Multifamily Selling and Servicing Guide

Effective as of August 20, 2026

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704.12 Grant Funding

Requirements

You must determine whether any Grant Funding is received:

- directly by the Borrower; or
- by any Borrower Affiliate and used to fund any:
  - Third-Party Financing; or
  - Grant Funding from the Borrower Affiliate to the Borrower.

If any Grant Funding above is subject to clawback, recapture, or other contingent repayment (e.g., upon an event of non-compliance or default), you must:

- ensure any collateral for the contingent repayment complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.03: Collateral and Credit Support; and
- with the Borrower, the Borrower Affiliate (if applicable), and the grantor, enter into and record the applicable:
  - Subordination Agreement (Affordable) (Form 6456), if the grantor is a Public Entity; or
  - Subordination Agreement (Conventional) (Form 6414), if the grantor is not a Public Entity.

If any Borrower Affiliate receives Grant Funding and, in turn, loans those funds to the Borrower:

- that Third-Party Financing must comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Third-Party Financing; and
- the Borrower Affiliate must enter into the correct Subordination Agreement per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.07: Subordination Agreement.

Glossary

A

Affiliate

When referring to an affiliate of a Lender, any other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender.
When referring to an affiliate of a Borrower or Key Principal:
• any Person that owns any direct ownership interest in Borrower or Key Principal;
• any Person that indirectly owns, with the power to vote, 20% or more of the ownership interests in Borrower or Key Principal;
• any Person Controlled by, under common Control with, or which Controls, Borrower or Key Principal;
• any entity in which Borrower or Key Principal directly or indirectly owns, with the power to vote, 20% or more of the ownership interests in such entity; or
• any other individual that is related (to the third degree of consanguinity) by blood or marriage to Borrower or Key Principal.

Synonyms
• Affiliates
• Affiliate's

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

Grant Funding

Funding for the Property's construction or renovation given to the Borrower, or to a Borrower Affiliate that in turn loans or grants the funds to the Borrower, with no repayment obligation if specified requirements are met.

Guide

Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise.

Synonyms
• DUS Guide

M

Multifamily Affordable Housing Property

Property that:
• complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702: MAH Property Eligibility; and
• is underwritten per Part III, Chapter 7: Multifamily Affordable Housing Properties.

Synonyms
• MAH
• Multifamily Affordable Housing
• MAH Property

P

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

Public Entity	A federal, state, or local government entity, or an entity that: • is created by - state statute, or - one or more governmental entities acting pursuant to applicable statutory authority; • has a governing body that is - elected by voters in the applicable jurisdiction, or - appointed by an official or body that has been elected by voters in the applicable jurisdiction; • is formed for a governmental purpose and performs a governmental function; • is required by law to - publicly post its meeting agendas and minutes, and - hold meetings that are open to the public to the same extent as state or local governmental entities in its state of domicile; • does not permit any part of its net revenues or earnings to inure to the benefit of any private Person; and • is not a community development financial institution.

T

Third-Party Financing	Any loan to, or indebtedness of, a Borrower that: • is not a Supplemental Mortgage Loan or Pre-Existing Mortgage Loan; and • either: - requires repayment by the Borrower; or - is forgiven (over time or at maturity) subject to Borrower compliance with certain covenants or conditions.