Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 301 Generally

301.01 Maintenance

Requirements

For all funds collected per the Loan Documents, you must:

- establish and maintain the following per this Chapter:
  - P&I Custodial Accounts;
  - T&I Custodial Accounts; and
  - any other Custodial Accounts required per the Loan Documents; and
- maintain strict control of all funds in your custody.

Operating Procedures

You must maintain all accounts and related records:

- for all
  - Custodial Accounts,
  - Drafting Accounts, and
  - Clearing Accounts;
- using sound accounting and cash management practices; and
- enabling Fannie Mae to audit them at any time.

301.02 Fannie Mae's Rights

Requirements

Fannie Mae has a security interest in all Mortgage Loan Custodial Accounts and may require you to:

- transfer funds from an institution (even if it is an Eligible Depository) into another Eligible Depository;
- move funds to a trust account;
- ensure funds are fully insured with the FDIC, NCUSIF, or other acceptable governmental insurer or guarantor;

- remit more frequently while allowing funds to remain in the existing Custodial Account; and
- take other actions based on risks, account size, and other factors.

301.03 Eligible Depositories and Ratings

301.03A Eligible Depository

☑ Requirements

You must ensure all Custodial Accounts are demand deposit or money market accounts maintained at an Eligible Depository. An Eligible Depository is:

- a Federal Reserve Bank;
- a Federal Home Loan Bank; or
- depository institution if it complies with the following.

Depository Institution...	Must...
Accounts	Be insured by the • Federal Deposit Insurance Corporation, or • National Credit Union Share Insurance Fund.
Rating	Have an applicable Federal or State rating of • "well capitalized", or • if unrated, meet the capital requirements for a "well capitalized" rating.

Depository Institution...	Must...
Minimum Financial Ratings for Assets $20 Billion or More	• If rated by both S&P and Moody's, meet all of the following: - for S&P: ▪ an "A-2" short-term issuer rating; and ▪ a "BBB" long-term issuer rating; and - for Moody's: ▪ a "P-3" short-term bank deposit rating; and ▪ a "Baa2" long-term bank deposit rating. • If only rated by S&P, have: - an "A-2" short-term issuer rating; and - a "BBB" long-term issuer rating. • If only rated by Moody's, have: - a "P-3" short-term bank deposit rating; and - a "Baa2" long-term bank deposit rating.
Minimum Financial Ratings for Assets Less than $20 Billion	Meet at least 1 of the following: • For S&P: - an "A-2" short-term issuer rating; and - a "BBB" long-term issuer rating. • For Moody's: - a "P-3" short-term bank deposit rating; and - a "Baa2" long-term bank deposit rating. • For IDC Financial Publishing, Inc., or its successor, a 175. • For Kroll Bond Rating Agency, Inc., or its successor, a C+.

Operating Procedures

You may establish the account within your own institution if you

- are an Eligible Depository, and
- do not use your general ledger or internal operating account for Custodial

Accounts.

301.03B Verifying Depository Ratings

Requirements

You must monitor the financial viability of custodial fund depositories.

If a depository or its holding company does not meet the Eligible Depository ratings per Part V, Chapter 3: Custodial Accounts, Section 301.03A: Eligible Depository, you must transfer the Custodial Account to an Eligible Depository within 30 days.

Operating Procedures

To determine an Eligible Depository:

- use the most recent financial ratings issued within the past 3 months; and
- confirm the ratings every 3 months.

301.04 Investments and Interest

Requirements

You must:

- comply with the interest-bearing requirements per the Loan Documents when establishing accounts;
- not invest Custodial Account funds, other than typical demand deposit or money market account earnings (e.g., interest); and
- when required by law or the Loan Documents, pay the Borrower Custodial Account earnings.

Operating Procedures

You may establish interest-bearing Custodial Accounts if:

- they comply with all applicable local, state, and federal laws and regulations regarding Borrower funds;
- funds can be withdrawn on demand without prior notice; and
- either
  - there is no early withdrawal penalty, or
  - the number of withdrawals is limited, but you are responsible for any

excess withdrawal penalties.

Guidance

You may retain any Custodial Account earnings you are not required to pay the Borrower.

301.05 Clearing Accounts

Requirements

You must:

- not use any Custodial Account as a Clearing Account; and
- establish a Clearing Account per Part V, Chapter 3: Custodial Accounts, Section 306: Clearing Accounts if deposits and disbursements cannot be made directly to or from the Custodial Accounts.

301.06 Liability

301.06A Losses

Requirements

You are responsible for any:

- Custodial Account losses; and
- damages Fannie Mae suffers due to funding delays, even if you complied with the Guide.

If you incur losses, Fannie Mae will not:

- reimburse them; or
- include them in any Mortgage Loan loss sharing calculation.

301.06B Overdrafts

Requirements

You must ensure a Custodial Account is never overdrawn.

Operating Procedures

If an overdraft occurs, you must advance your own funds within 1 Business Day to cure the overdraft.

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

Clearing Account	Lender account at an Eligible Depository used either for • receiving funds for various loans and for the benefit of multiple investors, and from which segregated funds are transferred to specific Custodial Accounts held solely for the benefit of Fannie Mae, or • disbursing funds after transfer from a Fannie Mae Custodial Account. **Synonyms** • Clearing Accounts
Control	Possessing, directly or indirectly, the power to direct or cause the management and operations of an entity (e.g., through the ownership of voting securities or other ownership interests, or by contract). **Synonyms** • Controlling • Controlled • Controls
Custodial Account	Account established by the Servicer for depositing P&I payments, T&I payments, and escrow, reserve, or other funds received from the Borrower per any Loan Document, including the: • Collateral Agreement; • Multifamily Loan Agreement; or • Security Instrument. **Synonyms** • Custodial Accounts

D

Drafting Account	Custodial Account established by the Lender for the benefit of Fannie Mae and for which Fannie Mae has authority to transfer funds. **Synonyms** • Drafting Accounts

F

FDIC	Federal Deposit Insurance Corporation

G

Guarantor	Key Principal or other Person executing a • Payment Guaranty, • Non-Recourse Guaranty, or • any other Mortgage Loan guaranty. **Synonyms** • Guarantors
Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

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

Loan Documents	All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan. **Synonyms** • Loan Document • Mortgage Loan Document • Mortgage Loan Documents

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

N

NCUSIF	National Credit Union Share Insurance Fund administered by the National Credit Union Administration.

P

P&I	Principal and interest
P&I Custodial Account	Custodial Account for principal and interest deposits. **Synonyms** • P&I Custodial Accounts

S

Security	MBS, PFP MBS, or REMIC. **Synonyms** • Securities

T

T&I Custodial Account	Custodial Account for the deposit of T&I and other impound escrow funds. **Synonyms** • T&I Custodial Accounts
Taxes and Insurance	Taxes or assessments that may become a Lien on the Property and insurance premiums. **Synonyms** • T&I • Tax and Insurance