward Commitment underwriting, reduce the permanent Mortgage Loan amount to comply with the Forward Commitment DSCR and LTV.
3	If the permanent Mortgage Loan amount in Step 2 is less than the Forward Commitment Confirmation Mortgage Loan amount, verify the Borrower has secured a source of funds, whether debt or equity, to cover the difference.
4	Ensure any additional debt the Borrower incurs to cover the difference in Step 3, is only secured by a Lien on the Property if • it is an MAH Property, and • the subordinate debt complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Third-Party Financing.
5	If the permanent Mortgage Loan amount in Step 2 results in a loan curtailment, • the Borrower must close the permanent Mortgage Loan at the reduced amount, and • you must Deliver the permanent Mortgage Loan at the reduced amount.

Steps	Actions
6	If the Property qualifies for additional financing beyond the Forward Commitment Confirmation Mortgage Loan amount, submit via DUS Gateway: • a request for additional financing; • your conversion documentation; and • a comparative analysis showing the stabilized NCF is greater than the original Forward Commitment underwriting. A new pre-conversion Appraisal is not required if the pre-construction Appraised Value and permanent Mortgage Loan amount comply with the Forward Commitment maximum LTV.
7	Any increase in the permanent Mortgage Loan amount approved by Fannie Mae will: • be limited to the Maximum Loan Amount Increase percentage per the Forward Commitment; • be made on the currently available terms and conditions; and • not be approved simply because construction costs, cost overruns, or change orders were higher than expected.

1903.07D Third-Party Reports

☑ Requirements

You must obtain third-party reports per Part III, Chapter 19: Forward Commitments, Section 1903.03C: Third-Party Reports.

1903.08 Conversion

1903.08A Eligibility

☑ Requirements

To convert to the permanent Mortgage Loan, you must confirm:

- construction is complete;
- the Property achieved the

- minimum occupancy,
- income, and
- debt service coverage;

- the eligibility criteria in Part III, Chapter 19: Forward Commitments, Section 1903.07A: Generally have been met; and
- the permanent Mortgage Loan is Delivered on Fannie Mae Loan Documents.

1903.08B Timeline

Operating Procedures

Timing	You must...
30 days before the Borrower's closing	• Contact the Fannie Mae Deal Team and Forwards Team, to provide the - project development status, and - anticipated conversion and Delivery date. • Submit via DUS Gateway: - Preliminary Notice of Conversion: ▪ for Credit Enhancement Mortgage Loans, using the form attached in the Credit Enhancement Commitment Letter ; and ▪ for all other Mortgage Loans, using Form 4616; - Forward Loan Conversion Analysis (Form 4212); - Forward Conversion Analysis Summary (Form 4618); and - compliance evidence required by Fannie Mae conditions. • Receive a conversion approval letter from the Forwards Team after all Fannie Mae imposed conditions are met.

Timing	You must...
At Conversion	• Submit the permanent Mortgage Loan Commitment in C&D per the Committing & Delivery of Unfunded Forwards Job Aid. • Document the permanent Mortgage Loan using Fannie Mae Loan Documents attached to the Borrower Commitment. • For Credit Enhancement Mortgage Loans, submit via DUS Gateway the final conversion notice using the form attached in the Credit Enhancement Commitment Letter.
By the Delivery Deadline	• Deliver the permanent Mortgage Loan Delivery Package and submit the permanent Mortgage Loan data per - Part IV, Chapter 4: Delivery, Section 401: Delivery Deadline, and - Part IV, Chapter 4: Delivery, Section 402: Submission. • For a Credit Enhancement Instrument, also submit applicable data on the Bond, Loan, Borrower, and Property pages in C&D within 3 Business Days after the Mortgage Loan closing.

1903.09 MBS Issuance

Operating Procedures

The MBS will be issued per your delivery instructions after you Deliver the permanent Mortgage Loan.

1903.10 Forward Commitment Termination

Guidance

Fannie Mae may terminate the Forward Commitment if:

- You fail to Deliver a permanent Mortgage Loan per the Forward Commitment Confirmation terms and conditions.
- The Borrower does not begin Property construction or substantial rehabilitation within 180 days after you accept the Forward Commitment.
- A construction loan default occurs and is not cured within 90 days.

- A substantial construction defect occurs that may threaten tenant life and safety unless:
  - the Borrower repairs the defect within 90 days;
  - the repairs satisfy both you and your consulting architect; and
  - after paying all repair costs, the available remaining funds are sufficient to pay for all
    - work performed,
    - materials used or ordered, and
    - other required unpaid project costs per the contract.

☑ Requirements

If Fannie Mae terminates the Forward Commitment, all applicable fees must be paid per the Forward Commitment terms.

If the Borrower terminates the Forward Commitment, you must:

- submit a request to collapse the transaction to the Fannie Mae Deal Team and the Forwards Team at least 30 days before the Forward Commitment expiration;
- for Bond transactions, coordinate with Fannie Maes counsel; and
- contact Multifamily Acquisitions to withdraw the transaction in C&D.

Glossary

A

Acquisition	Any Purchase of either the: • Propertys fee simple or leasehold interest via a deed transfer; or • Controlling Interest in the Borrower. **Synonyms** • Acquisitions
Affordable Regulatory Agreement	Recorded or unrecorded regulatory, land use, extended use, restrictive covenant, or similar agreement or restriction that is imposed by a Public Entity, placing rent, income, or other affordability restrictions on the use or occupancy of the Property, but which does not include a HAP Contract. **Synonyms** • Affordable Regulatory Agreements
Appraisal	Written statement independently and impartially prepared by a qualified Appraiser stating an opinion of the Property's market value • as of a specific date, and • supported by the presentation and analysis of relevant market information. **Synonyms** • Appraisals • Appraisal's
Appraised Value	Appraisers opinion of the Property's market value documented in the Appraisal, on an as is basis, unless use of an as completed basis is specifically permitted per the Guide. **Synonyms** • Appraised Values

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
Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's
Borrower Commitment	Your written commitment with the Borrower to originate a Mortgage Loan, and any separate written or oral rate lock agreements between you and the Borrower to rate lock the Mortgage Loan. **Synonyms** • Borrower Commitments
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.

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
Commitment Date	Date a Commitment is confirmed by Fannie Mae per Part IV, Chapter 2: Rate Lock and Committing, Section 204: Commitments.
Completion/Repair Escrow	Custodial Account funded on the Mortgage Loan Origination Date for Completion/Repairs or capital improvements per the Loan Documents.
Completion/Repairs	Repairs or capital item replacements and deferred maintenance: • identified per the Property Condition Assessment; and • required per the - Completion/Repair Schedule, or - Completion/Repair Agreement. **Synonyms** • Completion/Repair
Control	Possessing, directly or indirectly, the power to direct or cause the management and operations of an entity (e.g., through the ownership of voting securities or other ownership interests, or by contract). **Synonyms** • Controlling • Controlled • Controls

Cost Certification	Independent third-party audit report itemizing the Property's construction and development costs, including a statement of eligible and qualified basis, submitted to the state housing finance agency to obtain IRS Form 8609(s).
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

D

Debt Service Coverage Ratio	On an annual basis or any specified period, the ratio of Net Cash Flow to the total of: principal, interest, and required Mezzanine Financing or Hard Pay Preferred Equity payments. **Synonyms** • DSCR

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. **Synonyms** • Deliver • Delivered • Deliveries
Delivery Assurance Security Instrument	The applicable Security Instrument (Form 6025 series), as modified by the Modifications to Security Instrument (Unfunded Forwards) (Form 6321).
DUS	Delegated Underwriting and Servicing
DUS Gateway	Multifamily pre-acquisition system, or any successor systems, recording deal registration, Pre-Review and/or waiver tracking, Mortgage Loan Commitments, and decision records.

E

Effective Gross Income	For any specified period, the Property's total Net Rental Income, plus commercial income, plus other income, all calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III. **Synonyms** • EGI

Environmental Site Assessment	Investigation and resulting report (Phase I ESA or Phase II ESA) conducted per Environmental Due Diligence Requirements (Form 4251), identifying if a Property has Recognized Environmental Conditions or Business Environmental Risks. **Synonyms** • ESA • Environmental Site Assessments

F

Fannie Mae Deal Team	Team responsible for reviewing Pre-Review Mortgage Loans, waivers, etc. **Synonyms** • Deal Team
Forward Commitment	Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property. **Synonyms** • Forward Commitment's • Forward Commitments
Forwards Team	Team that can be contacted at mf_forwards_team@fanniemae.com.

G

Good Faith Deposit	Amount you collect from the Borrower when originating a Mortgage Loan per Part IV, Chapter 2: Rate Lock and Committing, Section 203: Good Faith Deposits. **Synonyms** • Good Faith Deposits

Gross Potential Rent	On an annual basis or any specified period, the total actual and potential rent for a Property per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III. **Synonyms** • GPR
Guarantor	Key Principal or other Person executing a • Payment Guaranty, • Non-Recourse Guaranty, or • any other Mortgage Loan guaranty. **Synonyms** • Guarantors
Guaranty	Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.
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
Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

I

Improvements	Buildings, structures, improvements, and alterations, including the multifamily housing dwellings, now or hereafter constructed or placed on the Property, including all fixtures (as defined in the UCC). **Synonyms** • Improvements'
Investor	MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan. **Synonyms** • Investors • Investor's

K

Key Principal	Person who • controls and/or manages the Borrower or the Property, • is critical to the successful operation and management of the Borrower and the Property, and/or • may be required to provide a Guaranty. **Synonyms** • Key Principals • Key Principal's

L

Lease	Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent. **Synonyms** • Leases

Lender	Person Fannie Mae approved to sell or service Mortgage Loans. **Synonyms** • Lenders • Lender's
Lender Contract	Program Documents per the Multifamily Selling and Servicing Agreement. **Synonyms** • Lender’s Contract • Lender Contracts • Contract • Multifamily Selling and Servicing Agreement • MSSA
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
Loan-to-Value Ratio	Ratio of the actual aggregate UPB of the Mortgage Loan, plus any Pre-Existing Mortgage Loans, plus any Hard Pay Preferred Equity, plus any Mezzanine Financing, to the value of the Property, expressed as a percentage. **Synonyms** • LTV • LTV Ratio
Low-Income Housing Tax Credit	Federal program offering tax credits to owners of eligible properties that contain low-income occupants and rent restrictions. **Synonyms** • Low-Income Housing Tax Credits • Low Income Housing Tax Credits • LIHTC • LIHTCs

M

MBS	Mortgage-Backed Security
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

Minimum Good Faith Deposit	Amount you are required to collect when originating a Mortgage Loan per Part IV, Chapter 2: Rate Lock and Committing, Section 203.02: Minimum Good Faith Deposit.
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.
Mortgage Loan Origination Date	Date you fund a Mortgage Loan to the Borrower. **Synonyms** • Mortgage Loan's Origination Date • Origination Date
Multifamily Acquisitions	Team that can be contacted at mf_acquisitions@fanniemae.com.
Multifamily Affordable Housing Property	Property that: • complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702: MAH Property Eligibility; and • is underwritten per Part III, Chapter 7: Multifamily Affordable Housing Properties. **Synonyms** • MAH • Multifamily Affordable Housing • MAH Property

Multifamily Committing and Delivery System	Electronic committing and delivery system used for issuing and confirming Commitments for acquiring Mortgage Loans, or any such successor system. **Synonyms** • C&D • Multifamily Committing and Delivery Systems

N

Net Cash Flow	At underwriting or for any specified period, the amount calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III. **Synonyms** • NCF
Net Rental Income	For any specified period, the Property's net rental income calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III. **Synonyms** • NRI

O

Origination Fee	Fee you charge the Borrower for underwriting and originating the Mortgage Loan. **Synonyms** • Origination Fees

P

Phase I ESA	Environmental Site Assessment conducted per the current ASTM E-1527 standard and the resulting report. **Synonyms** • Phase I Environmental Site Assessment • Phase I ESAs
Phase II ESA	Environmental Site Assessment conducted per the current ASTM E-1903 standard, or any other post-Phase I ESA, and the resulting report. **Synonyms** • Phase II Environmental Site Assessment
Pricing Memo	Applicable DUS Pricing Memo or non-DUS Pricing Memo communicating pricing for various products and features. **Synonyms** • Pricing Memos
Principal	Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors. **Synonyms** • Principals

Project	Multifamily buildings • on multiple Properties, • owned by the same Borrower, and • that comply with Part II, Chapter 1: Attributes and Characteristics, Section 103.01: Single Borrower Ownership. **Synonyms** • Projects
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
Property Condition Assessment	Assessment of the Property's physical condition and historical operation. **Synonyms** • PCA • PNA • Physical Needs Assessment • PCAs

Q

Qualified Occupant	Party occupying a dwelling unit in a Property in full compliance with a lease. **Synonyms** • Qualified Occupants • Qualified Tenant • Qualified Tenants

R

Rate Lock	Agreement between you and the Investor containing the terms of the Lender-Arranged Sale or Multifamily Trading Desk trade of the Mortgage Loan and the MBS terms and conditions relating to the underlying MBS, if applicable, which may be documented via a recorded telephone conversation. **Synonyms** • Rate Locks
Replacement Reserve	Custodial Account the Borrower funds during the Mortgage Loan term for Replacements. **Synonyms** • Replacement Reserves
Replacement Reserve Schedule	The Required Replacement Schedule to the Multifamily Loan Agreement (Form 6001 series) and the applicable parts of the Multifamily Loan Agreement (or other agreement approved by Fannie Mae), that evidence the: • Borrowers agreement to replace identified capital items and perform required maintenance; • terms for funding the identified capital item replacement and maintenance; and • disbursement of Replacement Reserve funds. **Synonyms** • Replacement Reserve Schedules
Replacements	Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required. **Synonyms** • Replacement

S

Security	MBS, PFP MBS, or REMIC. **Synonyms** • Securities
Security Instrument	Instrument creating a lien or encumbrance on 1 or more Properties and securing the Loan Document obligations. **Synonyms** • Security Instruments • Security Instrument'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
Standby	Credit enhancement under which Fannie Mae makes principal and interest payments directly to the Bond Trustee (for payment to bondholders) if the Borrower fails to make required mortgage note payments or if a bankruptcy event has occurred.
Subordinate Loan	Multifamily residential real estate loan secured by a Lien against the Property having a lesser priority than the Lien securing another multifamily residential real estate loan on the same Property. **Synonyms** • Subordinate Loans

T

Taxable Tail	Taxable debt secured by the Property securing the Credit Enhancement Mortgage Loan.

Third-Party Financing	Any loan to, or indebtedness of, a Borrower that: • is not a Supplemental Mortgage Loan or Pre-Existing Mortgage Loan; and • either: - requires repayment by the Borrower; or - is forgiven (over time or at maturity) subject to Borrower compliance with certain covenants or conditions.