



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 2003.05 Construction Period

### 2003.05A 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	<ul style="list-style-type: none"><li>• Evaluate inspections and change orders.</li><li>• Reject any change orders that would:<ul style="list-style-type: none"><li>- change the Property's main design or asset quality features;</li><li>- make material changes; or</li><li>- result in combined hard and contingency costs greater than the construction loan budget (i.e., the construction loan must remain in balance).</li></ul></li><li>• Review the consulting architects progress reports and provide them to Fannie Mae upon request.</li><li>• Monitor the construction loan and lease-up status.</li></ul>
Consulting Architect	<ul style="list-style-type: none"><li>• Regularly perform on-site construction progress inspections.</li><li>• Ensure the time between inspections is not more than 2 months.</li><li>• Issue a progress report after each<ul style="list-style-type: none"><li>- inspection, and</li><li>- whenever the construction lender approves a disbursement.</li></ul></li></ul>

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



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

## 2003.05B Reporting

### Requirements

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

## 2003.05C 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

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

**Synonyms**

- Borrowers
- Borrower'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

## D

**DUS Gateway** Multifamily pre-acquisition system including deal registration, Pre-Review and/or waiver tracking, decision records, or any successor systems.

## 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](mailto:mf_forwards_team@fanniemae.com).

## **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

**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

## **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