



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of February 12, 2025

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.



TABLE OF CONTENTS

Part III Chapter 19 Bond Transactions and Credit Enhancement Mortgage Loans	3
Section 1901 Description	3
Section 1902 Outside Counsel	4
1902.01 Engagement	4
1902.02 Fees	5
Section 1903 Third Parties	5
1903.01 Generally	5
1903.02 Remarketing Agent	6
Section 1904 Legal Documents	6
1904.01 Generally	6
1904.02 Credit Enhancement Instrument	6
1904.03 MBS for Bonds	7
1904.04 Affordable Regulatory Agreements	7
Section 1905 Fannie Mae LIHTC Investment in Credit-Enhanced Bonds	8
Section 1906 Credit Enhancing Fixed Rate Bonds	8
1906.01 Terms	8
1906.02 Multiple Fixed Rate Bonds	10
Section 1907 Credit Enhancing Variable Rate Bonds	10
1907.01 Terms	10
1907.02 Principal Reserve Fund	13
1907.03 Interest Rate Cap	14
1907.04 Cap Strike Rate	16
1907.05 Cap Cost Factor Included in Maximum Note Rate	16
1907.06 Interest Rate Cap Reserve	17
1907.07 Interest Rate Cap Reserve Adjustments	18
1907.08 Interest Rate Cap Contract Documentation and Delivery	18
Section 1908 Facility Fee	19
Section 1909 Taxable Tails and Supplemental Mortgage Loans	21
1909.01 Taxable Tails	21
1909.02 Supplemental Mortgage Loans	22
Section 1910 Third-Party Subordinate Financing	22
Section 1911 Moderate Rehabilitation Mortgage Loan with Side-by-Side Bond Financing	22
GLOSSARY	24



Chapter 19 Bond Transactions and Credit Enhancement Mortgage Loans

Section 1901 Description

Guidance

A Bond credit enhancement may involve

- a Standby Credit Enhancement Instrument,
- a Direct Pay Credit Enhancement Instrument,
- a secondary market Credit Enhancement Instrument, or
- an MBS.

In addition to credit enhancing the Bonds, both the Standby Credit Enhancement Instrument and the Direct Pay Credit Enhancement Instrument may provide

- liquidity support, and
- if the Bonds are issued under an Open Indenture, credit enhancement of the Mortgage Loan.

Requirements

You must coordinate all aspects of a Credit Enhancement Mortgage Loan transaction with your counsel and Fannie Mae's counsel.

For Bonds that are privately placed or purchased directly, you must consult with the Fannie Mae Deal Team and Fannie Mae's counsel for pricing and disclosure requirements.

For a Forward Commitment Credit Enhancement Mortgage Loan, you must also comply with [Part III, Chapter 20: Forward Commitments](#).

Terms	Credit Enhancement Instrument	MBS for Bonds
Fannie Mae Guarantees	<ul style="list-style-type: none">• Bond P&I for Closed Indenture Bonds.• Mortgage Loan P&I for Open Indenture Bonds.• Up to 25 basis points of Bond Issuer fees.	Bond P&I.



Terms	Credit Enhancement Instrument	MBS for Bonds
Basis	Either <ul style="list-style-type: none"> • Standby, or • Direct Pay. 	Direct Pay.
Interest Rate Type	Either <ul style="list-style-type: none"> • fixed rate, or • variable rate Bonds. 	Either <ul style="list-style-type: none"> • fixed rate, or • variable rate Bonds with a SARM Loan.
Documents	<ul style="list-style-type: none"> • Any new Bond issued must be documented on Fannie Mae Bond and Loan Document forms. • For substitute credit enhancements where the existing Bonds remain outstanding, the existing Bond and Loan Documents must be: <ul style="list-style-type: none"> - amended and restated on Fannie Mae form documents; or - amended only as necessary per Fannie Mae. 	
Credit Enhancement Timing	Credit Enhancement Instrument is delivered <ul style="list-style-type: none"> • on the Bond issuance date for a new Bond, or • when Fannie Mae provides new or substitute credit enhancement. 	Mortgage Loan is originated with Bond issuance and the MBS, when issued, is deposited with the Bond Trustee.

Section 1902 Outside Counsel

1902.01 Engagement

Requirements

You must request Fannie Mae's outside counsel assignment before any transaction structuring discussions begin.

Operating Procedures



To request Fannie Mae's outside counsel assignment, submit a Counsel Designation Request (Form 4625.B) to counsel_designations@fanniemae.com.

Fannie Mae selects its own outside counsel but may consider your request for a specific counsel.

1902.02 Fees

Requirements

You must pay Fannie Mae's outside counsel fees and costs regardless of whether the transaction closes.

Guidance

You may charge the Borrower for Fannie Mae's outside counsel fees and costs.

For a Credit Enhancement Instrument, you may choose to have Fannie Mae's outside counsel

- prepare the Loan Documents, and
- review title insurance and survey matters.

If Fannie Mae's outside counsel performs these services:

- the counsel will only represent Fannie Mae, not you; and
- you will be responsible for the additional fees.

Section 1903 Third Parties

1903.01 Generally

Requirements

You must coordinate with all third parties and their counsels to ensure the transaction complies with their requirements.

Fannie Mae reserves the right, in its sole discretion, to reject any third party's involvement, including:

- Bond Issuer;
- Bond Trustee;
- Bond underwriter;



- any Remarketing Agent;
- any Bond liquidity provider; and
- any Interest Rate Cap provider.

1903.02 Remarketing Agent

Requirements

You must ensure any Remarketing Agent:

- currently remarkets at least \$250 million of weekly variable rate demand Bonds;
- has continuously remarketed weekly variable rate demand Bonds for the past 3 years;
- has a minimum net worth of \$5 million; and
- has a minimum broker line of credit sufficient for warehousing \$100 million of rated Bonds at any time.

Operating Procedures

Fannie Mae's counsel must confirm that the Remarketing Agreement terms comply with Fannie Mae requirements.

Section 1904 Legal Documents

1904.01 Generally

Operating Procedures

Fannie Mae's counsel will advise your counsel regarding the appropriate Fannie Mae Loan Documents for the Bond structure.

Immediately after Bond closing, you must:

- obtain a final Bond transcript from Bond counsel;
- submit it via CD to Multifamily Certification and Custody; and
- maintain a copy in your Servicing File.

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.

1904.03 MBS for Bonds

Operating Procedures

The MBS For Bonds loan structure is identical to a standard Mortgage Loan.

Your counsel must:

- Prepare the standard 6000 series Loan Documents.
- Consult with Fannie Mae's counsel to
 - integrate the standard Loan Document provisions into the Bond transaction structure, and
 - incorporate any Bond related modifications into the Loan Documents.

1904.04 Affordable Regulatory Agreements



Operating Procedures

1. If an Affordable Regulatory Agreement must be recorded before the Security Instrument to ensure the Bond's tax-exempt status, Fannie Mae's counsel will provide an Affordable Regulatory Agreement rider subordinating it to the Security Instrument.
2. You must ensure the Bond Issuer attaches the rider to the Affordable Regulatory Agreement.

Section 1905 Fannie Mae LIHTC Investment in Credit-Enhanced Bonds

Guidance

Per [Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 710.02: Fannie Mae Credit-Enhanced Tax-Exempt Bond Issuance](#), Fannie Mae may be a LIHTC investor in the Borrower for a project financed by tax-exempt Bonds that Fannie Mae will also be credit enhancing. To avoid potential adverse tax consequences, if Fannie Mae is a LIHTC investor on a Credit Enhancement Mortgage Loan, Fannie Mae's counsel will prepare the LIHTC agreement among the

- Bond Issuer,
- Borrower, and
- Fannie Mae.

Requirements

You must determine if Fannie Mae will be a LIHTC investor on a Credit Enhancement Mortgage Loan. If so, you must confirm:

- Fannie Mae does not hold a direct equity interest in the Borrower;
- Fannie Mae's indirect equity interest in the Borrower is less than 50%;
- the IRS documentation filed for the Bond issuance shows that none of the Bond proceeds were applied to pay any portion of Fannie Mae's Credit Enhancement Fee;
- the Bond Issuer, Borrower, and Fannie Mae enter into a LIHTC agreement acknowledging Fannie Mae's equity interest; and
- any LIHTC agreement required notices to the Borrower and Bond Issuer were provided.

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



Terms	Credit Enhancement Instrument	MBS for Bonds
Gross Note Rate	Sum of the <ul style="list-style-type: none">• Bond interest rate,• 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• trustee fee and Bond Issuer fee, if they are not underwritten as an operating expense.	Sum of the <ul style="list-style-type: none">• Bond interest rate,• Guaranty Fee, and• Servicing Fee.

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.

Section 1907 Credit Enhancing Variable Rate Bonds

1907.01 Terms

Guidance

Fannie Mae does not provide liquidity support for variable rate demand Bonds.

Requirements



Terms	Credit Enhancement Instrument	MBS for Bonds
Variable Interest Rate	<p>A Bond and Credit Enhancement Mortgage Loan must have an interest rate linked to</p> <ul style="list-style-type: none"> • the SIFMA Municipal Swap Index, • an Index that adjusts weekly, or • a SOFR-based index. 	<ul style="list-style-type: none"> • Mortgage Loan must comply with Part III, Chapter 12: Structured Adjustable Rate Mortgage (SARM) Loans. • Bonds must have an interest rate linked to a SOFR-based index.
Bond Liquidity	<p>You must obtain Fannie Mae's approval for any third party providing Bond liquidity support.</p>	
No New 4% LIHTCs	<p>Credit Enhancement Mortgage Loan must have a term of at least 5 years, with a maximum of 30 years.</p>	<p>Credit Enhancement Mortgage Loan must have a:</p> <ul style="list-style-type: none"> • term of at least 5 years, with a maximum of 30 years; and • Maturity Date coinciding with the <ul style="list-style-type: none"> - final Bond maturity date, adjusted for applicable payment timing differences, or - initial Bond tender and remarketing, if the Bond has a scheduled mandatory tender date for remarketing.



Terms	Credit Enhancement Instrument	MBS for Bonds
New 4% LIHTCs	Credit Enhancement Mortgage Loan must have a term of at least 10 years, with a maximum of 30 years.	Credit Enhancement Mortgage Loan must have a: <ul style="list-style-type: none"> • term of at least 10 years, with a maximum of 30 years; and • Maturity Date coinciding with the <ul style="list-style-type: none"> - final Bond maturity date, adjusted for applicable payment timing differences, or - initial Bond tender and remarketing, if the Bond has a scheduled mandatory tender date for remarketing.
Maximum NoteRate	Determined by Fannie Mae.	Per Part III, Chapter 12: Structured Adjustable Rate Mortgage (SARM) Loans.
Amortization	For a variable rate Credit Enhancement Mortgage Loan using an Interest Rate Cap, use the greater of the <ul style="list-style-type: none"> • Maximum Note Rate, or • actual Cap Strike Rate. 	Per Part III, Chapter 12: Structured Adjustable Rate Mortgage (SARM) Loans.
Maximum SARM Loan	Per Part III, Chapter 12: Structured Adjustable Rate Mortgage (SARM) Loans.	
PRF	You must establish a PRF.	Not applicable.
Fannie Mae Fees	Credit Enhancement Fee.	Guaranty Fee.
Trustee Fee and Bond Issuer Fee	Underwritten as <ul style="list-style-type: none"> • an operating expense, or • part of the Gross Note Rate. 	Underwritten as an operating expense.



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

1907.02 Principal Reserve Fund

 Operating Procedures



Topics	Principal Reserve Fund Process
Borrower Election	<p>Before Commitment, the Borrower must select 1 of the following options to redeem Bonds:</p> <ul style="list-style-type: none">• Minimum Dollar Balance:<ul style="list-style-type: none">- Required option for a non-single-asset entity Borrower.- PRF deposits accumulate until the balance is at least \$100,000.- Bonds eligible for redemption are redeemed in \$100,000 increments.• Minimum Percentage Balance:<ul style="list-style-type: none">- PRF deposits accumulate until the balance is at least \$100,000 greater than 20% of the original Bond principal amount.- Bonds eligible for redemption are redeemed in \$100,000 increments, but the redemption payments may not reduce the PRF balance below 20% of the original Bond principal amount.
PRF Deposit Amount	<p>PRF deposits represent the principal amortization amount of the Credit Enhancement Mortgage Loan based on</p> <ul style="list-style-type: none">• level P&I payments throughout the Bond term, and• amortization per Part III, Chapter 19: Bond Transactions and Credit Enhancement Mortgage Loans, Section 1907.01: Terms.
PRF Deposit Schedule	<p>On the Mortgage Loan Origination Date, you must calculate and attach the Schedule of Deposits to the Principal Reserve Fund to the Reimbursement Agreement.</p>

1907.03 Interest Rate Cap

Requirements



Terms	You must ensure the third-party Interest Rate Cap...
Interest Rate Cap	For a variable rate Credit Enhancement Mortgage Loan with variable rate Bonds, is purchased and maintained for the entire time the variable rate Bonds are credit enhanced.
Index	Has the same Index as the variable rate Bonds.
Interest Rate Cap Provider	Is obtained from an approved provider listed on https://multifamily.fanniemae.com .
Initial Interest Rate Cap	Notional Amount equals the Bond UPB when the Interest Rate Cap is purchased.
Minimum Interest Rate Cap Term	<p>Agreement remains continually in place until the earlier of</p> <ul style="list-style-type: none"> • 5 years, or • the remaining Bond term.
Replacement Interest Rate Cap	Replacement is purchased if the existing Interest Rate Cap expires before the variable rate Bond conversion or Maturity Date.
Cap Strike Rate for Replacement Interest Rate Cap	Cap Strike Rate for the Replacement Interest Rate Cap is the same or lower than that of the initial Interest Rate Cap.
Cap cost factor	Cost factor is included in the Maximum Note Rate per Part III, Chapter 19: Bond Transactions and Credit Enhancement Mortgage Loans, Section 1907.05: Cap Cost Factor Included in Maximum Note Rate .
Interest Rate Cap Reserve Adjustment	<p>Cash reserve:</p> <ul style="list-style-type: none"> • is evaluated at the end of each 6-month period to determine if the cost of the replacement Interest Rate Cap has increased, based on market conditions; and • future deposits are not decreased even if the future Interest Rate Cap cost has decreased.



Terms	You must ensure the third-party Interest Rate Cap...
Documents	Documents are: <ul style="list-style-type: none">• on acceptable forms; and• delivered to Fannie Mae, including the<ul style="list-style-type: none">- Interest Rate Cap Agreement, and- applicable Interest Rate Cap Reserve and Security Agreement (Form 6442 series).

Operating Procedures

Fannie Mae will engage outside counsel at your expense to review all Interest Rate Cap-related documents.

1907.04 Cap Strike Rate

Operating Procedures

The Borrower must purchase an Interest Rate Cap with a Cap Strike Rate that is determined

- for a Credit Enhancement Instrument, by Fannie Mae, or
- for an MBS for Bonds, per Part III, Chapter 12: Structured Adjustable Rate Mortgage (SARM) Loans, Section 1205.02: Determining the Cap Strike Rate.

1907.05 Cap Cost Factor Included in Maximum Note Rate

Requirements

When determining the Maximum Note Rate used to calculate the minimum required Underwritten DSCR, you must include a cap cost factor based on the term of the

- Credit Enhancement Mortgage Loan, and
- initial Interest Rate Cap.

You do not need to include a cap cost factor if the initial Interest Rate Cap term equals the Credit Enhancement Mortgage Loan term.

You must ensure the cap cost factor equals the



- estimated cost of the replacement cap (when the term of the initial cap expires), divided by
- term of the initial cap.

Operating Procedures

For example, to calculate the cap cost factor assuming a 5-year Interest Rate Cap and 10-year Credit Enhancement Mortgage Loan term:

- You must include an annual cap cost factor in the Maximum Note Rate.
- If the Credit Enhancement Mortgage Loan term is 10 years and an initial cap is purchased for a 5-year term, the cap cost factor equals the estimated cost of a replacement cap divided by 5 (the number of years of the initial interest rate term).
- The replacement cap has a 5-year term and a Cap Strike Rate equal to that of the initial cap.
- If a 5-year Interest Rate Cap at the initial Cap Strike Rate costs 20 basis points, you must divide 20 by 5, then add the result (4 basis points) to the Maximum Note Rate.

1907.06 Interest Rate Cap Reserve

Requirements

You must ensure the Borrower fully funds a cash reserve to purchase replacement Interest Rate Caps.

Operating Procedures

- If the initial Interest Rate Cap Agreement term is 5 years, you must ensure the Borrower funds the cash reserve with each monthly Mortgage Loan payment during the term.
- Calculate the monthly reserve payments for the first 6 months using the estimated cost of a replacement Interest Rate Cap with a 5-year term and the initial Cap Strike Rate.
- If the initial Interest Rate Cap term is more than 5 years, you must ensure the Borrower's monthly reserve payments for the replacement cap begin no later than 5 years before the existing Interest Rate Cap expires.

Guidance

For example, if



- a 5-year initial Interest Rate Cap is purchased with a 10-year term and a 6.00% Cap Strike Rate, and
- the cost of a replacement 5-year cap with a 6.00% Cap Strike Rate is \$140,000, then
- the monthly reserve for the first 6 months would be \$2,333.33 ($\$140,000 \div 60$ months).

1907.07 Interest Rate Cap Reserve Adjustments

Requirements

You must evaluate the Interest Rate Cap reserve every 6 months. If the replacement Interest Rate Cap cost:

- increased, you must raise the monthly reserve payment to purchase the replacement Interest Rate Cap before the existing Interest Rate Cap expires; or
- decreased, do not adjust the reserve.

When a replacement Interest Rate Cap is purchased, the reserve cycle resets to match the term of the new Interest Rate Cap. Any amount remaining in the reserve after purchasing the replacement Interest Rate Cap must be used to fund the subsequent reserve.

1907.08 Interest Rate Cap Contract Documentation and Delivery

Requirements

For credit enhancements using:

- an MBS, you must comply with [Part III, Chapter 12: Structured Adjustable Rate Mortgage \(SARM\) Loans, Section 1205.04: Interest Rate Cap Contract Documentation and Delivery](#); or
- a Credit Enhancement Instrument, this Section applies.

Operating Procedures



Topic	Process
Cap Provider Payment	<p>You must ensure the Interest Rate Cap provider pays you or the Bond Trustee directly</p> <ul style="list-style-type: none"> • on the 1st or 15th day of the month corresponding with the Bond payment dates, and • when the Bond interest rate index is greater than the average Cap Strike Rate for a month. <p>Only disburse a provider payment to the Borrower if</p> <ul style="list-style-type: none"> • there is no Mortgage Loan default, and • you received all payments due under the Indenture and Bonds for that month. <p>If the Borrower defaults under the Mortgage Loan or Reimbursement Agreement, you must</p> <ul style="list-style-type: none"> • promptly notify Fannie Mae and any applicable Bond Trustee, and • direct the Bond Trustee to suspend its payment to the Borrower.
Timing	<p>The Borrower must accept a bid for the initial Interest Rate Cap in writing from a Fannie Mae approved provider before you request a Commitment.</p>
Purchase Price	<p>The Borrower must pay the entire purchase price for an Interest Rate Cap to the provider when the Interest Rate Cap Agreement is issued.</p>
Pledge to Fannie Mae	<p>The Borrower must pledge its interest in the Interest Rate Cap and any reserve to Fannie Mae using the documentation provided by Fannie Mae's counsel.</p>

Section 1908

Facility Fee

Operating Procedures

For Credit Enhancement Instruments, you must calculate the Facility Fee as follows:



FACILITY FEE CALCULATION		
Item	Function	Description
CREDIT ENHANCEMENT FEE / GUARANTY FEE CALCULATION		
1		<ul style="list-style-type: none"> • Applicable Credit Enhancement Fee, or • Guaranty Fee
	MULTIPLIED BY	Credit Enhancement Mortgage Loan UPB
	MINUS	PRF balance, excluding interest
	EQUALS	Credit Enhancement Fee / Guaranty Fee
SERVICING FEE CALCULATION		
2		Servicing Fee
	MULTIPLIED BY	Credit Enhancement Mortgage Loan UPB
	MINUS	PRF balance, excluding interest
	EQUALS	Servicing Fee
PRF FEE CALCULATION		
3		For variable rate Bonds, PRF Fee Rate
	MULTIPLIED BY	PRF balance, excluding interest
	EQUALS	PRF Fee
BOND LIQUIDITY FEE CALCULATION		
4		For variable rate Bonds, Bond Liquidity Fee Rate
	MULTIPLIED BY	Bond UPB
	EQUALS	Bond Liquidity Fee
FACILITY FEE CALCULATION		



FACILITY FEE CALCULATION		
Item	Function	Description
5		Credit Enhancement Fee / Guaranty Fee
	PLUS	Servicing Fee
	PLUS	any PRF Fee
	PLUS	any Bond Liquidity Fee
	EQUALS	Facility Fee

Section 1909 Taxable Tails and Supplemental Mortgage Loans

1909.01 Taxable Tails

Requirements

Terms	A Taxable Tail must...
Structure	Be fixed or variable rate debt structured as <ul style="list-style-type: none"> • Bonds, • a Cash Mortgage Loan, or • an MBS Mortgage Loan.
Underwriting and Loss Sharing	Be treated with the Credit Enhancement Mortgage Loan <ul style="list-style-type: none"> • as a single combined Mortgage Loan, and • with a blended weighted average Underwritten DSCR, LTV, interest rate, etc., based on the combined UPB of the tax-exempt and taxable debt.
Cross Provisions	Be cross-collateralized and cross-defaulted with the Credit Enhancement Mortgage Loan.
MBS Mortgage Loan	Have Additional Disclosure.
Maturity and Prepayment	<ul style="list-style-type: none"> • Mature no earlier than the Credit Enhancement Mortgage Loan. • Be fully repaid before the Credit Enhancement Mortgage Loan is prepaid.

Operating Procedures



A Taxable Tail usually fully amortizes over its loan term. This may require “hyper-amortization” where all principal payments are applied

- first to the Taxable Tail until it fully amortizes, and
- then to the tax-exempt debt.

1909.02 Supplemental Mortgage Loans

Requirements

You must ensure any Supplemental Mortgage Loan:

- is taxable debt that is cross-collateralized and cross-defaulted with the Credit Enhancement Mortgage Loan Property;
- is originated after the Credit Enhancement Mortgage Loan;
- complies with the Bond documents; and
- is properly disclosed to Investors.

Section 1910 Third-Party Subordinate Financing

Requirements

For third-party subordinate financing, you must comply with [Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Subordinate Financing](#).

Section 1911 Moderate Rehabilitation Mortgage Loan with Side-by-Side Bond Financing

Guidance

Fannie Mae may purchase a Moderate Rehabilitation Mortgage Loan for an MAH Property when the Borrower separately obtains side-by-side Bond financing. Since Fannie Mae does not credit enhance the Bonds, you may use your own outside counsel.

Requirements

For a Moderate Rehabilitation Mortgage Loan with side-by-side Bond financing, you must ensure the Bonds

- have a shorter term than the Mortgage Loan,
- are fixed rate,



- are tax-exempt,
- are 100% secured by cash collateral, and
- are not secured by the MAH Property.



Glossary

A

Additional Disclosure

Information you provide that is published as an addendum to the disclosure documents when an MBS is issued and describes special Security, Mortgage Loan, or Property characteristics or terms that differ from those described in the standard Multifamily MBS Prospectus.

Synonyms

- Additional Disclosures
- Special Disclosure

Affordable Regulatory Agreement

Regulatory, land use, extended use, or similar agreement or recorded restriction limiting rents, imposing maximum income restrictions on tenants, or placing other affordability restrictions on the use or occupancy of the Property (whether imposed by a government entity or self-imposed by a Borrower per the Sponsor-Initiated Affordability Agreement ([Form 6490](#))).

B

Bond Liquidity Fee Rate

Fee charged by the provider of a letter of credit, standby bond purchase agreement, or other arrangement providing liquidity to purchase securities (typically variable rate demand obligations), that were tendered to the Issuer but cannot be immediately remarketed to new investors, expressed as an annualized percentage.

Bond Trustee

Trustee for a Credit Enhancement Instrument.

Synonyms

- Bond Trustee's



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

C

Cap Strike Rate Index interest rate specified in the Interest Rate Cap Agreement at or above which a payment obligation will be triggered by the Interest Rate Cap provider.

Cash Mortgage Loan Mortgage Loan purchased by Fannie Mae in exchange for cash.

Synonyms

- Cash Mortgage Loans

Closed Indenture Indenture for a Bond transaction where all of the Bond proceeds finance only the Property securing the 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



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

D

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 Mae's satisfaction.

Synonyms

- Deliver
- Delivered
- Deliveries

Direct Pay

Credit enhancement under which Fannie Mae makes principal and interest payments directly to the Bond Trustee (for payment to bondholders) regardless of whether the Borrower has reimbursed Fannie Mae for such payments.



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

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

Indenture Bond issuer trust indenture or resolution listing Bond terms.

Index Basis for determining the Gross Note Rate of an ARM Loan, including any required alternative index that may be determined necessary by Fannie Mae because the Index is no longer widely accepted or has been replaced as the index for similar financial instruments.



Interest Rate Cap

Interest rate agreement between the Borrower and a provider for which the Borrower receives payments at the end of each period when the interest rate exceeds the Cap Strike Rate. The Interest Rate Cap provides a ceiling (or cap) on the Borrower's Mortgage Loan interest payments.

Synonyms

- Interest Rate Caps
- Interest Rate Hedge
- Interest Rate Hedges
- Interest Rate Swap
- Interest Rate Cap's

Interest Rate Cap Agreement

Contract setting forth the terms and conditions of an Interest Rate Cap, Hedge, or Swap.

Synonyms

- Interest Rate Hedge Agreement
- Interest Rate Swap Agreement

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 Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.

Synonyms

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents



M

Maturity Date Date all Mortgage Loan amounts become fully due and payable per the Loan Documents.

Synonyms

- Maturity Dates

Maximum Note Rate Equals the sum of the:

- minimum Cap Strike Rate as set by Fannie Mae; and
- Mortgage Loan margin equal to the sum of the
 - Investor spread,
 - Guaranty Fee, and
 - Servicing Fee.

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

MBS Mortgage Loan Mortgage Loan purchased by Fannie Mae in exchange for an issued MBS backed by the Mortgage Loan.

Synonyms

- MBS Mortgage Loans



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 Origination Date

Date you fund a Mortgage Loan to the Borrower.

Synonyms

- Mortgage Loan's Origination Date
- Origination Date

Multifamily Certification and Custody

Team responsible for taking custody of and certifying Mortgage Loans that can be contacted at

- multifamcert_team@fanniemae.com,
- (800) 940-4646, or
- for submissions:

Fannie Mae (Multifamily)
Certification and Custody
21240 Ridgetop Circle
Suite 125-130
Sterling, VA 20166.

Synonyms

- DDF
- Document Delivery Facility
- Document Delivery System

N



Note Instrument evidencing a Mortgage Loan obligation, including

- [Form 6010 series](#),
- any other Fannie Mae-approved note, and
- all applicable
 - addenda,
 - schedules, and
 - exhibits.

Synonyms

- Notes

O

Open Indenture Indenture for a Bond transaction where a portion of the Bond proceeds finance projects in addition to the Property securing the Mortgage Loan.

P

P&I Principal and interest

PRF Account you hold accumulating principal amortization payments for variable rate Bond credit enhancements.

Synonyms

- Principal Reserve Fund

Principal Person who owns or controls 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



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

R

Remarketing Agent Person selected by the Issuer to reset the interest rate on the Bonds in order to resell any Bonds tendered by investors on the interest rate reset date.

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



Servicing File Your file for each Mortgage Loan serviced.

Synonyms

- Servicing Files

SIFMA Municipal Swap Index The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

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.

Supplemental Mortgage Loan Mortgage Loan purchased by Fannie Mae that is subordinated to, and has a Mortgage Loan Origination Date after, the Senior Mortgage Loan that is also owned by Fannie Mae.

Synonyms

- Supplemental Mortgage Loans

T

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

U

UPB Unpaid Principal Balance

Synonyms

- UPBs