



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of December 31, 2021

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Chapter 6 Watchlist Management

Section 601 Servicer Watchlist

601.01 Submission

Requirements

You must:

- Maintain a Servicer Watchlist for your Portfolio Mortgage Loans that
 - reflects your loan rating methodology, and
 - identifies Mortgage Loans with heightened credit risk.
- Submit your Servicer Watchlist for all
 - Primary Risk Mortgage Loans, and
 - Secondary Risk Mortgage Loans.

Operating Procedures

Submit your Servicer Watchlist:

- using the CSV upload template located under “Guides and Templates” in the MAMP; and
- within 45 days after each calendar quarter end, but no later than the due date shown in the MAMP.

For each Mortgage Loan, you must:

- Respond “Yes” or “No” to the following 2 questions:
 - Will the Borrower likely not be able to make timely debt service payments?
 - Will the Borrower likely not meet the contractual obligations to timely pay off the Mortgage Loan UPB?
- Explain
 - why it is being reported, and
 - the rationale for its rating.
- Describe the current status of the issues.



601.02 Actions

Requirements

If a Mortgage Loan has heightened credit risk, you must:

- act to mitigate the risk of loss or default;
- explain the nature and severity of the issues; and
- contact Fannie Mae:

Contact	For...
Watchlist Management	Primary Risk Mortgage Loans with deteriorating Property performance near or below breakeven.
Top Loss	Secondary Risk Mortgage Loans with deteriorating Property performance near or below breakeven.
Special Credits	Property condition concerns per <ul style="list-style-type: none">• Part V, Chapter 5: Surveillance, Section 502.02: Mortgage Loans with Property Condition Concerns (Not Limited to Watchlist Loans), and• Part V, Chapter 5: Surveillance, Section 502.06F: Analysis of Collateral.
Special Asset Management	Monetary default.
Maturity Management	Mortgage Loans maturing within the next 24 months.

Operating Procedures

Your mitigating actions must include 1 or more of the following:

- monitoring the Property (and any other collateral)
 - management and operations, and
 - physical condition (e.g., more frequent inspections);
- implementing or enforcing Loan Document provisions such as
 - rescinding Loan Document waivers, or
 - reinstating Replacement Reserve funding; and



- communicating with all appropriate parties (e.g., Borrower, Key Principals, Sponsor, and Property manager).

Section 602 Fannie Mae's Watchlist

Guidance

Fannie Mae's Watchlist identifies Mortgage Loans with increased credit risk based on Fannie Mae's proprietary

- rating system, and
- Watchlist Rating Classifications.

Requirements

You must regularly monitor Fannie Mae's Watchlist for your Mortgage Loans in the MAMP's "My Portfolio" module.

Section 603 Action Plans

603.01 Primary Risk Mortgage Loans

Requirements

You must submit an Action Plan for any Primary Risk Mortgage Loan

- identified as a Substandard Asset on Fannie Mae's Watchlist, and
- with an Action Plan work item in the MAMP.

The Action Plan must explain

- all areas of concern,
- the Sponsor's strategy and timing,
- your actions to resolve the issues, and
- any results.

Operating Procedures

For a Small Mortgage Loan, do not create an Action Plan unless Fannie Mae requires it.

For each Action Plan:

- Review the MAMP module.



- Review the Action Plan Submission Process Guide under "Guides and Templates" in the MAMP.
- Create a new one or update an existing one twice a year to:
 - document material changes and/or updates since the previous Action Plan;
 - identify causes of the issues and additional actions you and the Borrower took;
 - explain how the actions will reduce or mitigate risk and loss; and
 - report the results of previous actions.
- Use the prescribed format to submit it in the MAMP by the "Submission Due Date".

603.02 Secondary Risk Mortgage Loans

Guidance

For a Secondary Risk Mortgage Loan on your Servicer Watchlist, Fannie Mae may request additional information, including an Action Plan.

Requirements

You must provide all information and Action Plans within 5 Business Days after Fannie Mae's request.

603.03 Defaulted Mortgage Loans

Requirements

For any defaulted Mortgage Loan, until servicing is transferred to a Special Servicer, you must continue taking all actions

- noted in the Action Plan, or
- otherwise communicated to Fannie Mae.

Guidance

For your defaulted Mortgage Loan obligations, see [Part V, Chapter 7: Non-Performing Mortgage Loans](#).

Section 604 Servicer Fees



Requirements

For any workout, modification, or reinstatement of a Mortgage Loan on your Servicer Watchlist or Fannie Mae's Watchlist, without Fannie Mae's prior written approval, you must not

- charge the Borrower any fee for your own account, or
- ask the Borrower to reimburse you for any costs or expenses.

Section 605

Fannie Mae Contractors

Requirements

You must interact with any Fannie Mae contractor engaged to provide asset management or other services as you would with Fannie Mae directly.



Glossary

A

Action Plan Servicer's report to Fannie Mae including detailed analysis of Mortgage Loan and Property issues, Servicer's strategy for resolving issues, and related actions and outcomes.

Synonyms

- Action Plans

B

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

C

Collateral Property, Personal Property, or other property securing a Mortgage Loan.

G

Guide Multifamily Selling and Servicing Guide that:

- controls all Lender and Servicer requirements unless a Lender Contract specifies otherwise; and
- includes any exhibits, appendices, or other referenced forms, as updated, amended, restated, modified, or supplemented.

Synonyms

- DUS Guide

M



MAMP

Multifamily Asset Management Portal used to submit Property inspections, operating statements, and requested modifications; asset management reports; and data corrections related to loan or property level attributes.

Synonyms

- Multifamily Asset Management Portal
- MAMP's

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

Primary Risk Mortgage Loan

Mortgage Loan where Fannie Mae bears all losses or where the Lender and Fannie Mae share losses.

Synonyms

- Primary Risk Mortgage Loans
- Primary Risk

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

R



Replacement Reserve Custodial Account established by the Lender and funded by deposits from the Borrower over the term of the Mortgage Loan to fund the replacement of capital items at the Property.

Synonyms

- Replacement Reserves

S

Secondary Risk Mortgage Loan Mortgage Loan where the Lender bears all losses until the Lender's recourse obligations are exhausted.

Synonyms

- Secondary Risk Mortgage Loans
- Secondary Risk

Servicer Primary Person responsible for servicing the Mortgage Loan (e.g., the originator, the selling Lender, or a third-party servicer).

Synonyms

- Servicers
- Servicer's

Small Mortgage Loan Mortgage Loan with an original loan amount less than or equal to \$6 million and underwritten per [Part III, Chapter 9: Small Mortgage Loans](#).

Synonyms

- Small Mortgage Loans

Special Asset Management Team that performs the work of the Special Servicer for Fannie Mae that can be contacted at sam_legal_mailbox@fanniemae.com.

Synonyms

- SAM
- Multifamily Special Asset Management



Special Servicer	Servicer (which may be Fannie Mae, the Servicer, or a third-party special servicer contracted by Fannie Mae) responsible for implementing the loss mitigation actions for a Non-Performing Mortgage Loan.
Sponsor	Principal equity owner and/or primary decision maker of the Borrower (often the Key Principal or the Person Controlling the Key Principal). Synonyms <ul style="list-style-type: none">• Sponsors• Sponsor's
U	
UPB	Unpaid Principal Balance
W	
Watchlist	Mortgage Loan or Property exhibiting heightened credit risk as identified by the Lender or Fannie Mae.