



Fannie Mae®

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# Multifamily Selling and Servicing Guide

Effective as of August 29, 2025

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## Section 103 Letters of Credit

### 103.01 Servicing File

#### Requirements

You must immediately deliver to Fannie Mae:

- the original Letter of Credit; and
- any new, replacement, or amended Letter of Credit delivered to you.

#### Operating Procedures

In your Servicing File, you must keep a copy of any

- Letter of Credit, and
- the associated Achievement Agreement or other Collateral Agreement.

### 103.02 Certification

#### Operating Procedure

With any new or replacement Letter of Credit, you must

- submit a Borrower Letter of Credit Certification ([Form 4664.B](#)), and
- confirm the Letter of Credit complies with [Part I, Chapter 2: Mortgage Loan, Section 204: Letters of Credit](#).

### 103.03 Monitoring Expiration Dates

#### Operating Procedures

You must:

- effectively monitor each Letter of Credit's expiration date; and
- ensure Fannie Mae receives an acceptable renewal or replacement Letter of Credit
  - by the deadline per the Achievement Agreement or other Collateral Agreement, or
  - if no deadline is specified, at least 5 Business Days before the Letter



of Credit expires.

If you do not provide a renewal or replacement Letter of Credit, Fannie Mae will present a sight draft against the expiring Letter of Credit.

## 103.04 Replacement Letter of Credit

### Operating Procedures

You must ensure any replacement Letter of Credit has an expiration date at least 30 days after the applicable Achievement Agreement or other Collateral Agreement expiration date.

## 103.05 Verifying Issuer Ratings

### 103.05A Monitoring

#### Operating Procedures

While each Letter of Credit is outstanding, you must:

- comply with [Part I, Chapter 2: Mortgage Loan, Section 204.03: Verifying Issuer Ratings](#); and
- document each rating verification in your Servicing File.

### 103.05B Rating Noncompliance

#### Operating Procedures

If the rating of the financial institution issuing or confirming the Letter of Credit does not comply with...	You must...
<a href="#">Part I, Chapter 2: Mortgage Loan, Section 204.02: Issuers and Ratings</a>	<p>Promptly notify Multifamily Business Operations even if the Achievement Agreement or other Collateral Agreement</p> <ul style="list-style-type: none"><li>• provides different acceptable issuer rating criteria, or</li><li>• does not authorize Fannie Mae to act if the rating falls.</li></ul>



If the rating of the financial institution issuing or confirming the Letter of Credit does not comply with...	You must...
Rating criterial in the Achievement Agreement or other Collateral Agreement	<ul style="list-style-type: none"><li>• Promptly notify Multifamily Business Operations.</li><li>• Require the Borrower to provide a replacement or confirming Letter of Credit from an acceptably rated institution by the:<ul style="list-style-type: none"><li>- replacement deadline per the Achievement Agreement or Collateral Agreement; or</li><li>- earlier of<ul style="list-style-type: none"><li>▪ 30 days after notifying the Borrower,</li></ul></li></ul>or<ul style="list-style-type: none"><li>▪ 5 Business Days before the Letter of Credit expires.</li></ul></li></ul>

## 103.06 Managing Draws and Releases

### 103.06A Letter of Credit Draws

#### Requirements

You must promptly notify Multifamily Asset Management and Multifamily Business Operations if a Letter of Credit draw is appropriate.

### 103.06B Releasing/Reducing Letters of Credit or Other Collateral

#### Operating Procedures

Unless a Mortgage Loan is being fully repaid, you must:

- assess each Borrower request to fully release or partially reduce a Letter of Credit or other collateral;
- submit your recommendation to Multifamily Asset Management; and
- notify the Borrower when each request is approved or denied.



## Glossary

### A

Achievement Agreement

Agreement requiring the Borrower to provide a letter of credit, cash, or guaranty as additional collateral to support the Mortgage Loan amount and specifying the terms for releasing the collateral.

**Synonyms**

- Achievement Agreements

### B

Borrower

Person who is the obligor per the Note.

**Synonyms**

- Borrowers
- Borrower's

### C

Collateral Agreement

Agreement granting a security interest in Mortgage Loan collateral not covered by the Security Instrument.

**Synonyms**

- Collateral Agreements

### 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



## 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

## **M**

## 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 Asset Management

Team that can be contacted at [drawer\\_am@fanniemae.com](mailto:drawer_am@fanniemae.com).

## Multifamily Business Operations

Team that can be contacted at [multifamily\\_bizops@fanniemae.com](mailto:multifamily_bizops@fanniemae.com).

## **S**

## Servicing File

Your file for each Mortgage Loan serviced.

### **Synonyms**

- Servicing Files