Fannie Mae®

Multifamily Selling and Servicing Guide

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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.

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
Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's
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

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



D

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.

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

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

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

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
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

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

P

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