



Fannie Mae®

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# Multifamily Selling and Servicing Guide

Effective as of June 7, 2024

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## Part V Servicing and Asset Management

### Chapter 1 Servicing

#### Section 101 Generally

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##### 101.01 Relationship

###### Requirements

You must service all Portfolio Mortgage Loans on Fannie Mae's behalf per the Guide.

##### 101.02 Standard

###### Requirements

You must:

- always protect Fannie Mae's interest in the Mortgage Loan;
- collect all amounts due from the Borrower for Fannie Mae and any MBS Investor;
- service each Mortgage Loan per these documents until your obligations end in the following order of priority:
  1. Loan Documents;
  2. Disclosure Documents;
  3. Lender Contract;
  4. Guide; and
  5. commercially sound servicing practices and business judgment exercised by prudent institutional servicers for comparable mortgage loans in the Property's jurisdiction;
- perform additional servicing duties when directed by Fannie Mae; and
- hold any retained subservicer to this standard.

##### 101.03 Servicing File

###### Requirements



You must:

- maintain a separate Servicing File for each Mortgage Loan; and
- permit Fannie Mae to periodically examine your Servicing Files.

### Operating Procedures

The Servicing File must:

1. Per the Multifamily Servicing File Content Requirements (Form 4800), include a copy of all
  - Mortgage Loan origination documents,
  - underwriting documents,
  - Loan Documents, and
  - servicing documents.
2. Fully document your actions for each Mortgage Loan.
3. Be in paper or electronic imaged form.
4. Comply with all record retention requirements per the Program Rules.

## **101.04** Loan Document Compliance

### Requirements

For each Mortgage Loan, you must:

- monitor the Borrower's compliance with all Loan Document terms and conditions; and
- appropriately address noncompliance.

## **Section 102** Uniform Commercial Code (UCC) Financing Statements

### **102.01** Filing Documents

### Requirements

You must maintain Fannie Mae's first Lien security interest in the Personal Property by filing all necessary UCC financing statements and continuations by the earlier of:

- the date any outstanding filing lapses; or



- any applicable jurisdiction filing deadline.

### ➔ Guidance

For all Mortgage Loans, you should effectively monitor

- UCC financing statements, and
- continuation filing deadlines.

### ✻ Operating Procedures

Each Mortgage Loan Servicing File must include a file-stamped copy of the UCC financing statements filed for the Personal Property, including

- initial filings,
- continuations,
- assignments, and
- other amendments.

## 102.02 UCC Continuations, Amendments, and Terminations

### ✻ Operating Procedures

You are authorized and required to file:

1. All UCC continuation statements in all appropriate jurisdictions.
2. Any UCC financing statement amendments to correct any scrivener's error.

Unless Fannie Mae granted you a Limited Power of Attorney, you are not authorized to

- sign or file any UCC financing statement amendment other than for a scrivener's error, or
- terminate any UCC financing statement.

### ➔ Guidance

See [Part V, Chapter 4: Asset Management: Loan Document Administration, Section 403: Execution of Documents by Servicer – Limited Power of Attorney](#) for more information.



## 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>	Promptly notify Multifamily Business Operations even if the Achievement Agreement or other Collateral Agreement <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.

## Section 104 Bond Transactions and Credit Enhancement Mortgage Loans



## 104.01 Borrower Obligations

### 104.01A Payments

#### Operating Procedures

Collect all of the following from the Borrower:

- reimbursement of all amounts Fannie Mae paid or is due per any:
  - Credit Enhancement Instrument or MBS for Bonds;
  - Loan Documents or Reimbursement Agreement;
  - Bond Collateral Agreement; and
  - Interest Rate Cap Agreement or other interest rate hedge;
- any Facility Fee and/or Activity Fee for an unreimbursed Liquidity Advance per the Reimbursement Agreement;
- all amounts required to replenish the PRF;
- any Prepayment Premium or other Termination Fee;
- any other fees, expenses, or additional costs due per any
  - Credit Enhancement Instrument or MBS for Bonds,
  - Security Instrument,
  - Reimbursement Agreement, or
  - other Loan Document; and
- any other amounts due Fannie Mae or the Bond Trustee.

Steps	Activity...
Calculate the Amount Due	After receiving the information to calculate the amount due, you must <ul style="list-style-type: none"><li>• immediately invoice the Borrower, and</li><li>• remit the funds to the appropriate parties per the Reimbursement Agreement or Loan Documents.</li></ul>



Steps	Activity...
Advance Funds Notification	<p>Fannie Mae will notify you of the amount disbursed on or after each disbursement date for any:</p> <ul style="list-style-type: none"><li>• Credit Enhancement Instrument or MBS for Bonds;</li><li>• Loan Document; or</li><li>• other Bond Collateral Agreement.</li></ul>
Payment Timing	<p>You must remit all Borrower payments per the Loan Documents or Fannie Maes instructions.</p> <p>If you do not pay Fannie Mae or the Bond Trustee until the next Business Day, you must</p> <ul style="list-style-type: none"><li>• invest the funds overnight, and</li><li>• remit all investment earnings to Fannie Mae or the Bond Trustee with the payment.</li></ul> <p>For Borrower payments received after 4:00 p.m. Eastern Time, you must use your best efforts to invest the funds.</p>

### 104.01B Principal Reserve Fund

#### Requirements

You must ensure no PRF withdrawal occurs without Fannie Mae's approval.

#### Operating Procedures

For each Credit Enhancement Mortgage Loan, you must:

- Review the Bond Trustee's reported PRF balance.
- Collect from the Borrower any amount withdrawn from the PRF, including withdrawals reimbursing Fannie Mae for amounts it paid per the
  - Credit Enhancement Instrument or MBS for Bonds, or
  - Loan Documents.



## 104.02 Cash Collateral Agreements

### Requirements

You must:

- ensure any control agreement perfecting Fannie Mae's security interest in pledged collateral remains in full force and effect; and
- not invest, apply, or release any collateral under a Cash Collateral or other Security Agreement.

## 104.03 UCC Filings

### Operating Procedures

For UCC filings per Loan Documents or Bond documents, you must:

- instruct each Bond Trustee to file UCC continuation statements at least 90 days before the filing expires; and
- confirm the filing occurred before expiration.

## 104.04 Remarketing Agent Changes

### Requirements

For Bond transactions that remarket on scheduled mandatory tender and remarketing dates where Fannie Mae provides Bond liquidity support, you must ensure any new Remarketing Agent complies with [Part III, Chapter 19: Bond Transactions and Credit Enhancement Mortgage Loans, Section 1903.02: Remarketing Agent](#).



## Chapter 2 Reporting and Remitting

### Section 201 Generally

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This Chapter:

- outlines the reporting and account reconciliation policies and procedures for Mortgage Loans;
- applies to both Cash Mortgage Loans and Securitized Mortgage Loans, except where noted that a particular procedure is applicable only to one or the other execution;
- describes the methods for accounting for scheduled monthly payments, payment shortages, additional principal payments, repayments of advances, and payments in full; and
- describes Fannie Mae's remittance requirements, the method for remitting, and the format for reporting Mortgage Loan information on all transactions.

Fannie Mae purchases Mortgage Loans for cash or in exchange for the issuance of a Security. Fannie Mae reserves the right to later place any of the Mortgage Loans purchased for cash into a Security (e.g., PFP MBS). If Fannie Mae securitizes a Mortgage Loan, the Servicer may be required to make certain changes to its reporting and remitting procedures. If such an event occurs and changes to a Servicer's reporting and remitting procedures will be required, Fannie Mae will notify the Servicer in writing.

Fannie Mae reserves the right to modify its Remittance Accounting system and forms to accommodate future changes to its overall systems applicable to Mortgage Loans.

### Section 202 Collection, Tracking and Reporting of Monthly P&I Payments and T&I Amounts

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The Servicer is responsible for collecting monthly P&I payments from the Borrower in accordance with the terms of the Note executed by the Borrower. All P&I payments and T&I amounts collected by the Servicer in connection with Mortgage Loans must be deposited in the applicable P&I and T&I Custodial Accounts maintained in accordance with the requirements of [Part V, Chapter 3: Custodial Accounts](#).

The Servicer must track and account separately for all P&I payment activity relating to each Mortgage Loan. The Servicer must report to Fannie Mae on the P&I payment activity relating to each Mortgage Loan as provided in this Chapter.

### Section 203 Reporting Loan Activity and Security Balance

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### **203.01 Use of Fannie Mae eServicing System**

The Servicer must use Fannie Mae's eServicing System to report Mortgage Loan level information on all Cash Mortgage Loans and Securitized Mortgage Loans. The Servicer must register to use the eServicing System prior to use. Information regarding registering for the eServicing System can be found on <https://multifamily.fanniemae.com/applications-technology/eservicing>. The Servicer must segregate its Cash Mortgage Loan servicing portfolio from its Securitized Mortgage Loan servicing portfolio for reporting purposes.

### **203.02 Reporting Specific Transactions**

All reportable transactions will fall into one or more categories. Some transactions update the status of a Mortgage Loan or summarize collection activity, while others update the information in Fannie Mae's records (e.g., Property addresses, Servicer Mortgage Loan identification numbers, Mortgage Loan terms, subservicing status, etc.).

### **203.03 Monthly Activity Reporting**

#### **203.03A When to Begin Reporting**

The Servicer must use the eServicing System to report its monthly Mortgage Loan activity to Fannie Mae following the end of each Reporting Period, commencing with the month following the:

- date Fannie Mae acquired the Cash Mortgage Loan or PFP Mortgage Loan; or
- Issue Date for Securitized Mortgage Loans (other than PFP MBS).

#### **203.03B Cutoff Dates for Loan Activity Reporting**

The following are the cutoff dates for activity reporting on Mortgage Loans:

<b>Monthly Activity Cutoff Date</b>	<b>Monthly Activity Report Due Date</b>
Servicer may establish as its cutoff date any day from the 25th of the month to the last day of the month.	Not later than the second Business Day of the month following the cutoff date for the Reporting Period.

### **203.04 Monthly Securitized Mortgage Loan Security Balance Reporting**

#### **203.04A Reporting Security Balances**



For each Security Pool serviced by the Servicer, the Servicer must submit a monthly Security Balance report that references:

- the Security Balance; and
- the Security Pool number.

#### **203.04B** Same Month Pooling – Security Balance for First Reporting Cycle

For Same Month Pooling Mortgage Loans, the Borrower will have made no payment as the monthly debt service payment will not yet have come due. Because the Servicer's Security Balance report for the month following the Issue Date of the Security Pool under the Same Month Pooling Delivery option will not include an amount for principal curtailment for amortizing Mortgage Loans, the Servicer must report the Issue Date Principal Balance of the Mortgage Loan as the first reporting cycle Security Balance. As long as the Servicer reports the Issue Date Principal Balance of the Securitized Mortgage Loan in its first Security Balance report, there will be no impact on the Pool-to-Security balance reconciliation for that month.

#### **203.04C** Security Balances Due by Second Business Day

The Servicer must have transmitted all of its Security Balances (or corrections to balances reported in error) to Fannie Mae by 5:00 p.m. Eastern Time on the second Business Day of each month following the Reporting Period. If the Servicer anticipates a problem in meeting this reporting deadline or has a transmission problem that will result in late reporting, the Servicer must contact its Fannie Mae Representative.

#### **203.04D** Failure to Meet Reporting Deadline

If the Servicer fails to meet Fannie Mae's reporting deadline, Fannie Mae may estimate the Servicer's Security Balances so Fannie Mae can pass-through payments to Investors and publish Security Balances in a timely manner. When Fannie Mae does this, Fannie Mae's estimate will be both the published Security Balance, and the beginning Security Balance used for the next month's Security Balance report. Fannie Mae will send the Servicer written notification of any published estimated Security Balance within 10 days after publication by Fannie Mae.

### **203.05** Due Dates for Reports

The exact due date of the Servicer's submission of its reports depends on the type of transaction being reported.

#### **203.05A** Removal Transactions

The Servicer must report removal activity (e.g., payoff, repurchase,





liquidated-held for sale, and liquidated third-party sale/condemnation) by the second Business Day of the month following the cutoff date for the Reporting Period in which the activity occurred. The Servicer may correct any removal activity reporting error by resubmitting the corrected information in time to reach Fannie Mae by the second Business Day of the month following the Reporting Period. If the Servicer is unable to correct the error, the Servicer must notify its Fannie Mae Representative about the error.

### **203.05B** All Other Transactions

The Servicer must make sure that all other transactions (which are the transactions that comprise the bulk of its reports) are transmitted in sufficient time for receipt by Fannie Mae by the second Business Day of the month following the cutoff date for the Reporting Period.

## **203.06** Mortgage Loan Activity Record

The Loan Activity Record is used to provide Mortgage Loan-level detail of amounts due to Fannie Mae or the Investor for each Mortgage Loan on the Servicer's trial balance.

### **203.06A** Payment Collection

Payment collection relates to the receipt and application of the monthly payment. The information that must be reported includes:

- actual last paid installment ("LPI") date;
- actual UPB; and
- remittance amount (distributed between P&I).

Under the Same Month Pooling option, the Servicer must not report a principal distribution amount for the first reporting cycle following the Issue Date of the Security Pool because no payment will have come due from the Borrower. For the first reporting cycle, the actual UPB of the Mortgage Loan will equal the Issue Date principal balance, as no principal payment will be subtracted from the Security Balance or passed through to the Investor.

### **203.06B** Fee Collection

Fee collection relates to any special fees that were collected from the Borrower during the Reporting Period.

### **203.06C** Mortgage Loan Status

Mortgage Loan status relates to special actions that have occurred (e.g., a payoff or a repurchase). An action code and an action date



(specifying when the reported action occurred or will occur) must be reported. The User Manual for the eServicing System provides detailed information regarding action codes and action dates.

## **203.07 Fannie Mae-Generated Monthly Reports**

### **203.07A MBS Mortgage Loan P&I Draft Report**

On approximately the 10th day of the month, reports are available in the eServicing System for Servicers to verify the amount to be drafted on the Remittance Date, including P&I and Prepayment Premiums due to Fannie Mae or the MBS Investor.

### **203.07B Cash Mortgage Loan P&I Draft Reports**

3 Business Days before the Remittance Date, reports are available in the Cash Loan Drafting Application for Servicers to review, update, and certify the amount to be drafted on the Remittance Date, including Prepayment Premiums due to Fannie Mae. Amounts must be reviewed, updated, and certified by 4:30 p.m. ET 1 Business Day before the Remittance Date.

### **203.07C Month-End Report**

By the 23rd day of the month, the Summary of Processed Activity and other reports are available in the eServicing System for the Servicer to reconcile with its internal records.

## **203.08 Monthly MBS Mortgage Loan Reconciliations - Pool-to-Security Balance Reconciliations (Not Applicable to PFP MBS)**

### **203.08A Reconciliation Required**

At the end of each Reporting Period, the Servicer must reconcile the actual ending Mortgage Loan balance for the Mortgage Loan in any given Security Pool to the ending Security Balance for that Security Pool. To perform this reconciliation, the Lender must use the following calculation:

<b>Function</b>	<b>Ending Principal Balance for the Mortgage Loan in Security Pool (from current month)</b>
PLUS	Prepaid Principal (as of current month)
MINUS	Delinquent Principal (as of current month)
MINUS	Scheduled Principal (as of current month)



PLUS	Principal Portion of Last Installment for Liquidated Mortgage Loan (as of current month)
	<b>Adjusted Principal Balance for Security Pool</b>
MINUS	Ending Security Balance for Reporting Period
EQUALS	<b>Difference</b>

### **203.08B** Rounding Adjustment

Because the total amount of the Mortgage Loan that is issued for a Security Pool is rounded down to the next lowest whole dollar amount of the actual “Issue Date Principal Balance of the Mortgage Loan”, the Security Balance will be smaller than the actual UPB of the Mortgage Loan. The difference will never be greater than \$0.99 for a single Security Pool. The Servicer must adjust for this difference in the first monthly accounting report it submits after the Issue Date of the Security, classifying it as an “unscheduled” principal adjustment.

### **203.08C** Required Annual Adjustment to Correct Principal Balance vs. Security Balance Difference

Other differences may arise in the reconciliation between the UPB of the Mortgage Loan in a Security Pool and the outstanding Security Balance. These differences cannot exceed more than \$0.25 for any Mortgage Loan in the Security Pool. At least once a year, the Servicer must make an adjustment to correct any differences.

#### **1. If Security Balance is Greater than UPB**

If the Security Balance is higher than the UPB of the Mortgage Loan, the Servicer must immediately deposit the funds in the “scheduled/scheduled” P&I Custodial Account for Security Pools so that the funds can be passed through to Fannie Mae (as an “unscheduled” principal collection) with the Servicer’s next monthly remittance.

#### **2. If Security Balance is Lower than UPB**

If the Security Balance is lower than the UPB of the Mortgage Loan, the Servicer may adjust a subsequent pass-through amount that includes an “unscheduled” principal collection to correct for this difference.

### **203.08D** Pool-to-Security Reconciliation Certification

The eServicing System produces a Pool-to-Security Reconciliation on a monthly basis to assist Servicers with review. Servicers are required to review and certify any pool-to-security difference each month by month end. Differences occur when the MBS pool security balance does not match the sum of the scheduled UPB of the Mortgage Loan. Fannie Mae calculates



pool-to-security differences after monthly Mortgage Loan and Security reporting is complete. For each pool with a difference, the Servicer must review the deficiency, research the difference, and determine the appropriate remedy. The Servicer's certification includes the identification and selection of a deficiency reason, and a statement of how it should be resolved.

## **Section 204** Calculation of Interest Due

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### **204.01** Generally

Generally the Borrower's monthly payment consists of P&I and deposits for insurance, taxes, replacement reserves and replacement hedges or some combination of such items. In some instances, the payment may include additional funds to be applied toward the UPB or to repay funds advanced by the Servicer. The Servicer must account for each portion of the Borrower's monthly payment in the Servicer's records. The Servicer must track both actual and scheduled Mortgage Loan balances (a.k.a., Security Pool and Security balances) and reconcile any outstanding difference (e.g., the Servicer advances for insufficient Borrower payments).

### **204.02** Calculating Interest Due

The interest calculation method is generally specified in the Loan Documents. Servicers are required to calculate interest due for each Mortgage Loan as required by the Loan Documents. If the Loan Documents do not contain any information regarding the interest calculation method, then Servicers should assume a 30/360 accrual method.

#### **204.02A** Actual/360 Interest Calculation Method

Interest will accrue based upon the actual number of days in a calendar month and a 360-day year.

#### **204.02B** 30/360 Interest Calculation Method

Interest will accrue based upon a 30-day month and a 360-day year.

## **Section 205** ARM Loan Interest Rate and Monthly Payment Changes

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### **205.01** Adjustable Rate Mortgage Loan Interest Rate Changes and Required Monthly Payments

The Servicer must enforce each Mortgage Loan in accordance with the terms of the executed Loan Documents. This includes making periodic interest rate and payment adjustments in connection with any type of Adjustable Rate Mortgage Loans. The Servicer must change the Mortgage



Loan interest rate and monthly payments to the fullest extent permitted or required, maintaining at all times the Mortgage Loan margin specified in the executed Loan Documents. Factors used to determine the new interest rate for ARM Loans include:

- the Index on which the rate is to be based;
- the “look back” period;
- any applicable interest rate change limitations; and
- the Mortgage Loan margin.

If the Servicer fails to make a timely interest rate or payment adjustment, the Servicer must use its own funds to satisfy any shortage.

### **205.01A** The Adjustable Rate Mortgage Loan Index

The Servicer must determine the Index on which the rate is to be based as specified in the Loan Documents. To assist the Servicer in monitoring indexes, Fannie Mae offers an ARM Loan Index service through its website on <https://multifamily.fanniemae.com>. The Servicer must establish procedures to monitor the Index to assure that the Servicer uses the latest available Index to determine an interest rate change.

### **205.01B** Determining the New Monthly Payment

Except for Fannie Mae Structured ARM Loans, a Required Monthly Payment change occurs at established intervals and corresponds to any change in the interest rate. The new monthly payment is calculated by determining the amount required to repay the UPB of the Mortgage Loan in substantially equal payments over the remaining amortization period of the Mortgage Loan at the interest rate in effect following the latest interest rate change utilizing the applicable Interest Calculation Method. If the Mortgage Loan is an interest-only Mortgage Loan, the new monthly payment is the monthly interest payment at the interest rate in effect following the latest interest rate change utilizing the applicable Interest Calculation Method. The new Required Monthly Payment becomes effective on the first day of the month following the month in which the interest Rate Change Date occurs.

### **205.02** Monthly Reporting for ARM Loan Payment/Rate Changes

Prior to the effective date of the Monthly Payment/Rate Change the Servicer must submit a Monthly Payment/Rate Change via the eServicing System. For assistance with rate and/or payment changes, the Servicer must contact its Fannie Mae Representative.

In order for Fannie Mae to account for ARM Loans on its books, Fannie Mae must receive the Monthly Payment/Rate Change on a timely basis.



### 205.03 Structured ARM Loans

Structured ARM Loans are subject to the same reporting and remittance requirements as other ARM Loans except for the differences described in this section.

The interest rate for Structured ARM Loans will be determined based on the applicable interest period (typically either 1-month or 3-months) for the applicable Index using a 1-Business Day look-back period per the Loan Documents and the requirements of the applicable Structured ARM Loan Plan Number. The applicable interest rate will be determined by adding the Mortgage Loan margin specified in the Loan Documents to the applicable Index value. No periodic or lifetime interest rate limitations apply to this computation.

Rate changes for Structured ARM Loans with a:

- 1-month interest period (Plan Numbers 03488 and 04932) will occur on the first payment date and the first day of each month thereafter until maturity as specified in the Loan Documents; and
- 3-month interest period (Plan Number 03487) will occur on the first day of the month which is the second month following the first payment date and the first day of every third month thereafter until maturity as specified in the Loan Documents.

The first payment date will be:

- the 1st day of the month following the Mortgage Loan Origination Date, if the Mortgage Loan Origination Date is the 1st calendar day of the month; or
- the 1st day of the second full calendar month following the Mortgage Loan Origination Date for all other Mortgage Loans.

For example, if the Mortgage Loan closes on June 15th, the First Payment Date is on August 1st, and if the Mortgage Loan closes on June 1st, the First Payment Date is on July 1st.

A Required Monthly Payment change occurs at established intervals and corresponds to any change in the interest rate, the number of days in an accrual period, or the UPB of the Mortgage Loan.

If the Mortgage Loan amortizes, the Required Monthly Payment is the sum of the monthly interest installment and the monthly principal installment. The monthly interest installment is calculated by multiplying the UPB of the Mortgage Loan by the interest rate in effect following the latest interest rate change utilizing an actual/360 interest accrual method. Equal monthly principal installments will be made over the term of the Mortgage Loan in the amount set forth in the Loan Documents.



If the Structured ARM Loan is interest-only, the Required Monthly Payment is the monthly interest payment which is calculated by multiplying the UPB of the Mortgage Loan by the interest rate in effect following the latest interest rate change utilizing an actual/360 interest accrual method as set forth in the Loan Documents. The new Required Monthly Payment becomes effective for Structured ARM Loans with a:

- 1-month interest period (Plan Numbers 03488 and 04932), on the 1st day of the month following the month in which the Rate Change Date occurs; or
- 3-month interest period (Plan Number 03487), on the 1st day of each month following any change in the interest rate or if the number of days in an accrual period is different from the prior month, as set forth in the Loan Documents.

## **Section 206**      Application of Monthly Payments

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### **206.01**      Fannie Mae Form Loan Documents

For Mortgage Loans originated using Fannie Mae published Note forms, the Borrower's monthly payments must be applied in the following order:

- any delinquent interest (other than interest attributable to the default interest rate);
- any delinquent principal;
- interest for the current month at the Gross Note Rate;
- principal for the current month;
- reimburse the Servicer or Fannie Mae for any T&I payments;
- reimburse the Servicer or Fannie Mae for any delinquency resolution costs, attorney fees, Appraisal fees, environmental assessment costs, or PCA costs;
- reimburse the Servicer or Fannie Mae for any payments to protect the Property;
- late charges;
- default interest;
- T&I Custodial Account deposits; and
- Collateral Agreement Custodial Account deposits.

### **206.02**      Non-Fannie Mae Form Loan Documents



For Mortgage Loans not originated using Fannie Mae published Note forms, the Servicer must apply monthly payments received from the Borrower as required by the relevant Loan Documents. If the Loan Documents do not provide for the order of application of monthly payments, then the Servicer must follow the requirements for the Fannie Mae Post-1998 Loan Documents as provided in [Part V, Chapter 2: Reporting and Remitting, Section 206.01: Fannie Mae Form Loan Documents](#).

## **Section 207**      **Payment Shortages**

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When payments received from the Borrower are less than the total amount then due under the Mortgage Loan (including P&I and T&I, but may also include required deposits to the Replacement Reserve or other monies due as required in the Loan Documents), the Mortgage Loan is in default and the Servicer must follow the default procedures specified in:

- Part VI, Chapter 3: Non-Performing Primary Risk Mortgage Loans; or
- Part VI, Chapter 5: Non-Performing Secondary Risk Mortgage Loans.

The Servicer may not supplement partial payments received from the Borrower with funds from any Collateral Agreement Custodial Account without Fannie Mae's prior written consent.

## **Section 208**      **Delinquency and Servicing Advances**

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### **208.01**      **Generally**

#### **208.01A**      **Applicability**

This Section 208 shall apply to all loans purchased by Fannie Mae (i) under the DUS product line and (ii) under any contracts entered into after June 1, 2012, unless any such contract provides that this Section 208 shall not apply to such contract.

#### **208.01B**      **Delinquency Advances on a Mortgage Loan other than a Credit Enhancement Mortgage Loan**

Whether or not the Borrower pays to the Lender the full amount due under a Mortgage Loan (other than a Credit Enhancement Mortgage Loan), the Lender will remit to Fannie Mae Delinquency Advances in an amount equal to all monthly P&I installments then owed under each Mortgage Loan, net of Servicing Fees, in the manner and at the time the Lender is required to make remittances under the Guide or the Lender's Contract. The Lender's agreement to make Delinquency Advances in respect of a Mortgage Loan constitutes a separate contractual obligation of





the Lender to Fannie Mae and is not a guaranty or surety of any obligation of the related Borrower. The Lender's obligation to fund Delinquency Advances, except in the case of Secondary Risk Mortgage Loans, is not intended to require advances of the principal balance due on the scheduled or accelerated maturity date for payment in full of a Mortgage Loan. The Lender's obligation to fund Delinquency Advances with respect to Secondary Risk Mortgage Loans shall include the obligation to fund the principal balance due on the scheduled or accelerated maturity date for payment in full of a Mortgage Loan.

## **208.01C** Delinquency Advances on a Credit Enhancement Mortgage Loan

Whether or not the Borrower pays to the Lender the full amount due on a Credit Enhancement Mortgage Loan, and whether such amounts are payable under the Financing Agreement, the Note, the Reimbursement Agreement or other transaction documents, the Lender shall make Delinquency Advances in amounts as follows, each in the amount as required to be made under the Financing Agreement, the Note, the Reimbursement Agreement or other applicable transaction document, net of any Servicing Fee otherwise payable to the Lender:

- interest payments as required by the definition of Delinquency Advances, net of Servicing Fees;
- monthly installments of principal owed on the Credit Enhancement Mortgage Loan, or, if the transaction documents of the Credit Enhancement Mortgage Loan require the Borrower to make deposits to a PRF in lieu of amortizing the principal of the Credit Enhancement Mortgage Loan in whole or in part, deposit in a special custodial account meeting the requirements of the Guide ("Special Custodial Account") any amounts that the Borrower was obligated under the Note, the Reimbursement Agreement or other applicable transaction document to pay as deposits to the PRF and transfer such funds in the Special Custodial Account to the applicable Bond Trustee at such time as the funds are required for a mandatory payment of P&I under the Bonds;
- the annual or other periodic fee of the Issuer as a continuing fee for the issuance of the Bonds and the provision of the financing for the Property;
- the annual or other periodic continuing trust administration fee of the Bond Trustee;
- the annual or other periodic continuing fee of the rebate analyst, if any, for its rebate calculation services;
- the annual or other periodic continuing fee of the remarketing agent, if any, for its remarketing services;



- the Credit Enhancement Fee;
- if the transaction documents of the Credit Enhancement Mortgage Loan require the Borrower to make deposits to a PRF in lieu of amortizing the principal of the Credit Enhancement Mortgage Loan in whole or in part, the PRF Fee; and
- if the Credit Enhancement Instrument contains a liquidity facility for the Bonds, the Liquidity Fee.

The Lender shall make such advances to the party, in the manner and at the time the Lender is required to make such remittances under the Guide. The Lender's agreement to make Delinquency Advances in respect of a Credit Enhancement Mortgage Loan constitutes a separate contractual obligation of the Lender to Fannie Mae and is not a guaranty or surety of any obligation of the related Borrower.

#### **208.01D** Servicing Advances on a Mortgage Loan other than a Credit Enhancement Mortgage Loan

Whether or not Borrower makes payments to the Lender, the Lender shall make Servicing Advances as and when such amounts constituting Servicing Advances are required to be paid.

#### **208.01E** Servicing Advances on a Credit Enhancement Mortgage Loan

Whether or not the Borrower makes payments to the Lender, the Lender shall make Servicing Advances on a Credit Enhancement Mortgage Loan as and when such amounts constituting Servicing Advances are required to be paid. For each Credit Enhancement Mortgage Loan, Servicing Advances shall include, in addition to those items set out in the definition of Servicing Advances, all fees, costs and expenses, whether recurring or non-periodic, not covered by a Delinquency Advance but necessary, as determined by Fannie Mae, to preserve or protect the Bonds or to exercise any legal or equitable remedies under the Bond Indenture, the Bonds or any of the other transaction documents (other than the Loan Documents).

### **208.02** Duration of Payment of Delinquency Advances or Servicing Advances

#### **208.02A** Obligation to Make Delinquency Advances

Unless the Lender's Contract expressly provides otherwise, the Lender must make Delinquency Advances until the earliest of:

- the Lender's purchase of the Mortgage Loan from Fannie Mae;
- the date on which Borrower cures the Mortgage Loan default;



- the date on which the Lender makes the fourth of four continuous months of Delinquency Advances;
- the Asset Valuation Date established in accordance with Section 6.02 of the Loss Sharing Addendum; or
- the date on which the Borrower pays off the Mortgage Loan.

Notwithstanding the foregoing, (i) for Securitized Mortgage Loans, the Lender must make Delinquency Advances to Fannie Mae as long as the Mortgage Loan is held by the trust established in connection with such securitization, and (ii) for Credit Enhancement Mortgage Loans, the Lender must make Delinquency Advances to Fannie Mae as long as the Bonds are outstanding. However, in either case, Lender will receive reimbursement for such Delinquency Advances upon request as required by [Part V, Chapter 2: Reporting and Remitting, Section 208.02C: Reimbursement for Delinquency and Servicing Advances](#) following the date on which Lender makes the fourth of four consecutive months of Delinquency Advances or, if earlier, immediately following the Maturity Date of the Mortgage Loan and, thereafter, the Lender will receive reimbursement for each Delinquency Advance upon request. If the Lender believes that Delinquency Advances with respect to a Mortgage Loan are no longer required to be made pursuant to this Section 208.02, the Lender shall notify Fannie Mae, in writing, and upon written confirmation by Fannie Mae that it concurs that no further Delinquency Advances are required, the Lender shall cease making Delinquency Advances with respect to such Mortgage Loan.

## **208.02B** Obligation to Make Servicing Advances

Unless the Lender's Contract expressly provides otherwise, the Lender must make Servicing Advances until the earliest of:

- the Lender's purchase of the Mortgage Loan from Fannie Mae;
- the date on which the Borrower cures the Mortgage Loan default;
- the Asset Valuation Date related to a Foreclosure Event, a sale of the Property directed by a court of competent jurisdiction, a Discounted Loan Payoff, or Note Sale; or
- the date on which the Borrower pays off the Mortgage Loan.

The Lender shall not be required to make Servicing Advances to fund escrows or custodial accounts for taxes, assessments, and insurance premiums or to make payments to the accounts established for the Mortgage Loan; provided, however, that the Lender must apply any partial payments (including any Net Cash Flow from the Property that, under applicable state law, is then available for use by Fannie Mae) in the manner specified in the Loan Documents and the Guide.



## **208.02C** Reimbursement for Delinquency and Servicing Advances

Upon the expiration of the Lender's obligation to make Delinquency Advances as provided above or, with respect to any Securitized Mortgage Loan, following the date on which the Lender makes the fourth of four consecutive months of Delinquency Advances, the Lender may, by written notice to Fannie Mae submitted on Fannie Mae [Form 4828](#), together with any supporting documentation required by Fannie Mae, request reimbursement for any and all Delinquency Advances made by the Lender with respect to the Mortgage Loan.

Upon making a Servicing Advance with respect to a Mortgage Loan, Lender may, by written notice to Fannie Mae submitted on Fannie Mae [Form 4829](#), together with any supporting documentation required by Fannie Mae, request reimbursement for such Servicing Advance.

Fannie Mae shall reimburse the Lender for such Delinquency Advances and Servicing Advances within 60 days following Fannie Mae's receipt and approval of the Lender's written request.

This Section 208.02.C shall not apply to Delinquency Advances or Servicing Advances made by the Lender with respect to any Non-Performing Mortgage Loan with a Last Paid Installment prior to March 1, 2012.

## **208.03** Repayment of Servicing Advances from Borrower

Unless otherwise directed in writing by Fannie Mae, the Lender must seek restitution of any Servicing Advances from the Borrower. For this repayment, the Lender may require the Borrower to make full restitution on the next occurring Mortgage Loan payment due date or may permit the Borrower to make restitution payments over several months. Amounts due from the Borrower for which a Servicing Advance was made may include default interest on the Servicing Advances as permitted in the Loan Documents. Interest must be calculated from and including the date the Servicing Advance is made to but excluding the date the repayment is received. If the Lender permits restitution over several months, such restitution payments will not be included in any required calculation of DSCR.

If the Lender has been reimbursed by Fannie Mae for any Servicing Advances and receives restitution of such Servicing Advances from the Borrower, the Lender shall promptly remit such amounts to Fannie Mae.

## **208.04** No Capitalization of Servicing Advances for Securitized Mortgage Loans

For the purpose of calculating monthly distributions to the Security certificate holders or other investors, Servicing Advances will not be added to the scheduled principal balance of the related Mortgage Loan, even



though the terms of the Mortgage Loan may permit increases to the outstanding principal balance of the Mortgage Loan for such advances and may permit Fannie Mae or the Lender, as applicable, to pursue recovery of those advances from the Borrower. Servicing Advances do not reduce or modify the Borrower's obligation under the Loan Documents.

## **208.05** Entitlement to Default Interest

Between Fannie Mae and the Lender, unless the Lender's Contract expressly provides otherwise, so long as the Lender is obligated to make or has made Delinquency Advances as provided in [Part V, Chapter 2: Reporting and Remitting, Section 208.02A: Obligation to Make Delinquency Advances](#), the Lender is entitled to retain 50 percent of the default interest collected from or on behalf of the Borrower. The other 50 percent of such default interest, to the extent collected from or on behalf of the Borrower, is remitted to and retained by Fannie Mae. Notwithstanding anything in this Section 208.05 to the contrary, with respect to any Non-Performing Mortgage Loan with a Last Paid Installment prior to March 1, 2012, if the Lender is obligated to make Delinquency Advances then the Lender is entitled to all default interest collected from or on behalf of the Borrower with respect to such Mortgage Loan. If the Lender is not obligated to make any Delinquency Advances on a Non-Performing Mortgage Loan, all default interest shall be remitted to and retained by Fannie Mae. Without regard to whether the Lender is making Delinquency Advances, Fannie Mae is always entitled to the interest that accrues at the stated interest rate on the Mortgage Loan net of the Lender's Servicing Fee.

## **Section 209** Remittance Procedures

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The Servicer must remit to Fannie Mae collections and other amounts due by the specified Remittance Date established for each product type.

### **209.01** Definitions

For purposes of this Section, the following terms shall have the definitions set forth below.

#### **209.01A** Interest Distribution Amount

For each Mortgage Loan, the interest portion, adjusted to the Pass-Through Rate of the monthly installment (without regard as to whether such amount was collected), due on the first day of the month in which a Remittance Date occurs or which becomes due at any time during the preceding month except the first day thereof.

#### **209.01B** Principal Distribution Amount



For each Mortgage Loan, the total of (1) the principal portion of the monthly installment due during the period beginning on the second day of the month preceding the month in which a Remittance Date occurs and ending on the first day of the month in which a Remittance Date occurs, without regard as to whether such amount was collected, and (2) any unscheduled principal recovery collected on a Mortgage Loan during the month preceding the month in which a Remittance Date occurs.

### 209.01C Monthly Remittance

The total of the Interest Distribution Amount and Principal Distribution Amount to be remitted to Fannie Mae on each Remittance Date.

### 209.02 Monthly P&I Remittance Due Dates for Cash and MBS Transactions

Monthly P&I remittances begin on the initial Remittance Date.

Mortgage Loan Type	Initial Remittance Date
Cash Mortgage Loans (including Mortgage Loans backing a PFP MBS)	The month after Fannie Mae purchased the Mortgage Loan.
Securitized Mortgage Loans	The month after the month the MBS was issued.

The final Remittance Date occurs:

- for Mortgage Loans paying off on the scheduled Maturity Date: in the month the Mortgage Loan matured and the security balance dropped to \$0.00 (e.g., if the Mortgage Loan pays off on its scheduled May 1 Maturity Date, the final Remittance Date will be May 18); or
- for Mortgage Loans being prepaid: in the month after the month the Mortgage Loan was prepaid (e.g., if the Mortgage Loan prepays anytime between May 2 and May 31, the final Remittance Date will be June 18).

### 209.03 Cash Remittance System

#### 209.03A Drafting Account Use

The Servicer must make the monthly remittance funds available for drafting by ACH via the Cash Remittance System on the Business Day before the Remittance Date.

#### 209.03B Drafting Account Setup



To set up a Drafting Account before the initial Remittance Date:

1. Open a Drafting Account with an Eligible Depository per [Part V, Chapter 3: Custodial Accounts, Section 301: Generally](#);
2. Use the Cash Remittance System to designate the custodial bank and Drafting Account to be electronically debited or credited.

### **209.03C** Remittance Transaction Codes

The Cash Remittance System uses remittance codes linked to the:

- Servicer's unique 9-digit Servicer number; and
- specific Drafting Account identified for the applicable product and execution.

Only 1 Drafting Account per remittance code is permitted, either the:

- P&I Custodial Account for the Mortgage Loan category per [Part V, Chapter 3: Custodial Accounts, Section 303.01: Accounts and Deposits](#); or
- consolidated Drafting Account.

The Servicer must ensure the:

- individual account drafting instructions, including assigned remittance codes, are coordinated with the Servicer's internal fund processing; and
- transmissions to Fannie Mae include all necessary detail to ensure timely and accurate processing.

## **209.04** Additional Requirements for Monthly Remittance for Security Transactions

### **209.04A** Amount of Security Monthly Remittance

The Security monthly remittance is the total of the Security Interest Distribution and Security Principal Distribution Amounts. For each month, the Security monthly remittance must include the scheduled principal payment due on the first day of that month plus a full month's interest (calculated at the Security Pass-Through Rate) due in arrears for the previous month. It also may include unscheduled prepayments of principal.

The Servicer is required to pass through to Fannie Mae in each Security monthly remittance, the full scheduled amounts of P&I, regardless of whether such amounts actually have been collected from the Borrower. A



full month's interest (calculated at the Security Pass-Through Rate) must be included in each Security monthly remittance, regardless of whether there has been any partial or full prepayment during the month.

#### **209.04B** Security Interest Distribution Amount

The Security Interest Distribution Amount due is based on the Security Balance remaining after application of the scheduled Mortgage Loan payment due on the first of the previous month. For example, the Security Interest Distribution Amount due on November 18 would be based on the Security Balance remaining after application of the scheduled Mortgage Loan payment due on October 1 (not November 1).

### **209.05** Securitized Mortgage Loans – Remitting Fees to Fannie Mae

#### **209.05A** Guaranty Fee Due on 7th Calendar Day of Month

To compensate Fannie Mae for the liability it assumes in issuing the Security, Fannie Mae receives a Guaranty Fee. The Guaranty Fee is an obligation of the Servicer and must be paid in arrears on the 7th calendar day, or the preceding Business Day if the 7th calendar day is not a Business Day, of each month, even if there is no collection on the Mortgage Loan or the Mortgage Loan reaches its Maturity Date during the month. Payment of the Guaranty Fee begins with the month following the month in which the Security is issued. Fannie Mae will draft the Guaranty Fee from the Servicer's applicable designated P&I Custodial Accounts for Securitized Mortgage Loans.

The Guaranty Fee amount due Fannie Mae in any month is equal to either (a) for 30/360 interest accrual Mortgage Loans, one-twelfth of the annual Guaranty Fee rate times the Security Balance remaining after application of the scheduled Mortgage Loan principal payment due on the first day of the previous month, or (b) for actual/360 interest accrual Mortgage Loans, the annual Guaranty Fee rate divided by 360 times the number of days occurring in the month immediately preceding the Guaranty Fee payment date times the Security Balance remaining after application of the scheduled Mortgage Loan principal payment due on the first day of the previous month. For example, for Securitized Mortgage Loans the Guaranty Fee amount due to Fannie Mae on November 7 is calculated on the Security Balance remaining after application of the scheduled Mortgage Loan principal payment due on October 1.

#### **209.05B** Guaranty Fee Remittance

The monthly Guaranty Fee must be remitted as long as the Security is outstanding, even if there is no collection activity on the Mortgage Loan.

The Servicer must make funds available for the Guaranty Fee draft





on the 7th calendar day of the month, or the preceding Business Day if the 7th is not a Business Day.

Under this process, Fannie Mae will send an electronic notice (or “bill”) on the 2nd or 3rd calendar day of each month. The draft notice will show the amount due for the Guaranty Fees. When the Servicer receives the transmission, the Servicer must review the draft notice for accuracy. If discrepancies are identified, the Servicer must contact Fannie Mae by the 5th calendar day of the month to provide details on the amount and nature of the discrepancy. Fannie Mae will then review its records to validate the discrepancy and make any necessary adjustments to the Guaranty Fee bill. On the 7th calendar day of the month, Fannie Mae will draft the Guaranty Fees from the Servicer's designated P&I Custodial Account for Securitized Mortgage Loans. If the 7th calendar day is not a Business Day, the draft will take place on the preceding Business Day.

#### **209.05C** Same Month Pooling – Interest and Guaranty Fee Remittance for First Reporting Cycle

The Servicer's first remittance to Fannie Mae for a Mortgage Loan submitted under the Same Month Pooling delivery option is an "interest-only" remittance because the Borrower will not have made the first payment. Accordingly, because the Borrower will not be required to send a monthly payment to the Servicer under Same Month Pooling until the month following the date the Servicer's first remittance is due to Fannie Mae, the Servicer will have to use some of its own funds to remit the interest that is "scheduled" to be passed through to Fannie Mae for the Mortgage Loan in that month and to make the first required Guaranty Fee remittance. The interest remittance will represent one month's full interest, and will be equal to the Issue Date principal balance of the Mortgage Loan times either (a) for 30/360 interest accrual Mortgage Loans, one-twelfth of the annual Pass-Through Rate of the Security, or (b) for actual/360 interest accrual Mortgage Loans, the annual Pass-Through Rate of the Security divided by 360 times the number of days occurring in the month of issuance of the Security. The Guaranty Fee payment will represent one month's full Guaranty Fee, and be calculated as provided in [Part V, Chapter 2: Reporting and Remitting, Section 209.05A: Guaranty Fee Due on 7th Calendar Day of Month](#) based on Issue Date principal balance of the Mortgage Loan.

Fannie Mae will not reimburse the Servicer for its interest or Guaranty Fee remittance. However, the Servicer must:

- receive a partial month's interest based on the Note Rate from the Borrower at closing (from the date of closing through the end of the month), and
- receive interest based on the Pass-Through Rate from the purchaser of the Security (from the first day of the month in which the Security is issued to the Book-Entry Delivery Date)



as part of the sales proceeds for the Security.

#### **209.06** Notification to Fannie Mae if Unable to Have Funds Available on any Remittance Date

If, for any reason, the Servicer cannot make funds available for drafting on the Business Day prior to the designated Remittance Date, it must immediately notify Fannie Mae by calling the Servicer's Fannie Mae Representative. The Servicer must describe to Fannie Mae all circumstances and conditions that prevent the monthly remittance from being made on time.

### **Section 210** Full Prepayments

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#### **210.01** Review of Applicable Loan Documents Required

When the Servicer receives a Borrower's notification of intent to prepay the Mortgage Loan, it must examine the specific Note (including any applicable addendum, exhibit, modification, or amendment) and Security Instrument (and any applicable rider, exhibit, modification or amendment) to determine whether prepayment of the Mortgage Loan is permitted and, if so, under what conditions. The prepayment provisions of the actual Mortgage Loan Documents govern in each case.

#### **210.02** Notification of Prepayment; Timing of Prepayment

##### **210.02A** Notice and Timing Consistent with Loan Documents

The Borrower's proposed prepayment date and the timing of its advance notification of its intent to prepay must be consistent with the provisions of the Loan Documents.

##### **210.02B** Borrower Notice Must Contain Date of Intended Prepayment and Comply with Notice Requirements of the Loan Documents

The Servicer must obtain from the Borrower the date on which the Borrower will prepay the Mortgage Loan. The Borrower must give the Servicer advance notice of its intent to make a full prepayment as required by the Loan Documents.

##### **210.02C** Loan Document Requirements for Payoff and Lockout Dates

If a Fannie Mae form Multifamily Note evidences the Mortgage Loan, a prepayment may be made only on the last Business Day before a scheduled Mortgage Loan payment date. Non-Fannie Mae form Notes may not contain the same requirement. Some Notes may contain lockout provisions that prohibit full prepayment for a specified period of time. The



Servicer must not permit a payoff that does not comply with the requirements contained in the Loan Document.

## **210.02D** Notice to Fannie Mae of Proposed Payoff; Use of Fannie Mae Payoff Calculator

The Servicer must notify Fannie Mae, in writing or through the Fannie Mae Payoff Calculator, upon receiving notice from the Borrower of a planned prepayment. Notice of the planned prepayment must be received by Fannie Mae not later than 10 Business Days prior to the contemplated payoff date. The Fannie Mae Payoff Calculator may only be used when the Fannie Mae form Multifamily Note evidences the Mortgage Loan.

## **210.03** Timing of Confirmation of the Full Prepayment Payoff Amount

The Servicer must ensure that the payoff figure quoted to the Borrower is correct. Accordingly, before the Servicer advises the Borrower of the full prepayment payoff amount, the Servicer must confirm such amount with Fannie Mae. The Servicer's request for confirmation of the full prepayment payoff amount must be submitted to Fannie Mae at least 10 Business Days before the scheduled prepayment date. At least 5 Business Days prior to the scheduled prepayment date, the Servicer must provide the Borrower written confirmation of the amount required to pay off the Mortgage Loan in full.

## **210.04** Full Prepayment for Cash Transactions and PFP MBS

### **210.04A** Confirming the Full Prepayment Payoff Amount

#### **1. Calculating the Full Prepayment Payoff Amount**

To obtain Fannie Mae's confirmation of the full prepayment payoff amount, the Servicer must either submit a written statement detailing all amounts that it believes will be due and payable by the Borrower on the prepayment date or submit the information through the Payoff Calculator, including:

- the UPB of the Mortgage Loan (as of the prepayment date);
- all accrued and to-be accrued interest, broken down into the net interest portion due to Fannie Mae (calculated at the Pass-Through Rate) and the portion to be retained by the Servicer as a Servicing Fee, calculated as if the payoff is occurring on the last day of the month in which the prepayment is occurring;
- any unpaid late fees, if applicable;
- any Prepayment Premium that is due in connection with the full prepayment, broken down into the portions due to Fannie Mae and the Servicer, respectively; and



- any other amounts due under the Note, Security Instrument, or any other Mortgage Loan Document, including, if applicable, any unpaid fee due under any Collateral Agreement.

## **2. Fannie Mae Will Not Confirm Nor Is Responsible for Amounts Owing to Servicer**

Fannie Mae is not responsible for confirming any amounts owed to the Servicer at the time of the prepayment (e.g., any administrative fees due for services performed by the Servicer under a Collateral Agreement); however, the Servicer's payoff statement must clearly denote any such amounts so that Fannie Mae can distinguish them from amounts due exclusively to Fannie Mae. The Servicer is solely responsible for ensuring that any payoff quote given to the Borrower includes any amounts that are owed exclusively to the Servicer, as Fannie Mae will not reimburse the Servicer for such amounts from any of the funds that the Borrower remits to cover the amounts confirmed as being due to Fannie Mae.

## **3. Fannie Mae Confirmation of Full Prepayment Payoff Amount for Primary Risk Mortgage Loans**

Fannie Mae will review the Servicer's figures and contact the Servicer to reconcile any discrepancies. Upon completion of its review and any necessary reconciliation, Fannie Mae will respond in writing to the Servicer's verification request. In its response, Fannie Mae will confirm the total payoff amount due to Fannie Mae, as well as the individual items comprising such total amount, including:

- the UPB of the Mortgage Loan;
- the net accrued interest due Fannie Mae;
- any applicable Prepayment Premium (broken down into the portions due to Fannie Mae and the Servicer); and
- any previously unpaid fees or other amounts owed to Fannie Mae.

Fannie Mae will provide any pertinent instructions for completing the prepayment payoff process, including any specific instructions that the Servicer must include in its payoff quote to the Borrower.

## **4. No Quote to Borrower until Fannie Mae Confirmation for Primary Risk Mortgage Loans**

To ensure that the Borrower is quoted the correct payoff amount, including any applicable accrued interest, Prepayment Premium, late fees, or other amounts that might be owed under the terms of the Note, the Security Instrument, or the other Mortgage Loan Documents, the Servicer must not quote a final payoff amount to the Borrower without first obtaining Fannie Mae's confirmation of the accuracy of the Servicer's figures.



## **5. Fannie Mae Confirmation of Full Prepayment Payoff Amount for Secondary Risk Mortgage Loans**

Unless the Lender's Contract provides otherwise, Fannie Mae will not review the Servicer's payoff calculation for Secondary Risk Mortgage Loans. The Servicer is solely responsible for ensuring that any payoff quote given to the Borrower includes all amounts that are owed to Fannie Mae and to the Servicer.

## **6. Servicer Liability**

Whether confirmed by Fannie Mae through the Payoff Calculator or the payoff calculation is performed by the Servicer, the Servicer is required to collect all amounts owing by the Borrower on a Mortgage Loan payoff. If Fannie Mae determines that Servicer has provided the Borrower incorrect information because of an error in the calculation of the payoff quote, the Servicer will be responsible for any shortfall and must remit all amounts due to Fannie Mae whether or not it has collected such amounts from the Borrower.

### **210.04B** Reporting Full Prepayment Payoff Amount

#### **1. Full Prepayment Payoff Amount Received on First Business Day of Month**

Notwithstanding anything to the contrary above, any full prepayment of a Mortgage Loan from or on behalf of a Borrower that is received by the Servicer on the first Business Day of a month will be deemed received in the prior calendar month for purposes of reporting and remitting such full prepayment.

#### **2. Full Prepayment Reported through the eServicing System Due By 2nd Day of Month**

The full prepayment must then be reported electronically to Fannie Mae through the eServicing System. The report of the full payment must be transmitted in time to reach Fannie Mae by the 2nd calendar day of the month following the month of prepayment.

### **210.04C** Remitting Full Prepayment Payoff Amount

#### **1. Using Pass-Through Rate to Calculate Remittance to Fannie Mae**

The Servicer must use the Pass-Through Rate to calculate its P&I remittance to Fannie Mae. After collecting payoff proceeds, calculated in the manner described above at the Gross Note Rate, the Servicer must subtract its Servicing Fee, calculated using a per diem rate based on the interest accrual method provided for in the Loan Documents.

#### **2. Remittance Due on Remittance Date**



The Servicer must remit the prepayment amount on the Remittance Date in the month after the prepayment occurs per the remittance requirements in this Chapter.

## **210.05 Full Prepayment for Securitized Transactions (Not Applicable to PFP MBS)**

### **210.05A Confirming the Full Prepayment Payoff Amount**

#### **1. Calculating the Full Prepayment Payoff Amount**

To obtain Fannie Mae's confirmation of the final payoff amount for a Securitized Mortgage Loan, the Servicer must submit a statement, detailing:

- All amounts that it has determined will be due and payable by the Borrower on the prepayment date, including:
  - the UPB of the loan (as of the prepayment date);
  - all accrued and to-be accrued interest, broken down into the net interest portion due to Fannie Mae (calculated at the Pass-Through Rate) and the portion to be retained by the Servicer as a Servicing Fee, calculated as if the payoff is occurring on the last day of the month in which the prepayment is occurring;
  - any unpaid late fees, if applicable;
  - any Prepayment Premium, if any, that is due in connection with the full prepayment specifying the respective portions due Fannie Mae, the Security certificate holder and Servicer; and
  - any other amounts due under the Note, Security Instrument, or any other Loan Document, including, if applicable, any unpaid fee due under any Collateral Agreement.
- All amounts that will be due and payable to Fannie Mae by the Servicer on the Remittance Date in the month following the month of prepayment, including:
  - the UPB of the loan;
  - a full month's accrued interest, calculated at the MBS Pass-Through Rate;
  - any applicable Prepayment Premium broken down into the portions due to the MBS investor, the Servicer, and Fannie Mae calculated in accordance with the Guide; and
  - any previously unpaid fees or other amounts owed to



Fannie Mae.

## **2. Fannie Mae Will Not Confirm Nor Is Responsible for Amounts Owing to Servicer**

Fannie Mae is not responsible for confirming any amounts owed to the Servicer at the time of the prepayment (e.g., any administrative fees due for services performed by the Servicer under a Collateral Agreement); however, the Servicer's payoff statement must clearly denote any such amounts so that Fannie Mae can distinguish them from amounts due exclusively to Fannie Mae, and the MBS investor, if applicable.

## **3. Fannie Mae Confirmation of Full Prepayment Payoff Amount for Primary Risk Mortgage Loans**

Fannie Mae will review the Servicer's figures and contact the Servicer to reconcile any discrepancies for Primary Risk Mortgage Loans. Upon completion of its review and any necessary reconciliation, Fannie Mae will respond (in writing) to the Servicer's verification request. In its response, Fannie Mae will confirm the total payoff amount due to the Servicer from the Borrower, and will also separately confirm the amounts due to Fannie Mae from the Servicer, as well as individual items comprising such total amounts, including:

- the UPB of the Mortgage Loan; and
- accrued interest due:
  - to the Servicer from the Borrower;
  - a full month's accrued interest due Fannie Mae;
- any applicable Prepayment Premium (broken down into the portions due to Fannie Mae, the Servicer, and the MBS investor); and
- any previously unpaid fees or other amounts owed to Fannie Mae.

## **4. No Quote to Borrower Until Fannie Mae Confirmation for Primary Risk Mortgage Loans**

To ensure that the Borrower is quoted the correct payoff amount, including any applicable accrued interest, Prepayment Premium, late fees, or other amounts that might be owed under the terms of the Note, the Security Instrument, or the other Mortgage Loan Documents, the Servicer must not quote a final payoff amount to the Borrower without first obtaining Fannie Mae's confirmation of the accuracy of the Servicer's figures.

## **5. Fannie Mae Confirmation of Full Prepayment Payoff Amount for Secondary Risk Mortgage Loans**



Fannie Mae will not review the Servicer's payoff calculation for Secondary Risk Mortgage Loans. The Servicer is solely responsible for ensuring that any payoff quote given to the Borrower includes all amounts that are owed to Fannie Mae and to the Servicer.

## **6. Servicer Liability**

Whether confirmed by Fannie Mae through the Payoff Calculator or the payoff calculation is performed by the Servicer, the Servicer is required to collect all amounts owing by the Borrower on a Mortgage Loan payoff. If Fannie Mae determines that Servicer has provided the Borrower incorrect information because it quotes a final payoff amount to the Borrower prior to Fannie Mae confirmation or has erred in its calculation of the payoff quote where Fannie Mae confirmation is not provided, the Servicer will be responsible for any shortfall and must remit all amounts due to Fannie Mae whether it has collected such amounts from the Borrower.

### **210.05B Reporting Full Prepayment Payoff Amount**

#### **1. Security Reporting**

By the second Business Day of the month following the month of prepayment, the Servicer must report the amount of the Prepayment Premium collected to Fannie Mae via the eServicing System in accordance with the reporting requirements provided in this Chapter.

#### **2. Mortgage Loan Reporting Requirements**

The Servicer must report the prepayment amount, including any applicable Prepayment Premium, to Fannie Mae by the second Business Day of the month following the month in which the prepayment occurs in accordance with the reporting requirements provided in this Chapter.

### **210.05C Remitting Full Prepayment Payoff Amount**

Under MBS, the Servicer must remit a full month's accrued interest (calculated at the MBS Pass-Through Rate) for each month that the MBS is outstanding, even if a full or partial prepayment occurs during that month. Any shortfall between the interest collected from the Borrower and the full month's interest that is due to Fannie Mae must be deposited in the Servicer's MBS P&I Custodial Account from the Servicer's own funds and remitted to Fannie Mae. The Servicer must also remit a full month's Guaranty Fee for each month that the MBS is outstanding, even if a full or partial prepayment occurs during that month.

The Servicer must remit the prepayment amount on the Remittance Date in the month after the payoff occurs per the remittance requirements in this Chapter.





## **Section 211**      Partial Prepayments Not From Insurance or Condemnation Proceeds

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### **211.01**      Partial Prepayments Generally Prohibited

Partial prepayment of the outstanding balance of any Mortgage Loan is prohibited unless explicitly permitted in the Mortgage Loan Documents. Under certain circumstances, to the extent permitted in the Mortgage Loan Documents, the proceeds of a Letter of Credit held pursuant to an Achievement Agreement or deposits held under a Replacement Reserve Schedule or other Collateral Agreement may be applied as a partial prepayment of the Mortgage Loan.

### **211.02**      Partial Prepayment Procedures

#### **211.02A**      Servicer's Analysis of Loan Documents

Any request from the Borrower for permission to make a partial prepayment must be forwarded to the Servicer's Fannie Mae Representative, along with the Servicer's analysis and recommendation. The Servicer must carefully examine the Mortgage Loan Documents to determine if partial prepayments are permitted and, if so, under what conditions and whether a Prepayment Premium is required. The Servicer's analysis of the request must include information about:

- the event or condition precipitating the prepayment request;
- the amount of principal that would be prepaid;
- the estimated Prepayment Premium, if any, that would be due in connection with the partial prepayment;
- any proposed recasting of the Mortgage Loan or other modification of the repayment terms; and
- the proposed timing of the prepayment.

#### **211.02B**      Fannie Mae Approval Required for Partial Prepayments

Unless the Loan Documents expressly permit partial prepayments, Fannie Mae's approval is required before any partial prepayment is made. If the Servicer's Fannie Mae Representative agrees to allow or requires a partial prepayment to be made, it will advise the Servicer in writing of any specific conditions that will apply to such partial prepayment. Such specific conditions may include:

- when and how the prepayment must occur;
- whether a Prepayment Premium must be paid; and



- whether the Mortgage Loan repayment terms will be altered and, if so, how the Mortgage Loan Documents would have to be modified to reflect such alterations, etc.

Any decision to modify the Mortgage Loan repayment terms in connection with the partial prepayment will be made by Fannie Mae, in its sole and absolute discretion.

### **211.02C** Prepayment Premium Due on Partial Prepayment

When a Prepayment Premium is required in connection with any partial prepayment, the Prepayment Premium is assessed on the amount of principal being prepaid and not on the outstanding UPB of the Mortgage Loan calculated and verified in the same manner as is required for full prepayments.

### **211.02D** Reporting and Remitting Partial Prepayments When Not Permitted in Loan Documents

Partial prepayments must be reported in the same manner as is required for full prepayments. When Fannie Mae's approval is received, the proceeds representing the partial prepayment, including the Prepayment Premium (when required pursuant to the terms of the Loan Documents), must be remitted to Fannie Mae in the same manner and timeframe as required for full prepayments.

### **211.02E** Reporting and Remitting Partial Prepayments When Permitted in Loan Documents

Fannie Mae approval is not required when the Loan Documents permit partial prepayments. Any such partial prepayments must be reported and remitted to Fannie Mae in the same manner and timeframe as is required for monthly remittances.

## **Section 212** Prepayments (Full or Partial) Involving Insurance Proceeds or Condemnation Awards

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### **212.01** Partial Prepayments Generally Permitted

Partial prepayment of the Mortgage Loan is generally permitted for the application of the proceeds of an insurance claim or a condemnation award. Servicer must follow the requirements contained in the Loan Documents in connection with any such partial prepayment.

### **212.02** No Prepayment Premium Required

The Borrower is **not** required to pay a Prepayment Premium in



connection with any prepayment that occurs as a result of the application to the Mortgage Loan of insurance proceeds or condemnation award proceeds, regardless of when during the Mortgage Loan term such prepayment occurs.

### **212.03** Reporting and Remitting Partial Prepayments

The proceeds representing the partial prepayment must be reported and remitted to Fannie Mae in the same manner and timeframe as is required for monthly remittances.

## **Section 213** Prepayment Premium Sharing

### **213.01** General

The Lender Contract governs over the requirements of the Guide if it specifies whether the Lender or Servicer is entitled to retain a portion of any Prepayment Premium paid by the Borrower. If the Lender Contract provides that the Lender or Servicer is entitled to retain a portion of the Prepayment Premium, then the Servicer must calculate the applicable share of the Prepayment Premium owed to the Lender or Servicer, and remit to Fannie Mae that portion of the Prepayment Premium owed to Fannie Mae or the Investor. If the Lender Contract provides that the Lender or Servicer is not entitled to retain a portion of the Prepayment Premium, then the entire Prepayment Premium must be remitted to Fannie Mae.

If the Lender Contract does not specify whether the Lender or Servicer is entitled to retain a portion of any Prepayment Premium, then the Servicer is entitled to retain a portion of any Prepayment Premium only as provided below.

The Servicer must always remit the portion of the Prepayment Premium due to the Investor and to Fannie Mae with the final Mortgage Loan payment, retaining the balance of the Prepayment Premium due the Servicer as provided above. Upon receipt, Fannie Mae will pass through the portion of the Prepayment Premium due to the Investor.

### **213.02** Yield Maintenance Prepayment Premiums – Prepayment Occurs Before the Yield Maintenance Period End Date

#### **213.02A** Calculation of Total Prepayment Premium

For any prepayment that occurs before the Yield Maintenance Period End Date, the Servicer must first determine the total Prepayment Premium owing by the Borrower in accordance with the Loan Documents. The Loan Documents generally require the Borrower to pay a Prepayment Premium equal to the greater of (i) 1% of the UPB (the “Minimum 1% Prepayment Premium”), or (ii) yield maintenance.



### **213.02B** Calculation of Investor's Share of Total Prepayment Premium for a Securitized Mortgage Loan

Fannie Mae does not guarantee payment of any portion of the Prepayment Premium to the Investor. The Investor only receives a share of any Prepayment Premium actually received from the Borrower. For a Securitized Mortgage Loan, the Servicer must calculate the Investor's share of the total Prepayment Premium as follows using the yield rate specified per the Loan Documents:

$(\text{Principal prepaid}) \times (\text{Pass-Through Rate} - \text{yield rate}) \times (\text{present value factor}).$

If the result is negative, the Investor receives no Prepayment Premium share.

### **213.02C** Calculation of Fannie Mae's Share of Total Prepayment Premium

For both Securitized Mortgage Loans and Cash Mortgage Loans, the Servicer must calculate Fannie Mae's share of the total Prepayment Premium.

If the Prepayment Premium is greater than the Minimum 1% Prepayment Premium, the difference between the total Prepayment Premium and the Investor's portion will be shared between Fannie Mae and the Servicer. Fannie Mae's share equals:

$(\text{total Prepayment Premium} - \text{Investor's portion}) \times (\text{Guaranty Fee} / (\text{Guaranty Fee} + \text{Servicing Fee})).$

If the total Prepayment Premium equals the Minimum 1% Prepayment Premium, Fannie Mae's share equals the entire remaining Prepayment Premium above the Investor's portion.

### **213.02D** Calculation of Servicer's Share of Total Prepayment Premium

The Servicer receives a portion of the Prepayment Premium only if the Prepayment Premium exceeds the Minimum 1% Prepayment Premium. The Servicer's share equals:

$(\text{total Prepayment Premium} - \text{Investor's portion}) \times (\text{Servicing Fee} / (\text{Guaranty Fee} + \text{Servicing Fee})).$

### **213.03** Yield Maintenance Prepayment Premiums – Prepayment Occurs On or After the Yield Maintenance Period End Date



### **213.03A** Prepayment On or After Yield Maintenance Period End Date

The Loan Documents may provide that any full prepayment that occurs on or after the Yield Maintenance Period End Date but before a date specified in the Loan Documents (typically the last calendar day of the fourth month prior to the month in which the Maturity Date occurs), must be accompanied by a Prepayment Premium equal to a stated amount (usually 1% of the UPB of the Mortgage Loan). Neither the Investor nor the Servicer is entitled to any portion of any Prepayment Premium paid on or after the Yield Maintenance Period End Date. The entire Prepayment Premium must be remitted to Fannie Mae.

### **213.03B** Prepayment During Open Period

The Loan Documents may provide that the Borrower is not required to pay any Prepayment Premium in connection with a full prepayment made on or after a date specified in the Loan Documents (typically the last calendar day of the fourth month prior to the month in which the Maturity Date occurs).

### **213.04** Fixed Rate Mortgage Loans with Graduated Prepayment Premiums

For fixed rate Mortgage Loans where the Loan Documents require a graduated Prepayment Premium, the Servicer is not entitled to retain any portion of the Prepayment Premium. The entire Prepayment Premium must be remitted to Fannie Mae.

### **213.05** Prepayment Premiums for ARM Loans and Structured ARM Loans

Unless the prepayment of an ARM Loan that used Prepayment Option 1 or Prepayment Option 2, or of a Structured ARM Loan is the result of a casualty or condemnation, any prepayment made before a date specified in the Loan Documents (typically the last calendar day of the fourth month prior to the month in which the Maturity Date occurs) must include a Prepayment Premium that will be shared between Fannie Mae and the Servicer. The Investor is not entitled to receive any portion of the Prepayment Premium for either an ARM Loan or a Structured ARM Loan. In each case, Fannie Mae's share will be a percentage determined by the following formula:

$$\frac{\text{Guaranty Fee}}{\text{Guaranty Fee} + \text{Servicing Fee}}$$

For example, if the Guaranty Fee is 62.5 basis points and if the Servicing Fee is 45 basis points, then Fannie Mae's share will be:



<u>62.5</u>  (62.5 + 45)	or	58.14%.
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The Servicer must remit the portion of the Prepayment Premium due Fannie Mae with the final Mortgage Loan payment. The Servicer may retain the balance of the Prepayment Premium.

No Prepayment Premium is due in connection with an ARM Loan with a conversion option or with a Structured ARM Loan that is converting to a fixed rate Mortgage Loan.

### **213.06** Prepayment Premium Waivers; Servicer's Share of Prepayment Premium

The Servicer may not waive any portion of the Prepayment Premium due and owing under the Loan Documents, except as provided in [Part III, Chapter 18: Choice Refinance Loans, Section 1803: Prepayment Premiums](#) in connection with a Choice Refinance Loan.

No portion of the Servicer's share of the Prepayment Premium may be:

- waived by the Lender;
- used as a rebate to the Borrower, or any party related to the Borrower, for any purpose; or
- used for the payment of any expenses related to any loan used to refinance the Mortgage Loan.

## **Section 214** Maturing Mortgage Loans/Payoffs

### **214.01** Balloon Mortgage Loans

Fannie Mae expects any Borrower with a Balloon Mortgage Loan to refinance or otherwise pay off the Mortgage Loan in full on (or before) the scheduled Maturity Date. Failure to pay off the Mortgage Loan in full on (or before) the scheduled Maturity Date is a default and puts the Borrower at risk that Fannie Mae will exercise any available remedy under the Security Instrument and the other Loan Documents. Whenever a Borrower fails to pay off a Balloon Mortgage Loan on its Maturity Date, the Servicer must notify its Fannie Mae Representative of such failure as soon as possible, and must report the balloon payment default on the Multifamily Delinquency System®. Any acceptance of a payoff amount occurring after the Balloon Mortgage Loan's stated Maturity Date must be approved by Fannie Mae.

### **214.02** Servicer Notification of Payoff Amount to Borrower



At least 5 days prior to the scheduled Maturity Date of the Mortgage Loan, the Servicer must advise the Borrower in writing of the amount required to pay off the Mortgage Loan in full. The Servicer must ensure that the payoff figure quoted to the Borrower is correct.

### **214.03** Calculating and Obtaining Confirmation of Payoff Amount

#### **214.03A** Calculating the Full Payoff Amount

The Servicer's request for verification of the final payoff amount must be submitted to Fannie Mae at least 10 days before the scheduled Maturity Date. To obtain Fannie Mae's confirmation of the final payoff amount, the Servicer must submit a statement, detailing all amounts that it believes will be due and payable by the Borrower on the payoff date, including:

- the UPB of the Mortgage Loan (as of the payoff date);
- accrued interest, up to the payoff date, broken down into the net interest portion due to Fannie Mae (calculated at the Pass-Through Rate) and the portion to be retained by the Servicer as a Servicing Fee;
- any unpaid late fees, if applicable; and
- any other amounts due under the Note, Security Instrument, or any other Mortgage Loan Document, including, if applicable, any unpaid fee due under any Collateral Agreement.

#### **214.03B** Fannie Mae Will Not Confirm Nor Is Responsible for Amounts Owing to Servicer

Fannie Mae is not responsible for confirming any amounts owed to the Servicer at the time of the payoff (e.g., any administrative fees due for services performed by the Servicer under a Collateral Agreement); however, the Servicer's payoff statement must clearly denote any such amounts so that Fannie Mae can distinguish them from amounts due exclusively to Fannie Mae. The Servicer is solely responsible for ensuring that any payoff quote given to the Borrower includes any amounts that are owed exclusively to the Servicer, as Fannie Mae will not reimburse the Servicer for such amounts from any of the funds that the Borrower remits to cover the amounts confirmed as being due to Fannie Mae.

#### **214.03C** Fannie Mae Confirmation of Full Payoff Amount

Fannie Mae will review the Servicer's figures and contact the Servicer to reconcile any discrepancies. Upon completion of its review and any necessary reconciliation, Fannie Mae will respond (in writing) to the Servicer's verification request. In its response, Fannie Mae will confirm the total payoff amount due to Fannie Mae, as well as the individual items



comprising such total amount, including:

- the UPB of the Mortgage Loan;
- the net accrued interest due Fannie Mae;
- any applicable Prepayment Premium; and
- any previously unpaid fees or other amounts owed to Fannie Mae.

Fannie Mae also will provide any pertinent instructions for completing the payoff process, including any specific instructions that the Servicer must pass along to the Borrower with the payoff quote.

#### **214.03D** No Quote to Borrower Until Fannie Mae Confirmation

To ensure that the Borrower is quoted the correct payoff amount, including any applicable accrued interest, Prepayment Premium, late fees, or other amounts that might be owed under the terms of the Note, the Security Instrument, or the other Mortgage Loan Documents, the Servicer must not quote a final payoff amount to the Borrower without first obtaining Fannie Mae's confirmation of the accuracy of the Servicer's figures.

### **214.04** Reporting the Payoff and Remitting the Payoff Funds

#### **214.04A** Reporting Full Payoff Amount Through the eServicing System Due By 2nd Business Day of Month

The full payoff must be reported electronically to Fannie Mae through the eServicing System. The report of the full payment must be transmitted in time to reach Fannie Mae by the 2nd Business Day of the month following the month of payoff.

#### **214.04B** Remitting Full Payoff Amount

##### **1. Using Pass-Through Rate to Calculate Remittance to Fannie Mae**

The Servicer must use the Pass-Through Rate to calculate its P&I remittance to Fannie Mae. After collecting payoff proceeds, calculated in the manner described above at the Gross Note Rate, the Servicer must subtract its Servicing Fee, calculated using a per diem rate based on a 360-day year.

##### **2. Remittance Due on Next Remittance Cycle for Cash Mortgage Loans and Securitized Mortgage Loans**

For Cash Mortgage Loans and Securitized Mortgage Loans, the Servicer must follow the reporting and remitting procedures for monthly installment reporting and remitting.





## Section 215 Post-Payoff Actions

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### 215.01 Servicer Required Actions

#### 215.01A General

To facilitate the return of release documents from Fannie Mae, at all times the Servicer must maintain on file with Fannie Mae a master file copy of the Custody Document Transmittal ([Form 276](#)) completed with the following information:

- the Lender's nine digit Servicer number;
- "MASTER FORM" entered for the Fannie Mae Loan Number;
- "Payoff" checked as the liquidation reason; and
- the Lender's mailing address.

The completed form must be sent to Multifamily Master Servicing. If the mailing information for the Lender changes at any time, the Lender must update the master file copy of the Custody Document Transmittal ([Form 276](#)) with Fannie Mae.

#### 215.01B Individual Mortgage Loan Releases

For each Mortgage Loan, upon receipt of the payoff funds from the Borrower, the Servicer must:

- refund to the Borrower any T&I escrow funds and any Replacement Reserve funds still held by the Servicer in connection with the Mortgage Loan (must be accomplished within 30 days of the payoff); and
- send the following to Fannie Mae:
  - if the release documents are to be sent to a different mailing address than that listed on the master file copy of the Custody Document Transmittal ([Form 276](#)) with Fannie Mae, a transaction-specific Custody Document Transmittal ([Form 276](#)), requesting Fannie Mae to return the original Note and indicating the different address to which the release documents for that specific Mortgage Loan should be sent;
  - for all recorded Loan Documents (e.g., Security Instrument) that require a release, the appropriate release document for the state in which the Property is located; and
  - a request to Multifamily Servicing to release any additional collateral still held by Fannie Mae in connection with the



## Mortgage Loan.

Fannie Mae will execute the necessary releases, and return them, along with the original Note (appropriately marked or stamped to evidence full satisfaction), to the Servicer. The Servicer must return the Note to the Borrower, file the appropriate UCC termination forms and arrange to have the release documents recorded. Fannie Mae will be responsible for returning any applicable Achievement Letter of Credit to the issuer for cancellation.

### **215.02** Post Payoff Document Retention Requirements

Following its return to the Servicer of the Note and the releases for all recorded Loan Documents, Fannie Mae will forward its file for the Mortgage Loan to the Servicer. The Servicer must retain the entire Mortgage Loan Servicing File for 7 years after a Mortgage Loan payoff.

## **Section 216** DUS Bond Credit Enhancement Transactions – Reporting and Remitting Requirements

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The requirements of this Section are applicable to Bond Credit Enhancement Transactions only and the Servicer's reporting, collection, and remitting of prepayments must be done in accordance with the procedures described below.

### **216.01** Monthly Bond Credit Enhancement Reporting

For reporting purposes, the Servicer must segregate its DUS Bond Credit Enhancement portfolio into 2 groups:

- DUS Bond Credit Enhancement by Credit Enhancement Instrument and Collateral Agreement; or
- DUS Bond Credit Enhancement by a Security.

The Servicer must electronically submit a Credit Enhancement Activity Report (Form 4090) using the Credit Enhancement Servicing and Investor Reporting System (CESIR) for each DUS Bond Credit Enhancement Mortgage Loan and Bond each month. The date that the Credit Enhancement Activity Report is due is dependent on whether the Mortgage Loan's monthly P&I payments are due on the first of the month or on the 15th of the month.

The Servicer must register to use CESIR prior to use. Information regarding registering for CESIR can be found on <https://multifamily.fanniemae.com/applications-technology/cesir>.

For most DUS Bond Credit Enhancements, the monthly reporting



rule is applied as follows:

- If the Mortgage Loan payments are due on the first of the month, the report is due on the fourth calendar day of the month or the next Business Day if the fourth calendar day of the month is not a Business Day; or
- If the Mortgage Loan payments are due on the 15th day of the month, the report is due on the 15th calendar day of the same month or the next Business Day if such day is not a Business Day.

The monthly report must include:

- all scheduled Mortgage Loan payments to be made by the Borrower whether or not such payments are actually made by the Borrower; and
- bond redemptions reported by the Bond Trustee for the current calendar month.

## **216.02** Monthly Remittance Procedures

### **216.02A** Monthly Remittances of Scheduled Payments to Bond Trustee

Monthly remittances to the Bond Trustee depend on the execution type for the transaction and applicable transaction requirements.

#### **1. Standby Execution**

For Standby executions, the Servicer must pay the Scheduled Payments (net of the Facility Fee) to the Bond Trustee. The Servicer must make the payment to the Bond Trustee by wire transfer of same day funds on or before the 5th Bond Business Day before the day on which the bond payment is due to be made by the Bond Trustee to the bondholders. Bond Business Day is determined under the Bond Indenture for each separate Bond transaction.

#### **2. Direct Pay Execution**

For direct pay executions, the Servicer must perform the following:

- a. The Servicer must pay to the Bond Trustee, by wire transfer of same day funds on the Bond Payment Date, the following components of the Scheduled Payment:
  - (1) the PRF deposit;
  - (2) the periodic fees payable to the Issuer, Bond Trustee, Rebate Analyst, any Compliance Monitor, Remarketing Agent and Tender Agent and any other similar person; and
  - (3) any other requirement, as specified in the



### Reimbursement Agreement.

b. The Servicer must remit the following components of the Scheduled Payment to Fannie Mae in reimbursement of any related Advance under the credit enhancement as provided in this Section:

(1) the interest component; and

(2) any principal component which is to amortize immediately the Mortgage Loan and is not to be deposited into the PRF.

c. For Direct Pay Weekly Variable Rate transactions where the Borrower is obligated to make its payments 2 Business Days prior to the 15th of each month and the bondholders must be paid on the 15th of each month, the Servicer must make its payments by wire transfer of same day funds on the 1st or 15th calendar day of each month. Other requirements may apply, as specified in the Reimbursement Agreement.

### **216.02B** Replenishment of Withdrawals from the PRF

If the Borrower pays the Servicer any amount to replenish a withdrawal from the PRF, the Servicer shall pay such amount to the Bond Trustee not later than 2:00 p.m. Eastern Time, no later than the Business Day immediately after receipt of such monies from the Borrower.

### **216.02C** Collection and Remittance of Borrower Reimbursement Obligations for Fannie Mae Advances

The Servicer must pay the following amounts to Fannie Mae:

1. The interest component of the Scheduled Payment and principal component of the Scheduled Payment which is to amortize immediately the Mortgage Loan and is not to be deposited into the PRF. Such amounts reimburse Fannie Mae for the related Advance under a Credit Enhancement Instrument or Collateral Agreement.

2. Any accrued and unpaid Activity Fee.

3. Any other amounts due to Fannie Mae under the Reimbursement Agreement other than the Facility Fee.

Fannie Mae will draft such amounts so as to be received by Fannie Mae no later than the Business Day immediately after the receipt of such monies from the Borrower.

The Servicer must also collect from the Borrower and remit to Fannie Mae any other fees, expenses or additional costs due from the Borrower to Fannie Mae under the Reimbursement Agreement. Fannie Mae and/or the Bond Trustee will notify the Servicer regarding any such amounts to be invoiced by the Servicer for payment by the Borrower under the Reimbursement Agreement, the Financing Agreement or other Transaction



Document.

#### **216.02D** Monthly Remittance of Fees to Fannie Mae

Fannie Mae will draft the Facility Fee, net of the Servicer's Servicing Fee each month. Fannie Mae will draft such amounts 4 calendar days after such amount is scheduled to be paid by the Borrower under the applicable Transaction Document. If the fourth calendar day is not a Business Day, then such draft will be made on the next Business Day.

#### **216.02E** Notice and Collection of Other Fees and Expenses

At the written request of the Bond Trustee or if the Reimbursement Agreement or the Financing Agreement requires the Borrower to make such payments through the Servicer, the Servicer will invoice the Borrower for any fees and expenses payable by the Borrower to the (1) Issuer, (2) Bond Trustee, (3) Rating Agency, (4) Remarketing Agent, (5) Rebate Analyst, (6) Compliance Monitor or (7) Custodian.

The Servicer's invoice must require the Borrower to pay all such amounts to the Servicer not later than the earlier of ten days following the receipt of the invoice or the Business Day such amounts become due. The Servicer will remit all such payments received from the Borrower to the Bond Trustee, the Rating Agency, or Custodian, as applicable, and, if to the Rating Agency or Custodian, with notice to the Bond Trustee of such payment.

### **216.03** Prepayments – General Introduction

When a Borrower prepays a Mortgage Loan in a DUS Bond Credit Enhancement in whole or in part, the bonds also will be prepaid or redeemed in whole or in part on a corresponding basis. This is the starting point for the analysis of the obligations of the Borrower to account for any fees payable on account of the prepayment or redemption.

#### **216.03A** Bond Redemption Premiums Payable to Bondholders

All relevant rules regarding bond redemption premiums will be contained in the related Bond Indenture. The Borrower is obligated to pay any bond redemption premium. Fannie Mae does not provide credit enhancement for the bond redemption premium.

Not all types of bond redemptions are subject to redemption premiums and the Servicer must consult the related Bond Indenture documentation to determine whether a redemption premium is due. As a general rule, only bond redemptions initiated voluntarily or optionally by the Borrower will potentially have a redemption premium. Mandatory redemptions almost never have a redemption premium. Mandatory redemptions include redemptions paid from condemnation proceeds and insurance proceeds from casualty losses.



## 1. Variable Rate Bond Redemption

Weekly variable rate bonds may typically be redeemed at any time, or at least on any bond interest payment date, without restriction or redemption premium to the bondholders subject to the terms of the related Bond Indenture.

## 2. Fixed Rate Bond Redemption

Fixed rate bonds are typically restricted from optional or voluntary redemption by the Borrower for a specific period following the original bond issuance date, known as a lockout period. A lockout period may approximate 10 years from the initial bond issuance. Following the expiration of the lockout period, any voluntary redemption during the subsequent 3 to 5 year period typically requires the payment of a redemption premium to bondholders.

**NOTE:** Most transactions require the Borrower to pay the bond redemption premium with money that is not subject to being treated as a voidable preference under applicable bankruptcy and insolvency laws. This usually means the redemption premium cannot come from regular resources of the Borrower. The Bond Indenture must be consulted for requirements applicable to sources of payment of the Bond Redemption Premium and legal counsel should be consulted.

### 216.03B Termination Fee or Prepayment Premium Payable to Fannie Mae

Any Prepayment Premium payable to Fannie Mae on the credit enhancement is separate and distinct from any redemption premium payable to bondholders. This is true for all executions: Direct Pay, Standby and MBS.

In most instances, Fannie Mae requires the Borrower to pay a Prepayment Premium (or “Termination Fee” if required in the applicable documents) if the prepayment occurs within a certain number of years after original delivery of Fannie Mae’s credit enhancement. In earlier Bond Credit Enhancement transactions, the premium will be called a Prepayment Premium and will be addressed in the Note. In later transactions, the premium will be called a Termination Fee and will be addressed in the Reimbursement Agreement.

### 216.03C Termination When No Prepayment Occurs; Weekly Variable Rate Transactions

In DUS Variable Rate Credit Enhancements, there is the possibility that neither the Mortgage Loan nor the bonds are actually being prepaid, but only that the Borrower is replacing Fannie Mae as the provider of the credit enhancement and liquidity, terminating Fannie Mae’s involvement in the transaction. For purposes of this section, that too is treated as a prepayment. In the event that the Mortgage Loan is being prepaid or Fannie Mae is being replaced as credit enhancer, the result is that the credit



enhancement is being terminated. In recent years, to take this into account, the general term “Termination” has been used to refer to the events and “Termination Fee” to refer to the fee which may be payable on account of those events.

The Servicer must remit any Termination Fee due Fannie Mae in accordance with remittance requirements contained below in this Section by 2:00 p.m. Eastern Time on the next Business Day following the day on which the Borrower’s termination of Fannie Mae’s credit enhancement and liquidity is effective.

## **216.04** Prepayments – Processing

### **216.04A** General

The Note requires the Borrower to give advance notice of a full or partial prepayment to the Servicer, the Bond Trustee, and, if a DUS Variable Rate Credit Enhancement, the Remarketing Agent. Any partial prepayment must be in an amount corresponding to an authorized denomination of the Bonds. Typically, Fannie Mae will require its consent to an optional redemption of Bonds.

The Servicer must always keep in mind that the date on which the Borrower must transfer money to the Servicer to initiate a prepayment may not be the day that the transfer of funds is treated as a prepayment under the governing documents. For example, under some documents the Borrower must make the prepayment not later than the last Business Day before the day the Bond Trustee, under the Bond Indenture, must have received funds for redemption of the Bonds. The Mortgage Loan prepayment will not be recognized until the Bonds are actually redeemed or deemed paid and no longer under the requirements of the Bond Indenture.

### **216.04B** Prompt Notice of Intended Prepayment

The Servicer must promptly notify Fannie Mae (Multifamily Asset Management) and the Bond Trustee in writing upon receiving notice from the Borrower of a planned prepayment. If the prepayment does not occur on such date, the Borrower may not subsequently prepay the Mortgage Loan in full without first giving the Servicer and all other parties to whom notice is required, a new notice of intent to prepay in accordance with the Loan Documents.

### **216.04C** Critical Path Due Dates

The Servicer must ensure that the final prepayment amount quoted to the Borrower prior to prepayment is correct. Accordingly, before the Servicer advises the Borrower of the final prepayment amount, the Servicer must verify such amount with the Bond Trustee and Fannie Mae.



1. No less than 10 days prior to the scheduled prepayment date, the Servicer must obtain the Bond Trustee's written confirmation of all amounts due and payable in connection with the prepayment.

2. No less than 10 days prior to the scheduled prepayment date, and after verifying amounts due on the Bonds with the Bond Trustee, the Servicer must request verification of the full or partial prepayment amount from Fannie Mae.

3. No less than 5 days prior to the day the Borrower is required to initiate the prepayment, the Servicer must advise the Borrower in writing of the full amount necessary to make the prepayment.

**NOTE:** The day the Borrower is required to initiate the prepayment will be before the day the Bonds are to be redeemed.

4. For weekly variable rate bonds, immediately following the last day on which interest is determined on the Bonds before the scheduled redemption date of the bonds, the Servicer must re-verify the amount the Borrower must pay for the prepayment. The Servicer must immediately advise the Borrower of any correction required by the re-verification.

The Servicer should note that the transaction documents do not uniformly address the redemption premium, if any, payable to Bondholders and Prepayment Premium or termination fee, if any, payable to Fannie Mae on account of a prepayment of the Mortgage Loan. In some instances, the fee maintenance Prepayment Premium set out in the Note will be payable to Fannie Mae. In other instances, the Prepayment Premium payable under the Note must be remitted to the Bond Trustee for payment to bondholders as a redemption premium. In this case, the Borrower may be required to pay a Termination Fee to Fannie Mae pursuant to the Reimbursement Agreement. The Servicer must be alert to these requirements.

#### **216.04D** Fannie Mae's Confirmation Required

To obtain Fannie Mae's confirmation of the prepayment amount, the Servicer must submit a statement detailing the following:

1. the Fannie Mae Mortgage Loan number(s) and bond number(s), the Property name and address and the expected prepayment date;

2. all amounts that it has determined (and for such amounts due the Bondholders, confirmed with the Bond Trustee) will be due and payable by the Borrower on the prepayment date, including:

(a) the full or partial principal prepayment (as of the prepayment date) of the Note, separately specifying any amounts in the PRF expected to be applied to principal;

(b) accrued interest up to but not including the date of prepayment of the Note;

(c) any unpaid late fees (if applicable);





(d) any Prepayment Premium or Termination Fee required to be paid to the Bondholders or Fannie Mae, respectively, under the terms of the Note, the Financing Agreement, the Indenture or the Bonds;

(e) any termination fee payable to Fannie Mae pursuant to the Reimbursement Agreement;

(f) any other amounts due under the Loan Documents; and

(g) all other amounts due upon a redemption of Bonds under the Bond Documents, including any interest required to cover the gap between Mortgage Loan and Bond prepayment for which an escrow or collateral is not already provided. (The Servicer must request this information from the Bond Trustee.)

3. written confirmation from the Bond Trustee of all amounts due the Bondholders.

4. all amounts that will be due and payable to Fannie Mae on the day as required by this Section following prepayment, including:

(a) Credit Enhancement Fee and Liquidity Fee;

(b) any previously unpaid fees or other amounts owed to Fannie Mae; and

(c) any applicable Prepayment Premium or Termination Fee that is due, broken down into the portions due to the Servicer and Fannie Mae.

The Prepayment Premium or Termination Fee is a percentage (as specified in the Note or Reimbursement Agreement) multiplied by the UPB of the Mortgage Loan after crediting the scheduled payment due on the date regular mortgage loan payments are due (in some transactions, the first of the month and in others, the 15th of the month) in which a prepayment takes place.

Fannie Mae's share of the Prepayment Premium or Termination Fee will be a percentage determined by dividing the sum of the Credit Facility Fee and the Liquidity Fee by the sum of the Credit Facility Fee, Liquidity Fee and the Servicing Fee.

No Prepayment Premium or Termination Fee is due in connection with an application of insurance proceeds or condemnation awards, a monthly deposit to the PRF, a redemption of Bonds from amounts transferred from the PRF to a redemption account, a reduction and amortization of the Mortgage Loan as a result of a Bond redemption, or an adjustment to a Reset Rate or a Fixed Rate.

For New Construction/Substantial Rehabilitation Mortgage Loans, other prepayment criteria may apply depending on the transaction structure.

Fannie Mae is not responsible for confirming any amounts owed to



the Servicer at the time of the prepayment (e.g., any administrative fees due for services performed by the Servicer under a Collateral Agreement); however, the Servicer's payoff statement should clearly denote any such amounts so that Fannie Mae can distinguish them from amounts due exclusively to Fannie Mae and the Bond Trustee.

Fannie Mae will review the Servicer's figures and contact the Servicer to reconcile any discrepancies. Upon completion of its review and any necessary reconciliation, Fannie Mae will respond to the Servicer's verification request in writing. In its response, Fannie Mae will confirm the total payoff amount due to the Servicer from the Borrower, and will also separately confirm the amounts due to Fannie Mae from the Servicer, as well as individual items comprising such total amounts.

It is the Servicer's responsibility to prepare lien release documentation.

#### **216.05** Prepayments: Prepayment Reporting

The Servicer must report the prepayment amount, including any applicable Prepayment Premium or Termination Fee due Fannie Mae and/or any redemption premium due the bondholders, to Fannie Mae in accordance with the reporting requirements contained in [Part V, Chapter 2: Reporting and Remitting, Section 216.01: Monthly Bond Credit Enhancement Reporting](#). The date the report is due depends on the execution type of the underlying transaction.

1. If the Mortgage Loan payments are due on the first of the month, the report is due on the fourth calendar day of the month in which the prepayment occurs, or the next Business Day if the fourth is not a Business Day.
2. If the Mortgage Loan payments are due on the 15th of the month, the report is due on the 15th of the month or the next Business Day if such day is not a Business Day.

#### **216.06** Prepayments: Remittances

The Servicer must remit any Prepayment Premium and/or Termination Fee due Fannie Mae by 2:00 p.m. Eastern Time, on the next Business Day following the day on which the Borrower's prepayment is received.

Depending on the execution and transaction type, the Servicer must also be concerned with invoicing, collecting and remitting the principal amount of the Mortgage Loan to be prepaid. In all cases, the Servicer must invoice and collect the principal amount being prepaid from the Borrower. No prepayment of Direct Pay Facilities will be allowed until Fannie Mae receives the necessary funds from the Borrower.



Any prepayment of principal on any Mortgage Loan received by the Servicer shall be paid, as follows:

1. Standby Execution: Prepayments shall be remitted to the Bond Trustee not later than the Bond Business Day immediately after the date of receipt such funds by the Servicer; or
2. Direct Pay Execution: Prepayments shall be remitted to Fannie Mae on the same day as the Fannie Mae Advance to the Bond Trustee funding the corresponding bond redemption associated with the prepayment.

## 216.07 Reporting on Delinquency Status

The Servicer must electronically submit to Fannie Mae using the Multifamily Delinquency Early Warning System (DEWS), or any successor system selected by Fannie Mae to do such reporting, the monthly delinquency status of the Mortgage Loan on the 17th calendar day of the month. If the 15th falls on a holiday or weekend, the System is available the next Business Day. The Servicer must plan around this one day window period for the purpose of reporting delinquencies. This rule applies to all execution and transaction types for DUS Bond Credit Enhancement.

## Section 217 Mezzanine Loan Reporting and Remitting

**NOTE: Except as otherwise required below, the reporting and remitting requirements for Cash Mortgage Loans provided in this Chapter apply to Mezzanine Loans.**

### 217.01 Remitting DUS Plus Mezzanine Loans

For the DUS Plus Mezzanine Loan, the Servicer is required to remit to Fannie Mae via the Cash Remittance System. On each remittance date the amount representing P&I (adjusted to the Pass-Through Rate) actually collected from the Mezzanine Borrower must be remitted. The initial remittance date for any DUS Plus Mezzanine Loan is the 18th day of the month following the month in which the DUS Plus Mezzanine Loan is purchased, with monthly remittances due on the 18th day of each month thereafter.

For each DUS Plus Mezzanine Loan, the principal distribution amount remitted must include the sum of:

- the principal portion actually collected from the Mezzanine Borrower of the monthly installment due during the period beginning on the second day of the month preceding the month in which a remittance date occurs and ending on the first day of the month in which a remittance date occurs; and
- any unscheduled principal recovery collected on a DUS Plus Mezzanine Loan during the month preceding the month in



which a remittance date occurs.

The interest distribution amount remitted includes the interest portion of the monthly installment (that portion actually collected from the Mezzanine Borrower), adjusted to the Pass-Through Rate, due on the first day of the month in which a remittance date occurs or due at any time (other than the first day) during the preceding month.

The Servicer must remit funds collected from the Mezzanine Borrower even if they do not represent a full payment. The Servicer may not deduct monthly Servicing Fees until the entire monthly payment has been collected from the Mezzanine Borrower.

The Servicer is not required to remit to Fannie Mae on the remittance date any amounts representing P&I that have not been received from the Mezzanine Borrower and are, therefore, delinquent. Any delinquent payment received after the 18th calendar day of the month in which it is due must be remitted to Fannie Mae by 1:00 p.m. ET within 24 hours of its receipt.

## **217.02** Payoffs

For DUS Plus Mezzanine Loans, proceeds for payments-in-full, including any applicable repayment fees, must be remitted directly to the mezzanine investor within 24 hours after receipt by the DUS Servicer. The full payment must be reported to Fannie Mae by the second Business Day of the month following the month in which the prepayment is received in accordance with Part V of this Guide.

## **Section 218** Defeasance

### **218.01** Mortgage Loan Documents Must Permit Defeasance

A Borrower may elect to defease its Mortgage Loan only if the Loan Documents permit defeasance. If the Borrower's Mortgage Loan Documents do not permit defeasance, defeasance of the Mortgage Loan is not permitted.

### **218.02** Borrower's Election to Defeasance

Prior to the Mortgage Loan's Maturity Date and during the Mortgage Loan's Defeasance Period, the Borrower may defease the entire outstanding balance of the Mortgage Loan in accordance with the applicable terms and conditions of the Borrower's Loan Documents and the provisions of this Section.

### **218.03** Defeasance Option Procedures



To accomplish the defeasance, the following procedures must be followed:

### **218.03A** Defeasance Documents

Servicer must obtain the most current Defeasance documents from the Fannie Mae website. The Defeasance documents consist of the Defeasance Notice ([Form 4622](#)) and other closing documents required by Fannie Mae in order for the defeasance to occur.

### **218.03B** Defeasance Notice

The Servicer must complete the Defeasance Notice ([Form 4622](#)) after verifying the Mortgage Loan is eligible for defeasance and obtaining from the Borrower the date on which the Borrower desires to consummate the Defeasance. The Defeasance Close Date may not be more than 45 calendar days nor less than 30 calendar days after the date on which the Defeasance Notice is received by the Servicer. The Servicer must use the Defeasance Calculator application on the Fannie Mae web site to estimate the Defeasance Deposit and the estimated Defeasance Deposit must be inserted in the appropriate box in the Defeasance Notice. The information on the Defeasance Notice will not be final until it is confirmed by Fannie Mae. Until then, the Defeasance Deposit and other information are estimates. The Defeasance Notice will specify (a) whether a Fannie Mae debt instrument will be offered for use as the substitute collateral and, if not, that U.S. Treasury Securities will be the substitute collateral; and (b) whether the successor entity will be designated by Fannie Mae or Borrower, and (c) the amount of the Defeasance Commitment Fee.

To be effective, the Borrower must execute and send the Defeasance Notice to the Servicer so that the Servicer receives the Defeasance Notice no earlier than 11:00 a.m. and no later than 3:00 p.m. ET on a Business Day.

The Servicer must then sign and execute the Defeasance Notice and fax the Defeasance Notice and a copy of the Note to be defeased to its Fannie Mae Representative.

Fannie Mae must receive the fax by 5:00 p.m. ET on the same day that the Defeasance Deposit was calculated for verification by Fannie Mae.

### **218.03C** Defeasance Commitment Fee

A Defeasance Commitment Fee equal to 1% of the scheduled balance of the Mortgage Loan as of the Defeasance Close Date, must be paid by the Borrower to the Servicer no later than the date and time when the Servicer receives the executed Defeasance Notice from the Borrower. The Servicer must wire the Defeasance Commitment Fee to Fannie Mae within 24 hours after receipt of the Borrower's executed Defeasance Notice.



### **218.03D** Verification of the Defeasance Notice

Fannie Mae will verify the Mortgage Loan information contained in the Defeasance Notice as well as the Mortgage Loan's eligibility for defeasance. After verification and within two (2) Business Days after the initial receipt of the Defeasance Notice from the Servicer, Fannie Mae will sign the Defeasance Notice and fax it back to the Servicer along with an Exhibit that details the monthly cash flows of the Fannie Mae debt instrument that will replace the Property as collateral for the Mortgage Loan.

The Servicer will then fax the verified Defeasance Notice to the Borrower on the same day that the Servicer receives the verified Defeasance Notice from Fannie Mae. In the event that Fannie Mae made changes to the Defeasance Notice, the Borrower must initial the changed portions of the Defeasance Notice and fax it back to the Servicer on that same day. The Servicer must then immediately fax the Borrower-initialed Defeasance Notice to Fannie Mae.

If the Servicer does not

- receive the Defeasance Commitment Fee, and
- provide confirmation of the Defeasance Notice to the Borrower,

then the Borrower's right to obtain Defeasance pursuant to that Defeasance Notice shall terminate. If the Borrower still wishes to defease the Mortgage Loan, the Borrower must submit a new Defeasance Notice and repeat the process outlined above.

### **218.03E** Substitute Collateral

On or before the Defeasance Close Date, the Borrower must deliver to the Servicer a Defeasance Pledge Agreement ([Form 4529](#)), creating a perfected security interest in the substitute collateral in favor of Fannie Mae.

### **218.03F** Assignment and Assumption

The Borrower must assign all its obligations and rights under the Note, together with the substitute collateral, to a successor entity designated by Fannie Mae or, if not so designated by Fannie Mae, designated by Borrower and acceptable to Fannie Mae. The Borrower and the successor entity shall execute and deliver to the Servicer a Defeasance Assignment and Assumption Agreement ([Form 4528](#)).

### **218.03G** Closing Documents

The Servicer must deliver to Fannie Mae by no later than 10 a.m. ET, five (5) Business Days before the Defeasance Close Date, the following documents:



- a Borrower's Counsel Opinion Letter ([Form 6618](#)) affirming:
  - that each Defeasance Document constitutes the valid and legally binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms;
  - that the defeasance is not subject to avoidance under any applicable federal or state laws;
  - that, if the Note is held by a REMIC Trust, then the defeasance has been effected in such a way that does not adversely affect the REMIC Trust; and
  - such other opinions, certificates, documents or instruments as Servicer may reasonably request;
- the Defeasance Assignment and Assumption Agreement ([Form 4528](#)); and
- the Defeasance Pledge Agreement ([Form 4529](#)).

Transmittal of these documents shall be accompanied by a completed Multifamily Defeasance Transmittal Form ([Form 4631](#)).

### **218.03H** Amounts Payable by Borrower

On or before the Defeasance Close Date, the Borrower must pay to the Servicer an amount equal to the sum of:

- the next scheduled P&I payment due under the Note;
- all other sums then due and payable under the Note, the Security Instrument and any other Loan Document; and
- all costs and expenses incurred by the Servicer in connection with the defeasance, including any out-of-pocket fees and disbursements of the Servicer's legal counsel.

### **218.03I** Defeasance Deposit

If a Fannie Mae investment security will be the substitute collateral, then, on or before 3:00 p.m. ET on the Defeasance Close Date, the Borrower must pay the Defeasance Deposit (reduced by the Defeasance Commitment Fee) to the Servicer to be used by the Servicer, as the Borrower's agent, to purchase the Fannie Mae Investment Security.

The Borrower or Closing Agent must wire the Defeasance Deposit to Servicer by 3:00 p.m. ET on the Defeasance Closing Date. The Servicer must wire the Defeasance Deposit (reduced by the Defeasance Commitment Fee) to Fannie Mae for receipt by 5:00 p.m. ET on the Defeasance Closing Date.



### **218.03J** Release

Upon the Borrower's compliance with the Defeasance requirements, the Property will be released from the lien of the Security Instrument. Upon release of the Property, the Note will be secured by the pledge of the Substitute Collateral.

### **218.03K** Fannie Mae Security Liquidated Damages

If the Borrower timely pays the Defeasance Commitment Fee and the Servicer and the Borrower timely transmit a signed facsimile copy of the Defeasance Notice, but the Borrower fails to consummate the defeasance, Fannie Mae shall have the right to retain the Defeasance Commitment Fee as liquidated damages for the Borrower's default and, subject to the terms and conditions of the Note, the Borrower shall be released from all further obligation to defease the Note under the given Defeasance Notice.

### **218.03L** Third-Party Costs

In the event that the Defeasance is not consummated on the Defeasance Closing Date for any reason, the Borrower must reimburse the Servicer for all third-party costs and expenses incurred by the Servicer in its reliance on the Defeasance Notice executed by the Borrower, within five (5) Business Days after the Borrower receives a written demand for this reimbursement.

### **218.03M** Post Defeasance Closing Date

Fannie Mae will transfer the defeased Mortgage Loan from the Servicer's servicing portfolio effective on the first day of the second month following the Defeasance Closing Date. The Servicer will be required to report and remit payments for the next scheduled P&I payment collected as part of the Defeasance Closing. Thereafter, the Servicer will no longer be required to perform other servicing requirements for the defeased Mortgage Loan. Beginning on the 18th calendar day of the second calendar month after the Defeasance Closing Date (or the next Business Day if such day is not a Business Day) until the maturity of the Mortgage Loan, the Servicer will receive the remaining scheduled servicing fee for the Mortgage Loan minus five (5) basis points provided the Authorization for ACH Remittance ([Form 4630](#)) has been submitted.

## **Section 219** Delinquency Reporting and Certification

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On the 17th calendar day of each month, Servicers must take the following actions with respect to Mortgage Loans:

- Report all delinquent Mortgage Loans to Fannie Mae using the Delinquency Early Warning System ("DEWS"), which Servicers





may access through the eServicing System. Delinquency reporting must include delinquencies for Mortgage Loans on Bond Credit Enhancements, even if the Servicer also elects to report these delinquencies through CESIR.

- Certify as to the delinquency status of all Mortgage Loans. If a Servicer's Mortgage Loan portfolio does not include any delinquent Mortgage Loans, the Servicer must certify to that effect.

Prior to the 17th calendar day of each month, Servicers may use the "Preliminary" Case Status indicator to set up initial delinquency cases in DEWS.

On the 17th calendar day of each month, Servicers must change all "Preliminary" Case Status indicators to "Open" for all Mortgage Loans still delinquent or delete remaining initial cases for all Mortgage Loans that have cured. No "Preliminary" Case Status cases can remain as of the 17th calendar day of each month.

If the 17th calendar day of a month falls on a weekend or holiday, the Servicer must report and certify on the next Business Day.

Servicers must complete the "comments section" in each report with important additional information regarding the delinquent Mortgage Loan including, at a minimum, the following:

- the Servicer's attempts to contact the delinquent Borrower;
- the cause for the missed payment(s);
- whether payment is expected before the end of the month;
- the likelihood of the Borrower making the next month's payment;
- if the payment will not be made before the end of the month of default, whether the Borrower will voluntarily turn over the monthly net operating income of the Property;
- the willingness of the Borrower to work with the Servicer to resolve the delinquency; and
- whether the Mortgage Loan is being Special Serviced by Fannie Mae's Special Asset Management (SAM) group (Primary Risk Mortgage Loans) or the Servicers' Special Servicing group (Secondary Risk Mortgage Loans).

Servicers must update at least once per week all delinquency reports with an "Open" status indicator.

## Section 220

## Reporting Collateral Balances in Custodial Accounts



Servicers must report, on a quarterly basis, the balances of Mortgage Loan collateral held by Servicers in their Custodial Accounts using Collateral Submission Report ([Form 4813](#)). Collateral balances that must be included in the quarterly reporting include balances for all Custodial Accounts whether the collateral is held as cash, securities or letters of credit.

#### **220.01** P&I Custodial Accounts

Except as noted in [Part V, Chapter 2: Reporting and Remitting, Section 220.04: What to Report](#), balances in P&I Custodial Accounts are excluded from this reporting requirement.

#### **220.02** Letters of Credit as Collateral

Balances for any original Letters of Credit held by the Servicer must be reported. Balances for any original Letter of Credit held by Fannie Mae are not required to be reported.

#### **220.03** Report on Fair Value Basis

If the form of collateral is securities or Letters of Credit, Servicers must report the balances on a fair value basis (the price that would be received to sell an asset in a transaction between market participants).

#### **220.04** What to Report

Collateral that must be reported using the Collateral Submission Report ([Form 4813](#)) includes:

- Short Term
  - any Replacement Reserves or repair escrows;
  - insurance proceeds held pending repair or damage to the Property; or
  - condemnation proceeds received in a condemnation action related to the Property.
- Long Term
  - any operating deficit or debt service reserve; or
  - NCF sweeps – to the extent NCF exceeds monthly P&I remitted to Fannie Mae in the ordinary course.
- Balances in any T&I Custodial Account.
- Other
  - any other escrow, collateral or achievement funds



governed by an agreement with the Borrower;

- any holdback of Mortgage Loan proceeds; or
- any tenant security deposits held by the Servicer.

### **220.05** When to Report

The Collateral Submission Report ([Form 4813](#)) must be submitted to Servicer's Fannie Mae Representative within thirty (30) days after the end of each calendar quarter.

## **Section 221** Internal Revenue Service Reporting Requirements

### **221.01** What to Report

The Servicer must comply with Internal Revenue Service reporting requirements for:

- reporting the receipt of \$600 or more of interest payments from any Borrower who is a natural person (IRS Form 1098);
- filing Statements for Recipients of Miscellaneous Income (IRS Form 1099-MISC) to report payments of fees and related expenses to attorneys and other third parties in connection with foreclosure or liquidation proceedings in connection with a Mortgage Loan and the related Property;
- filing notices of Acquisition or Abandonment of Secured Property (IRS Form 1099-A) to report the acquisition of a Property by foreclosure or acceptance of a deed-in-lieu or by a Borrower's abandonment of a property; and
- filing notices of Cancellation of Debt (IRS Form 1099-C) to report the cancellation of any part of a Borrower's indebtedness.

Should the Internal Revenue Service change the reporting requirements in connection with any of IRS Form 1098, IRS Form 1099-MISC, IRS Form 1099-A or IRS Form 1099-C, the Servicer must comply with those changed reporting requirements, notwithstanding anything to the contrary contained in this Chapter. The Servicer should contact Fannie Mae if it believes any portion of this Chapter to be in conflict with such Internal Revenue Service reporting requirements.

### **221.02** Filing IRS Form 1099 MISC

The Servicer must report all attorney (or trustee) fees paid by the Servicer to Servicer-retained attorneys or trustees or to Fannie Mae-retained



attorneys or trustees for handling foreclosure proceedings, by filing Form 1099-MISC (Miscellaneous Income) with the Internal Revenue Service and other parties. This form must be filed in the Servicer's name, using its Internal Revenue Service tax identification number.

If the Servicer pays for any expenses authorized by Fannie Mae for the maintenance, repair, or marketing of an REO Property, or when the Servicer pays directly any business that is not a corporation for recurring maintenance costs, minor repair costs, or routine costs in connection with an REO Property, the Servicer must report such payments to the Internal Revenue Service. To accomplish this, the Servicer must prepare an IRS Form 1099-MISC (Miscellaneous Income) for the appropriate tax year and submit it to the Internal Revenue Service and to the individual payee. This form must be filed in the Servicer's name, using its Internal Revenue Service taxpayer identification number.

## **221.03** Notifying the Internal Revenue Service about Abandonments or Acquisitions (IRS Form 1099-A)

### **221.03A** When Required

The Internal Revenue Service requires that information returns be filed when Fannie Mae (or a third party) acquires an interest in a Property in full or partial satisfaction of the Mortgage Loan or when Fannie Mae or the Servicer has reason to know that a Property has been abandoned. The Servicer must file these notices on Fannie Mae's behalf, using IRS Form 1099-A (Acquisition or Abandonment of Secured Property), for all applicable Mortgage Loans (including Mortgage Loan participations if Fannie Mae's percentage ownership of such Mortgage Loan is 50% or greater).

The Servicer must satisfy the reporting requirements for the "owner of record" (instead of on Fannie Mae's behalf) when the Servicer purchased a delinquent Mortgage Loan from Fannie Mae before the Property was acquired by the Servicer in full or partial satisfaction of the Mortgage Loan.

For purposes of filing these reports:

- Fannie Mae (or the "owner of record") acquires an interest in the Property when any redemption period that follows a foreclosure sale ends without redemption rights being exercised (or when Fannie Mae accepts a deed-in-lieu of foreclosure);
- A third party acquires an interest in the Property at the foreclosure sale; and
- Abandonment occurs when Fannie Mae or the Servicer has "reason to know" from "all facts and circumstances concerning the status of the Property" that the Borrower intended to discard or has permanently discarded the Property from use.



The Servicer, however, will have an additional three months before its reporting obligation arises if the Servicer expects foreclosure proceedings to begin within the three months after determination that abandonment has occurred.

After an event that triggers a reporting requirement occurs, IRS Form 1099-A must be filed on or before February 28 (or March 31 if filing electronically) of the year following the calendar year in which the event occurred. The Servicer also must furnish the Borrower with an information statement on or before January 31 of that year. The requirement for notifying the Borrower can be satisfied by sending Copy B of a completed IRS Form 1099-A to the Borrower's last known address. When the form is filed on Fannie Mae's behalf, it must show Fannie Mae's name, address, and federal identification number (52-0883107), and include a legend stating that the information is being reported to the Internal Revenue Service. If it is filed by the Servicer on its own behalf or for the "owner of record," the name, address, and identification number of the Servicer or owner of record, respectively, must be provided instead.

### **221.03B** Preparing IRS Form 1099-A

The Servicer is responsible for completing the IRS Form 1099-A accurately, for filing it with the Internal Revenue Service, and for providing the information to the Borrower and to Fannie Mae by the required dates. If the Internal Revenue Service penalizes Fannie Mae because a Servicer failed to file a return or filed an incorrect return or late return, Fannie Mae will require the Servicer to reimburse Fannie Mae for any penalty fees the Internal Revenue Service assesses (unless the Servicer can document that it met the filing requirements).

Information that must be reported on IRS Form 1099-A includes:

- the Borrower's taxpayer identification number (the Social Security number if the borrower is a natural person);
- the date of acquisition of an interest in the Property or the date the Servicer acquired knowledge of the abandonment;
- the outstanding UPB of the Mortgage Loan;
- a general description of the Property; and
- whether the Borrower is personally liable for the debt and, if personally liable, the fair market value of the Property at the time of acquisition.

### **221.04** Notifying the Internal Revenue Service about Cancellations of Indebtedness (IRS Form 1099-C)



## **221.04A** When Required

The Internal Revenue Service requires certain mortgage holders, including Fannie Mae, to file information returns when \$600 or more of a Mortgage Loan is cancelled. Except as provided in [Part V, Chapter 2: Reporting and Remitting, Section 221.04D: Exceptions to IRS Form 1099-C Reporting](#), the Servicer must file these returns on Fannie Mae's behalf, using IRS Form 1099-C, for all applicable Mortgage Loans (including Mortgage Loan participations if Fannie Mae's percentage ownership of such Mortgage Loan is 50% or greater). If, in the same calendar year, a Mortgage Loan is canceled in connection with a foreclosure or abandonment of secured property, it is not necessary to file both Form 1099-A and Form 1099-C for the same Borrower. Only Form 1099-C need be filed, and the Form 1099-A filing requirement for the Borrower will be met by completing boxes 4, 5, and 7 on Form 1099-C.

## **221.04B** Determining When a Debt Is Cancelled

A debt is cancelled (in whole or part) when any of the following occur:

- discharge in bankruptcy under Title 11 of the U.S. Code;
- receivership, foreclosure, or similar federal or state court proceeding makes the debt unenforceable;
- the statute of limitations applicable to collecting the debt expires (if so determined by a court and any appeal period has expired), or expiration of the statutory period for filing a claim or beginning a deficiency judgment proceeding;
- foreclosure remedies by law end or bar Fannie Mae's right to collect the debt (e.g., foreclosure by exercise of the "power of sale" in the Security Instrument);
- probate or similar proceeding cancels or extinguishes the debt;
- Fannie Mae and the Borrower agree to cancel the debt at less than full consideration;
- a decision or defined policy of Fannie Mae causes collection activity to be discontinued and the debt to be cancelled; or
- expiration of a "non-payment testing period".

The Internal Revenue Service presumes that a debt is cancelled during a calendar year if no payment has been received on the Mortgage Loan during a period (the "non-payment testing period") of 36 months, plus the number of calendar months when collection activity was precluded by a stay in bankruptcy or similar bar under state or local law. The presumption may be rebutted, however, if there has been significant, bona fide collection



activity at any time during the calendar year, or if facts and circumstances, existing as of January 31 of the calendar year following expiration of the 36-month period, indicate that the indebtedness has not been discharged.

## **221.04C** Preparing IRS Form 1099-C

The Servicer is responsible for completing the Cancellation of Debt (IRS Form 1099-C) accurately, and for filing it with the Internal Revenue Service and providing the information to the Borrower and to Fannie Mae by the required dates. The form must be filed on or before February 28 (or March 31 if filing electronically) of the year following the calendar year in which the discharge of indebtedness occurs.

If the Internal Revenue Service penalizes Fannie Mae because the Servicer failed to file a return or filed an incorrect or late return, Fannie Mae will require the Servicer to reimburse Fannie Mae for any penalty fees the Internal Revenue Service assesses (unless the Servicer can document that it met the filing requirements).

The Servicer also must furnish the Borrower with an information statement before January 31 of that year. The requirement for notifying the Borrower can be satisfied by sending Copy B of a completed IRS Form 1099-C (or a substitute statement that complies with Internal Revenue Service requirements for substitute forms) to the Borrower's last known address, and the Servicer must send Copy C to those states that require it. When the form is filed on Fannie Mae's behalf, it must show Fannie Mae's name as the "Creditor," Fannie Mae's address and federal identification number (52-0883107), and include a legend identifying the statement as important tax information that is being furnished to the Internal Revenue Service.

Information that must be reported on IRS Form 1099-C includes:

- the Borrower's name, address, and taxpayer identification number (the Social Security number if the borrower is a natural person);
- the date the debt was cancelled;
- the amount of the cancelled debt, which does not include interest or any amount received in satisfaction of the debt from a foreclosure sale or other means;
- a description of the debt, such as "mortgage loan," and a description of the Property if a combined IRS Form 1099-C and 1099-A is filed;
- whether the Borrower is personally liable for the debt;
- whether the debt was cancelled in bankruptcy; and
- the fair market value of the Property if a combined IRS Form



1099-C and 1099-A is filed.

If the cancelled Mortgage Loan had an original principal amount of \$10,000 or more, was originated after 1994, and involves Borrowers who are jointly and severally liable for the debt, a separate information return for each Borrower must be filed, and each return must report the entire amount of the cancelled debt. If the Mortgage Loan was originated prior to January 1, 1995, or if the original principal amount of the cancelled Mortgage Loan was less than \$10,000, and if there are multiple Borrowers, reporting is required only with respect to the primary (or first-named) Borrower. In addition, only one information return is required, regardless of the origination date or the original principal amount, if the Servicer knows, or has reason to know, that co-Borrowers were husband and wife living at the same address when the Mortgage Loan was originated, and does not know or have reason to know that such circumstances have changed when the Mortgage Loan is cancelled.

#### **221.04D** Exceptions to IRS Form 1099-C Reporting

**Interest.** Interest need not be reported. If it is reported as part of the cancelled debt, the IRS Form 1099-C instructions require that it be shown in a separate box on the form.

**Non-principal amounts.** Cancellation of amounts other than stated principal, including penalties, fines, fees, and administrative costs charged to the Borrower, need not be reported.

**Release of a co-Borrower.** IRS Form 1099-C need not be filed when one Borrower is released from a Mortgage Loan as long as the remaining Borrowers are liable for the full UPB of the Mortgage Loan.

**Guarantor or surety.** A guarantor or surety (i.e., any Guarantor or Key Principal executing a Non-Recourse Guaranty or a Payment Guaranty) is not a Borrower for purposes of the debt cancellation reporting requirements, so IRS Form 1099-C is never required.

#### **221.04E** Coordination with Reporting Abandonments or Acquisitions

If, in the same calendar year, the Mortgage Loan is cancelled in connection with the acquisition or abandonment of the same Property securing the Mortgage Loan, filing a timely and accurate IRS Form 1099-C will satisfy the requirement to file an IRS Form 1099-A.

#### **221.05** Reporting via Magnetic Media

The Servicer must report IRS Forms 1099-C and 1099-A information on magnetic media and must do so on Fannie Mae's behalf. Even though the Servicer reports to the Internal Revenue Service on magnetic media, it is still responsible for providing a hard copy of the IRS





Forms 1099-C or 1099-A, as applicable, to the Borrower (Copy B) and to those states that require it (Copy C). Copy B must be sent to the Borrower no later than January 31.

The Servicer must review each Borrower's Form W-9 for validity and request a new Form W-9 if any form is invalid. A valid W-9 will include the Borrower's name, tax identification number, date, and signature. In preparing Forms 1099-C or 1099-A, the Servicer must (i) utilize the IRS TIN Matching program and perform tax identification number matching for all United States non-exempt Borrowers in all circumstances, (ii) notify Fannie Mae of any Borrower that is identified as an unsuccessful TIN Match prior to preparing Form 1099, and (iii) follow up with any Borrower whose name and tax identification number combination fail the IRS TIN Match. The Servicer should also provide to Fannie Mae its TCC (Transmittal Control Code) at the beginning of each year, which will allow Fannie Mae to communicate to the Servicer any errors on its 1099 filings.

The Servicer does not need to send Fannie Mae a copy of the magnetic media filed by the Servicer with the Internal Revenue Service. However, to ensure that Fannie Mae can identify the Servicer and the loan number for a specific Mortgage Loan should the Internal Revenue Service contact Fannie Mae for additional information or clarification, the Servicer must:

- insert the following header information when the IRS Form 1099-C or 1099-A, as applicable, is filed on Fannie Mae's behalf:
  - Fannie Mae on the first "Payer" line; and
  - the Fannie Mae loan number for the related Mortgage Loan on the line for the "Payer's account number for Payee"; and
- within thirty (30) days after filing with the Internal Revenue Service, send an email to Fannie Mae at [multifamily\\_1099\\_reporting@fanniemae.com](mailto:multifamily_1099_reporting@fanniemae.com), containing a summary of IRS Forms 1099-C or 1099-A, as applicable, to notify Fannie Mae what the Servicer reported to the Internal Revenue Service on magnetic media.



## Chapter 3 Custodial Accounts

### 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
  - Collateral Agreement Custodial Accounts; 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 <ul style="list-style-type: none"><li>• Federal Deposit Insurance Corporation, or</li><li>• National Credit Union Share Insurance Fund.</li></ul>
Rating	Have an applicable Federal or State rating of <ul style="list-style-type: none"><li>• well capitalized, or</li><li>• if unrated, meet the capital requirements for a well capitalized rating.</li></ul>



Depository Institution...	Must...
Minimum Financial Ratings for Assets \$20 Billion or More	<ul style="list-style-type: none"> <li>• If rated by both S&amp;P and Moodys, meet all of the following:               <ul style="list-style-type: none"> <li>- for S&amp;P:                   <ul style="list-style-type: none"> <li>▪ an A-2 short-term issuer rating; and</li> <li>▪ a BBB long-term issuer rating; and</li> </ul> </li> <li>- for Moodys:                   <ul style="list-style-type: none"> <li>▪ a P-3 short-term bank deposit rating; and</li> <li>▪ a Baa2 long-term bank deposit rating.</li> </ul> </li> </ul> </li> <li>• If only rated by S&amp;P, have:               <ul style="list-style-type: none"> <li>- an A-2 short-term issuer rating; and</li> <li>- a BBB long-term issuer rating.</li> </ul> </li> <li>• If only rated by Moodys, have:               <ul style="list-style-type: none"> <li>- a P-3 short-term bank deposit rating; and</li> <li>- a Baa2 long-term bank deposit rating.</li> </ul> </li> </ul>
Minimum Financial Ratings for Assets Less than \$20 Billion	Meet at least 1 of the following: <ul style="list-style-type: none"> <li>• For S&amp;P:               <ul style="list-style-type: none"> <li>- an A-2 short-term issuer rating; and</li> <li>- a BBB long-term issuer rating.</li> </ul> </li> <li>• For Moodys:               <ul style="list-style-type: none"> <li>- a P-3 short-term bank deposit rating; and</li> <li>- a Baa2 long-term bank deposit rating.</li> </ul> </li> <li>• For IDC Financial Publishing, Inc., or its successor, a 175.</li> <li>• For Kroll Bond Rating Agency, Inc., or its successor, a C+.</li> </ul>

### 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.

## Section 302 Administration

### 302.01 Notifications

#### Operating Procedures

Within 30 days of opening or closing a Custodial Account, or changing the Eligible Depository or Custodial Account information:

**Step 1:** You and the depository institution must execute the applicable:

- Letter of Authorization for Multifamily P&I Custodial Account ([Form 2050](#));
- Letter of Authorization for Multifamily T&I Custodial Account ([Form 2052](#)); or
- Letter of Authorization for Multifamily Collateral Agreement Custodial Account ([Form 2051](#)).

**Step 2:** You must submit the executed document per the form's instructions.

### 302.02 Titling

#### Operating Procedures

You must:

- Ensure all Custodial Accounts are titled:

[You], as agent, trustee, and/or bailee for Fannie Mae and/or payments of various mortgagors and/or various owners of interests in mortgage-backed securities (Custodial Account).

- Submit:
  - a copy of a
    - signature card,
    - bank statement, or
    - system generated screen print; and
  - the applicable Letter of Authorization per [Part V, Chapter 3: Custodial Accounts, Section 302.01: Notifications](#).



### 302.03 Deposits

#### Requirements

You must deposit any funds no later than the second Business Day (including any time funds are in a Clearing Account or general ledger account) after receiving them.

#### Operating Procedures

For deposits:

- Establish a daily cutoff ensuring collections are credited to the appropriate Custodial Account no later than the Business Day after receiving them.
- Ensure collections deposited to the Clearing Account are credited to the applicable Custodial Account by:
  - for non-ACH funds, the first Business Day after receiving them; or
  - for ACH funds, the second Business Day after receiving them, but this does not extend your deadline to remit funds to Fannie Mae.

## Section 303 P&I Custodial Accounts

### 303.01 Accounts and Deposits

#### Requirements

You must:

- Maintain 1 separate P&I Custodial Account for each of these Mortgage Loan categories:
  - Cash Mortgage Loans and PFP Mortgage Loans;
  - MBS Mortgage Loans, including
    - MBS Mortgage Loans issued using a REMIC election after January 1, 2021, and
    - MBS for Bonds;
  - Credit Enhancement Mortgage Loans or transactions with Credit Enhancement Instruments;
  - REMIC transactions submitted in the Multifamily Negotiated Transactions (MFNT) application; and
  - any other Securitized Mortgage Loans.





- Not commingle P&I Custodial Account funds among the Mortgage Loan categories. For example, P&I funds for an MBS Mortgage Loan may not be commingled with P&I funds for a Cash Mortgage Loan, even for the same Borrower.
- Use P&I Custodial Accounts for all Borrower P&I Mortgage Loan payments, including any
  - unscheduled principal or interest payments,
  - Delinquency Advances, or
  - recovered Delinquency Advances.

### Guidance

You may commingle P&I funds for all Mortgage Loans within the same Mortgage Loan category.

## **303.02** Withdrawals

### Requirements

You must only withdraw funds from the P&I Custodial Account to:

- Remit funds to Fannie Mae.
- Reimburse a Delinquency Advance recovered from subsequent collections.
- Remove funds erroneously deposited.
- Transfer interest or typical demand deposit or money market account earnings.
- Pay the Guaranty Fee (unless you received a notice of default from any Security Trust Indenture guarantor).
- Remove fees, charges, or other amounts deposited on a temporary basis, including
  - late charges,
  - Servicing Fees, or
  - unsecuritized excess spread (i.e., when a Mortgage Loan's Pass-Through Rate is greater than the MBS Pool's Pass-Through Rate).
- Clear and close the account.
- Transfer any funds to 1 or more other Custodial Accounts per this Chapter.



## Section 304 T&I Custodial Accounts

### 304.01 Deposits

#### Requirements

You must:

- use T&I Custodial Accounts for
  - all Borrower payments for T&I Impositions per [Part V, Chapter 3: Custodial Accounts, Section 304.02: T&I Impositions](#), and
  - Servicing Advances you make for these items; and
- not commingle T&I Custodial Account funds with
  - P&I Custodial Account funds, or
  - Collateral Agreement Custodial Account funds.

#### Operating Procedures

You may establish:

- 1 T&I Custodial Account for all T&I deposits from all Mortgage Loans; or
- 2 separate T&I Custodial Accounts, with funds for all
  - Cash Mortgage Loans in 1 T&I Custodial Account, and
  - Securitized Mortgage Loans in the other T&I Custodial Account.

You must obtain Fannie Mae's consent to establish a separate T&I Custodial Account for an individual

- Mortgage Loan, or
- Borrower.

### 304.02 T&I Impositions

#### Requirements

Unless precluded by the Loan Documents, you must:

- collect monthly payments from the Borrower;
- ensure all T&I Impositions are timely paid, including:



- real estate taxes;
  - special assessments;
  - water and sewer assessments;
  - PILOTs;
  - insurance premiums;
  - ground lease rents; and
  - all other charges or obligations that could become a Lien against the Property; and
- pay any penalty or late fee if you fail to make timely payments.

### ➔ Guidance

You may:

- Charge the Borrower for any penalty or late fee incurred if the failure to timely pay was due to insufficient T&I Custodial Account funds.
- Use qualified third-party vendors (that you manage and monitor) to
  - collect T&I Custodial Account funds, and
  - pay T&I Impositions.

## 304.03 Shortfalls

### Requirements

T&I Custodial Account shortfalls must be paid by

- the Borrower, or
- you (i.e., a Servicing Advance).

## 304.04 Prohibited Uses

### Requirements

You must not use any T&I Custodial Account funds to:

- supplement a shortfall in the Borrower's monthly P&I payment to Fannie Mae;
- reimburse yourself for any Servicing Advance unless it is recovered from



subsequent collections for that Mortgage Loan; or

- supplement a shortfall in a Borrower's taxes or insurance payment using another Borrower's tax or insurance deposits.

### ➔ Guidance

You may use a Borrower's own tax or insurance deposits to cover a shortfall in the Borrower's tax or insurance obligation if you adjust future deposits per [Part V, Chapter 3: Custodial Accounts, Section 308.04B: Insufficient Funds](#).

## 304.05 No Financing for T&I Impositions

### ☑ Requirements

To pay any T&I Impositions, you must not

- provide financing to the Borrower, or
- allow the Borrower to obtain financing.

## Section 305 Collateral Agreement Custodial Accounts

### 305.01 Deposits

### ☑ Requirements

If required by the Loan Documents, you must establish Collateral Agreement Custodial Accounts for the Borrower's deposits for any:

- Completion/Repair Escrow;
- Replacement Reserve;
- operating deficit escrow; and
- other Collateral Agreement escrow.

### ✻ Operating Procedures

You may establish

- 1 account for all Collateral Agreement deposits, or
- a separate Custodial Account for each:
  - Mortgage Loan;



- Collateral Agreement type;
- Borrower; or
- Collateral Agreement.

## 305.02 Full Disbursement

### Operating Procedures

You must close the Custodial Account per [Part V, Chapter 3: Custodial Accounts, Section 302.01: Notifications after you](#)

- complied with the Collateral Agreement, and
- disbursed all Custodial Account funds.

## Section 306 Clearing Accounts

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### Requirements

When establishing a Clearing Account, you must:

- use an Eligible Depository;
- title the account to reflect it is custodial; and
- inform the depository in writing it is a custodial account.

### Operating Procedures

If you use a Clearing Account for deposits and disbursements, you:

- must establish a separate account for collections and disbursements;
- may use debit and credit memos to transfer funds between the Clearing Account and the Custodial Account; and
- are not required to title the Clearing Account in Fannie Mae's name, but your records must show Fannie Mae's interest in the deposits.

### Guidance

All Clearing Accounts should have a zero balance at the close of each Business Day.

## Section 307 Drafting Accounts

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### 307.01 Establishing Drafting Accounts

#### ➔ Guidance

You may use Drafting Accounts to simplify transferring funds to Fannie Mae.

#### ☑ Requirements

You must comply with [Part V, Chapter 3: Custodial Accounts, Section 306: Clearing Accounts](#) when establishing a Drafting Account.

### 307.02 Consolidated Custodial Accounts

#### ☑ Requirements

Topic	You must...
Securitized Mortgage Loans (Other Than PFP MBS)	Use separate consolidated Custodial Accounts for drafting: <ul style="list-style-type: none"> <li>• P&amp;I remittances for Securitized Mortgage Loans (other than PFP MBS); and</li> <li>• remittances for all Mortgage Loan categories per <a href="#">Part V, Chapter 3: Custodial Accounts, Section 303.01: Accounts and Deposits</a> .</li> </ul>
Corporate/General Lender Accounts	Not designate your corporate, general ledger, or other internal operating account as a Drafting Account.
Records	Maintain records of the commingled fund sources on an individual Mortgage Loan basis.

#### 🌿 Operating Procedures

Topic	You...
Establishing Accounts	Must submit a Letter of Authorization ( <a href="#">Form 2050</a> ).
Timely Remittance	Must move all funds due into the account to ensure timely remittance to Fannie Mae.



Topic	You...
Cash Mortgage Loans	May temporarily commingle P&I funds for all Cash Mortgage Loan categories per <a href="#">Part V, Chapter 3: Custodial Accounts, Section 303.01: Accounts and Deposits</a> into 1 consolidated Drafting Account under your master 5-digit Servicer number.
Securitized Mortgage Loans	May temporarily commingle P&I funds for all Securitized Mortgage Loan categories per <a href="#">Part V, Chapter 3: Custodial Accounts, Section 303.01: Accounts and Deposits</a> into 1 consolidated Drafting Account under your master 5-digit Servicer number.
P&I Funds	May designate 1 Drafting Account for P&I funds for each Mortgage Loan category per <a href="#">Part V, Chapter 3: Custodial Accounts, Section 303.01: Accounts and Deposits</a> under each of your 9-digit Servicer numbers.
Commingling Timing	Cannot commingle funds earlier than 1 Business Day before the funds will be drafted.
System	Must, for both Cash Mortgage Loans and Securitized Mortgage Loans, use the Cash Remittance System to designate specific Custodial Accounts from which Fannie Mae remittances can be automatically drafted per <a href="#">Part V, Chapter 2: Reporting and Remitting, Section 209.03: Cash Remittance System</a> .

## Section 308 Recordkeeping and Reconciliations

### 308.01 Account Analysis and Reconciliation

#### Requirements

You must analyze and reconcile each Custodial Account and associated Clearing Accounts monthly.

#### Operating Procedures

At a minimum, your reconciliation must include:

- a depository reconciliation;
- the cashbook balance composition; and
- an explanation of line items.



Fannie Mae may review your reconciliation including:

- an explanation of any adjustments you made;
- the specific cashbook balances; and
- any individual components.

While Fannie Mae does not prescribe a recordkeeping method to generate a cashbook balance, you must:

- maintain the integrity of the Custodial Account balances reported on your reconciliations;
- be able to substantiate each cashbook component; and
- retain sufficient detail to perform the following cashbook computation:

Function	Beginning Cashbook Balance
+	Receipts
-	Disbursements
+/-	Cashbook Adjustments
=	<b>Ending Cashbook Balance</b>

### 308.02 Records

#### Operating Procedures

You must maintain adequate documentation supporting the Borrower's payment records, including Clearing Account credits and charges.

### 308.03 For T&I Custodial Accounts

#### Requirements

You must maintain and administer all Borrower funds held in a T&I Custodial Account on an individual Mortgage Loan basis.

#### Operating Procedures

At a minimum, for each Mortgage Loan in a T&I Custodial Account, you must account for:

- T&I Imposition payment deadlines and amounts funded from the account;
- monthly funds due for deposit;





- funds received and deposited;
- withdrawals; and
- amounts you advance for T&I Impositions.

## 308.04 Borrower's T&I Impositions and Custodial Accounts

### 308.04A Analysis Timing

#### Operating Procedures

You must:

- Analyze your T&I Custodial Account records:
  - annually for each Mortgage Loan; and
  - when a material change occurs in a Borrower's T&I Impositions.
- Determine if the Borrower's T&I Custodial Account funds, plus the Borrower's required monthly deposits, are sufficient to timely pay all upcoming T&I Impositions.

### 308.04B Insufficient Funds

#### Operating Procedures

If the Borrower's T&I Custodial Account funds are insufficient to timely pay all T&I Impositions, you must

- bill the Borrower for any shortage, and/or
- increase the Borrower's monthly T&I Custodial Account deposit.

After adjusting the Borrower's future deposits, you may use those funds for a shortfall in either taxes or insurance.

### 308.04C Surplus

#### Requirements

You must not maintain a surplus of more than 2 monthly T&I payments in the T&I Custodial Account.

#### Operating Procedures

If the T&I Custodial Account has a surplus of more than 2 monthly T&I payments, you must:



- refund the Borrower the amount of the surplus above the 2 monthly T&I payments; or
- reduce the Borrower's required monthly T&I Custodial Account deposit to reduce the surplus to no more than 2 monthly T&I payments within 12 months.

You cannot refund any T&I Custodial Account surplus if the Borrower or any other party has defaulted under any of the Loan Documents beyond any grace or cure period.

## 308.05 Annual Statements

### Operating Procedures

By January 31st of each year, you must issue the Borrower a T&I Custodial Account statement reporting all activity during the preceding calendar year. You can provide this statement

- in writing, or
- via electronic access.

### Guidance

Your annual T&I Custodial Account statement must include:

- Borrower's fund balance at the beginning of the year;
- total Borrower deposits into the account;
- total withdrawals you made;
- itemized list of specific T&I Impositions and other charges (e.g., real estate taxes, insurance premiums, etc.) you paid with the withdrawals;
- Borrower's fund balance at the end of the year; and
- amount of interest, if any, paid or credited to the Borrower on their funds.



## Chapter 4 Asset Management: Loan Document Administration

### Section 401 Servicing Requirements

#### 401.01 General

This Chapter covers asset management of performing Mortgage Loans. This Chapter does not apply to Non-Performing Mortgage Loans, unless otherwise stated. For asset management of Non-Performing Mortgage Loans, the Servicer must comply with:

- Part VI, Chapter 1: Watchlist Management; and
- either:
  - Part VI, Chapter 3: Non-Performing Primary Risk Mortgage Loans; or
  - Part VI, Chapter 5: Non-Performing Secondary Risk Mortgage Loans.

This Chapter covers the Servicer's:

- administration of Loan Documents, including Collateral Agreements;
- review of a delegated and non-delegated Borrower request;
- approval of a delegated Borrower request;
- management of insurance matters;
- review of Transfer/Assumption requests; and
- administration of specialty product types.

The Servicer must submit all Borrower requests, along with any additional information and required documents, through the MAMP. If submitting through the MAMP is not feasible, overnight mail must be used and sent to:

Fannie Mae  
Attention: (Drawer AM, Structured AM, Seniors AM,  
or Assumption/Transfer)  
Mailstop 8V-21  
1100 15th Street, NW  
Washington, DC 20005.

Fannie Mae email addresses and contact information for notices required in this Chapter are located in the Glossary.



## 401.02 Monitoring Compliance with Loan Documents

For each Mortgage Loan, the Servicer must monitor the Borrower's compliance with the terms and conditions of the Loan Documents, and facilitate compliance or take appropriate actions to address any instance of noncompliance. All Loan Documents and all other documents required to be retained by the Servicer must be maintained in accordance with the Program Rules.

**In the event of any conflict between or among the requirements of the Guide, the Disclosure Documents, the Lender Contract, and the Loan Documents, the governing priority shall be, in order:**

- **Loan Documents;**
- **Disclosure Documents;**
- **Lender Contract; and**
- **Guide.**

## Section 402 Delegation of Decision-Making Authority; Retention of Outside Legal Counsel

### 402.01 Delegation of Decision-Making Authority

Fannie Mae delegates significant decision-making authority and responsibility to the Servicer to the extent specified in the Multifamily Asset Management Delegated Transaction Forms ([Form 4636 series](#)) (each, the "Delegated Transaction Form"), covering the following matters:

- [Transfers/Assumptions \(Form 4636.TA\)](#);
- [Commercial Leases \(Form 4636.CL\)](#);
- [Condemnations \(Form 4636.C\)](#);
- [Condominium/Cooperative Property Conversions \(Form 4636.CC\)](#);
- [Easements \(Form 4636.E\)](#);
- [Oil, Gas, or Mineral Rights Leases \(Form 4636.OGL\)](#);
- [Partial Releases of Collateral \(Form 4636.PR\)](#);
- [Property Management Changes \(Form 4636.PM\)](#); and
- [Use Conversions \(Form 4636.UC\)](#).

The Servicer must follow the instructions in the Delegated



Transaction Form, which will specify which matters are delegated and which are non-delegated. All delegated and non-delegated requests must be submitted through the MAMP, with the Delegated Transaction Form and the required supporting documents.

A transaction memo must be submitted for any unusual matters not covered in the Guide, or matters that could materially affect Fannie Mae's security interests, investment interests, or the interests of Investors in Securitized Mortgage Loans. Decision-making authority is more limited for Credit Facilities, Bulk Deliveries, and certain Seniors Housing Loan matters. Neither the Servicer nor Fannie Mae has the authority to waive any local, state, or federal law or regulation.

#### **402.02** Retention of Outside Legal Counsel

Fannie Mae often retains outside legal counsel to review non-delegated matters or other matters that require Fannie Mae's legal review. In such instance, the Servicer must obtain the Borrower's written agreement to pay the reasonable legal fees and expenses of Fannie Mae's counsel before any legal work may commence.

If Fannie Mae outside counsel review is required or requested, the Borrower must pay the applicable legal fee, which will either be a fixed fee or an estimated fee depending on the type of request. For an estimated fee request, the Servicer must notify the Borrower that the actual legal fee may be higher or lower than the estimate, depending on the ultimate scope of the request, and the time needed to resolve the issue.

Fannie Mae will:

- apprise the Servicer of any likely increases in the estimated review fee;
- provide the Servicer the amount of the fee for any fixed fee request; and
- provide the Servicer a summary invoice directly from Fannie Mae's outside counsel.

Upon receipt of the invoice, the Servicer must arrange for payment of Fannie Mae's legal fees. The legal fee must be collected from the Borrower before engaging Fannie Mae outside counsel.

### **Section 403**

#### **Execution of Documents by Servicer – Limited Power of Attorney**

Fannie Mae may provide the Servicer with a Limited Power of Attorney conferring the right to execute certain documents as attorney-in-fact on behalf of Fannie Mae. If granted, the actions authorized in the Limited Power of Attorney will be specifically limited, and allow the Servicer to



execute only those documents listed in the Limited Power of Attorney. To exercise the Limited Power of Attorney the Servicer must execute documents as “[Name of Servicer], as Attorney-in-Fact for Fannie Mae”. The Servicer’s designation as attorney-in-fact will be subject to review and renewal, and the power granted under the Limited Power of Attorney may be revoked by Fannie Mae at any time. Requests for new and replacement Limited Power of Attorney should be submitted through the MAMP or as required by [Part V, Chapter 4: Asset Management: Loan Document Administration, Section 401.01: General](#). As each Limited Power of Attorney expires on a specified date according to its terms, the Servicer must monitor the expiration date and request a new Limited Power of Attorney at least 30 days prior to the expiration date.

## **Section 404** Execution of Documents by Fannie Mae

### **404.01** Submission of Documents to Fannie Mae

All documents requiring execution by Fannie Mae (clearly identified by Fannie Mae Loan Number) must be sent to Multifamily Asset Management. Fannie Mae will execute the documents without prior review if the Servicer provides the certifications described in this Section.

The Servicer must include directions for returning the documents, including:

- contact name;
- overnight delivery mailing address;
- phone number; and
- email address.

### **404.02** Servicer Certification When Fannie Mae Approval Is Not Required

For any document submitted to Fannie Mae for execution when the servicing decision has been delegated to the Servicer, the Servicer must provide written certification to Fannie Mae that:

- the Servicer has reviewed the proposed transaction, and approval by the Servicer is in compliance with the Guide, the Loan Documents, any Disclosure Documents, and the Lender Contract;
- the Servicer has approved the proposed transaction;
- no approval or waiver is required from Fannie Mae;
- Servicer’s legal counsel has reviewed and approved all relevant documents associated with the transaction, and determined that those documents are sufficient to fully



effectuate the transaction; and

- any material changes to Fannie Mae form Loan Documents have been approved by Fannie Mae.

#### **404.03** Servicer Certification When Fannie Mae Approval Is Required

For any document submitted to Fannie Mae for execution when the servicing decision has not been delegated to the Servicer, the Servicer must provide written certification to Fannie Mae that:

- the Servicer has reviewed the proposed transaction, and approval by the Servicer is not delegated under the Guide;
- the Servicer recommends approval by Fannie Mae of the proposed transaction;
- any required waivers have been submitted by the Servicer;
- Servicer's legal counsel has reviewed and approved all relevant documents associated with the transaction, and determined that those documents are sufficient to fully effectuate the transaction; and
- any material changes to Fannie Mae form Loan Documents have been approved by Fannie Mae.

### **Section 405** Fees Due to Fannie Mae

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Certain fees may be due to Fannie Mae in connection with a Borrower servicing request. The specified fees are for typical requests; however, higher fees may be required for complicated or non-standard requests, or for other matters not specified in this Chapter. No later than 10 Business Days following receipt of any fee by the Servicer, the Servicer must remit to Fannie Mae, by wire transfer of immediately available funds, Fannie Mae's portion of the fee. The Servicer must submit the wire transfer confirmation number, wire date, and wire amount through the MAMP immediately following each funds transfer, as follows:

ABA Number: 021 039 500  
Telegraphic Abbreviation: FNMA/NYC  
Account Number: 169220242  
Note: Type of fee (e.g., Assumption/Transfer),  
Fannie Mae Loan Number and Property Name  
Attention: Trans code 507 - GL 747669921.

### **Section 406** Follow-Up Actions by the Servicer

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The Servicer must take all applicable actions required to fully effectuate the transaction, including:



- amending the recorded Security Instrument or filed Uniform Commercial Code (UCC) financing statements;
- updating the Property survey;
- obtaining an endorsement to the mortgagee's title insurance policy showing no impairment of Fannie Mae's Lien position, and dating down title to reflect any recorded amendment to the Security Instrument;
- recording all applicable documents, and sending the required documents through the MAMP;
- sending an executed original copy of any new or amended Loan Document to Multifamily Certification and Custody within 15 Business Days;
- following the requirements of [Part V, Chapter 3: Custodial Accounts, Section 301: Generally](#) if changes are required to any existing Collateral Agreement Custodial Account, or if any new Collateral Agreement Custodial Account must be established in connection with the transaction;
- retaining copies of all documents, correspondence, and any internal notes or analysis relating to the transaction in the Servicing File; and
- taking any other actions the Servicer or its legal counsel determines are necessary.

## Section 407 Subordinate Financing

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### 407.01 Non-Fannie Mae Subordinate Financing

A Subordinate Loan is generally not permitted unless it complies with Fannie Mae's requirements. Approval of any Subordinate Loan is not delegated to the Servicer and must be approved in advance by Fannie Mae. Additionally:

- with respect to any Subordinate Loan, the Servicer must abide by the terms and conditions of the Loan Documents, the Guide, and any Disclosure Documents, provided that the Loan Documents will control in the case of any conflict;
- unless the Loan Documents explicitly allow a Subordinate Loan, the Servicer must not permit the Borrower, without prior Fannie Mae approval, to incur the Subordinate Loan or allow a Lien securing the Subordinate Loan to be placed against the Property;
- if the Loan Documents explicitly allow a Subordinate Loan without the approval of the Lender, the consent of the Servicer or Fannie Mae is not required; however, notice of the Subordinate Loan and a copy of any documents must be





submitted through the MAMP;

- the Borrower and the subordinate lender must enter into and record the appropriate Subordination Agreement ([Form 6414](#) or [Form 6456](#) for the 6000 series Loan Documents; [Form 4503](#) or [Form 4507](#) for the 4000 Series Loan Documents); and
- the proceeds of the Subordinate Loan must benefit the Property (i.e., cash-out financing is not permitted).

The Servicer must immediately notify Multifamily Asset Management in writing upon learning of any unauthorized additional unsecured debt or indebtedness secured by a Lien on the Property or of any pledge of ownership interests that is not permitted by the Loan Documents, and send the Borrower a Reservation of Rights Letter ([Form 4804](#)) with a copy submitted through the MAMP. Fannie Mae will determine whether to approve the Subordinate Loan, or exercise its remedies.

#### **407.02 Prerequisite for Subordinate Financing**

[Part III, Chapter 14: Supplemental Mortgage Loans](#), contains the requirements for Supplemental Mortgage Loans, and [Part III, Chapter 7: Multifamily Affordable Housing Properties](#) contains additional requirements for subordinate financing with respect to a Multifamily Affordable Housing Property. The Servicer must ensure adherence to all applicable requirements.

#### **407.03 Fees for Subordinate Financing**

The Borrower must pay the Servicer a \$2,500 review fee. The Servicer may increase or decrease its fee at its discretion. No Fannie Mae review fees are due. The Servicer may also seek reimbursement from the Borrower for all reasonable out-of-pocket costs, including reasonable legal fees incurred by Servicer's counsel.

If Fannie Mae outside counsel is engaged, the Borrower must pay its fee, estimated at \$2,500 for Subordinate Financing requests. The actual legal fee may be higher or lower, depending on the ultimate scope of the request and the time necessary to resolve. The Servicer will receive a summary invoice directly from Fannie Mae outside counsel and must arrange for payment. The Servicer will be apprised of any likely increases in the estimated review fee. The estimated legal fee must be collected from the Borrower before engaging Fannie Mae outside counsel.

#### **407.04 Submitting the Request for Subordinate Financing**

Any Borrower request for approval of a Subordinate Loan must be reviewed by the Servicer. If acceptable, the request must be submitted for



approval through the MAMP in accordance with the following:

- the Servicer must submit the request to Fannie Mae at least 30 days before the projected closing date of the Subordinate Loan; and
- the submission must contain:
  - an Appraisal (obtained at the Borrower's cost), dated no earlier than 90 days prior to the date of the Borrower request for approval of the Subordinate Loan, that complies with [Part II, Chapter 2: Valuation and Income, Section 201: Market and Valuation](#);
  - Servicer's underwriting spreadsheet showing the Subordinate Loan's effect on the Property's income, expenses, NCF, DSCR, and LTV;
  - a copy of the final, unsigned loan documents evidencing the Subordinate Loan, with the loan amount, interest rate, payment schedules, and all other transaction related information completed;
  - the MBA Standard Inspection Form documenting a physical inspection of the Property, performed at Borrower's expense, occurring no earlier than 90 days before the date of the Borrower request for the Subordinate Loan; provided that, if the Servicer's inspection of the Property reveals that the Property is not being properly maintained, the Borrower request will not be approved by Fannie Mae unless:
    - a Replacement Reserve is sufficiently funded; and
    - the Borrower makes any immediate repairs identified by the Servicer prior to the closing date of the Subordinate Loan; and
  - a title policy endorsement for the Property showing no unauthorized Liens or encumbrances of any nature against the Property.

For a Cooperative Property, the Subordinate Loan is unacceptable if the potential increase in the Cooperative Maintenance Fee necessary to cover P&I on the Subordinate Loan exceeds 10% of the current Cooperative Maintenance Fee.

#### **407.05 Fannie Mae Approval and Execution**

Fannie Mae will provide the Servicer with a written decision regarding the Borrower request, after which the Servicer must notify the Borrower in writing and retain the notice in the Servicing File.



## 407.06 Subsequent Servicer Actions

The Servicer must:

- not permit any changes to the form Subordination Agreement (Form 6414 or Form 6456 for the 6000 series Loan Documents; Form 4503 or Form 4507 for the 4000 series Loan Documents) without the prior written consent of Fannie Mae;
- obtain a satisfactory title policy endorsement effective as of the date of recordation of the subordinate security instrument that:
  - insures the Lien of the Security Instrument as senior to the Lien of the subordinate security instrument; and
  - reflects the recordation of the Subordination Agreement;
- submit a copy of the recorded Subordination Agreement through the MAMP; and
- send the original executed copy of the recorded Subordination Agreement and the title policy endorsement to Multifamily Certification and Custody within 15 Business Days, and retain copies of each in the Servicing File.

## Section 408 Administration of Collateral Agreements

### 408.01 General Administrative Requirements

#### 408.01A Administration of Funds

The Servicer must:

- administer and manage funds or collateral under all Collateral Agreements; and
- ensure that any disbursements of funds, or other collateral releases or reductions, are:
  - approved only for valid reasons;
  - appropriately documented; and
  - consistent with the provisions of the Collateral Agreement and this Section.

#### 408.01B Funds to be Held in a Custodial Account

The Servicer must deposit funds held under a Collateral Agreement in a Custodial Account that meets the requirements of [Part V](#),



### Chapter 3: Custodial Accounts.

#### 408.01C Use of Funds

Funds must be used only for the purposes stated in the Collateral Agreement, and must not supplement a partial P&I payment or cover any other Borrower obligation unrelated to the primary purposes of the Collateral Agreement.

#### 408.01D Funds as Additional Security for Mortgage Loan

All funds or other collateral held under a Collateral Agreement constitute additional security for the Borrower's obligations under the Note and the other Loan Documents. In the event of a default under the Loan Documents, Fannie Mae reserves the right to apply (or direct the Servicer to apply) the funds or other collateral held under any Collateral Agreement in any manner allowed under the terms of such Collateral Agreement.

**Following a default, unless instructed by Fannie Mae, the Servicer must not:**

- **release any funds or other collateral held under a Collateral Agreement;**
- **apply any funds or collateral to the repayment of the Mortgage Loan; or**
- **reimburse itself from such funds or collateral for any expenses or losses incurred by the Servicer.**

#### 408.01E Servicer's Fees and Costs

If the Collateral Agreement contemplates the payment of fees or costs by the Borrower, the Servicer may collect and retain such fees or costs for its own account, adhering to any specific billing provisions of the Collateral Agreement. Any fees or costs retained by the Servicer must be reasonable in relation to the nature and scope of the services provided by or on behalf of the Servicer. The Servicer must not use any of the funds or other collateral held under the Collateral Agreement to cover such fees or costs. However, the Servicer may deduct such fees or costs from any disbursement of funds to the Borrower, provided such disbursements, fees, and costs are permitted under the Collateral Agreement, or if the Borrower otherwise agrees in writing.

#### 408.01F Waiver or Modification of Terms of Collateral Agreement

Except as noted in this Chapter, the Servicer must not waive or modify the terms of any Collateral Agreement.



## **408.02** Achievement Agreement or Other Agreement for Additional Collateral

### **408.02A** General

The provisions of this Section govern Achievement Agreements and all Collateral Agreements, other than:

- Multifamily Loan Agreements, including the Completion/Repair Schedule and Replacement Reserve Schedule;
- Security Instruments;
- Replacement Reserve Agreements; and
- Completion/Repair Agreements.

The Servicer must maintain an effective system for monitoring the expiration date of any Achievement Agreement or other Collateral Agreement, and ensure that all actions required to be taken pursuant to any such agreement have been timely performed and, if not timely performed, immediately notify Multifamily Asset Management.

### **408.02B** Releases or Reductions in Collateral

Any request for a release or reduction of collateral must be processed in accordance with this Section, unless these instructions conflict with the terms and conditions of the Achievement Agreement or other Collateral Agreement.

#### **1. General**

If the Borrower has not satisfied the requirements for a release or reduction of collateral contained in the Achievement Agreement or other Collateral Agreement, the Servicer must not approve the Borrower request, and may decline the Borrower request without notice to Fannie Mae. If the Servicer determines that the Borrower has satisfied the requirements of the Achievement Agreement or other Collateral Agreement, the Servicer must recommend the release or reduction of collateral through the MAMP, accompanied by the supporting documentation listed below. Upon receipt and review of all pertinent information, Fannie Mae will approve or deny the request and notify the Servicer of its decision.

#### **2. Supporting Documentation and Analysis**

The following documentation must be submitted through the MAMP, and maintained in the Servicing File, in connection with each request for a release or reduction of collateral

##### **(a) Income and Expense Statements; Current Rent Roll**



Property income and expense statements and a current rent roll must be obtained from, and certified by, the Borrower. The statements must cover the applicable period required by the Achievement Agreement or other Collateral Agreement. Based on the Loan Documents, Parts I - III, the certified income and expense statements, and the current rent roll, the Servicer must develop a Net Cash Flow estimate to determine whether the release or reduction provisions of the applicable Achievement Agreement or other Collateral Agreement are satisfied. The income, vacancy, collection loss, and concession information should support the Effective Gross Income that the Servicer is relying on in assessing whether a release or reduction is warranted.

In deriving its estimate of Effective Gross Income, the Servicer must adjust for:

- income that was not allowed or recognized in the original underwriting;
- the effect of a partial year's performance when the shorter period reflects the short-term, positive impact from seasonal variations that do not reflect the Property's year-round performance; and
- non-monetary concessions, requiring the Servicer to deduct the pro-rata value of the concession from the monthly rent for the applicable unit.

The Servicer must ensure that all appropriate types of expenses, including underwritten Replacement Reserve deposits, are included, and that any inappropriate expenses (e.g., capital improvement costs, repair costs covered by funds set aside for Completion/Repairs, partnership costs, etc.) are excluded. To avoid unwarranted releases or reductions of collateral, the expense figures must reflect stabilized operating conditions, and must not be understated due to efficiencies or savings that could not be replicated by a different owner or manager, or that would not be recognized for underwriting purposes.

The Servicer must perform a line-by-line expense analysis, including a comparison of the original underwriting estimates with the actual expenses shown on the Borrower's income and expense statements. The Servicer must use the greater of the underwritten or the actual expense figure shown for each item on the Borrower's statement.

#### **(b) Servicer's Analysis**



The Servicer must provide an analysis and recommendation regarding the release or reduction of collateral, including any calculations required under the terms of the applicable Achievement Agreement or other Collateral Agreement.

### **(c) Correspondence**

The Servicer must provide any correspondence with the Borrower that pertains to the release or reduction request.

### **3. Property Inspection**

Before approving any request for a release or reduction of collateral, the Servicer must perform a physical inspection of the Property to verify that:

- no deferred maintenance exists;
- necessary capital improvements have been made; and
- the general management and operations are acceptable and characteristic of a stabilized project.

The Servicer's inspection must occur no more than 90 days prior to the date of the submission to Fannie Mae of the release or reduction request. The Servicer must document the results of its inspection by completing the MBA Standard Inspection Form.

## **408.02C** Draws on Letters of Credit or Application of Other Collateral

### **1. Draws Triggered by Adverse Events**

The Servicer must promptly notify Multifamily Asset Management when any of the following events occur, which could result in a draw on a Letter of Credit issued for an Achievement Agreement or other Collateral Agreement:

- a default under the Loan Documents, including the Achievement Agreement or other Collateral Agreement;
- the failure to renew or replace an expiring Letter of Credit at least 30 days prior to its expiration date, or other deadline specified in the Achievement Agreement or other Collateral Agreement; or
- the failure to replace a Letter of Credit by the replacement deadline when the Issuer is no longer acceptably rated.

The Servicer's notice to Fannie Mae must include a recommended course of action, and be accompanied by a copy of the executed Achievement Agreement or other Collateral Agreement.



## 2. Draw Resulting from Noncompliance with Issuer Rating Requirements or Expiration of Letter of Credit

If a draw on the Letter of Credit occurs due to noncompliance with the rating requirements for the Issuer or because of an imminent expiration of the Letter of Credit, Fannie Mae will hold the Letter of Credit proceeds in its designated account until the earliest of the following:

- the Borrower presents a replacement Letter of Credit and Fannie Mae agrees, in its sole discretion, to accept the Letter of Credit;  
(NOTE: Any agreement by Fannie Mae to accept a replacement Letter of Credit will be conditioned upon the Borrower's payment of all administrative and legal costs incurred by the Servicer and Fannie Mae in connection with the replacement of the Letter of Credit.)
- the release or reduction provisions of the applicable Achievement Agreement or other Collateral Agreement are satisfied; or
- the Borrower pays all amounts due and payable under the Loan Documents, including any required Prepayment Premium, and Fannie Mae releases the Lien of the Security Instrument.

## 3. Draws Occasioned by Borrower Request

If the Servicer receives a request from the Borrower to draw on the Letter of Credit and have the proceeds applied as a partial prepayment against the UPB, and the Loan Documents allow partial prepayments, the Servicer must immediately forward the request, along with an analysis and recommendation, including an estimate of the applicable Prepayment Premium, to Fannie Mae. If the Loan Documents do not allow partial prepayments, the Servicer must deny the Borrower request.

Fannie Mae will assess the Borrower request and determine if the proposed use of the Letter of Credit proceeds or other collateral would be in the best interest of Fannie Mae and/or the Investor in any Securitized Mortgage Loan. **Any decision to apply Letter of Credit proceeds or apply other collateral to a partial prepayment will be made by Fannie Mae in its sole discretion.** Fannie Mae will notify the Servicer of its determination and will provide appropriate follow-up instructions.

## 4. No Interest on Proceeds Held by Fannie Mae

Fannie Mae will not pay interest on the cash proceeds it holds resulting from a draw on a Letter of Credit.





#### **408.02D** Releasing Additional Escrows for Principal and Interest, Taxes and Insurance, and Replacement Reserves

Notwithstanding anything contained in this Chapter, if no Event of Default has occurred and is continuing under any of the Loan Documents (including Forbearance), the Servicer is delegated the authority to waive any Loan Document requirement prohibiting the Servicer from immediately approving a partial or final disbursement request of Additional Escrows for P&I, T&I, and Replacement Reserves required by:

- **Form 6268** – Modifications to Multifamily Loan and Security Agreement (Additional Reserve Escrows);
- **Form 6640** – Amendment to Multifamily Loan and Security Agreement (Additional P&I Escrow Agreement); or
- **Form 6641** – Additional P&I Escrow Agreement (4000 series Loan Documents).

The Servicer is delegated the authority to:

- determine whether the waiver requires a Loan Document amendment; and
- document any amendment in any form the Servicer determines to be legally enforceable.

Servicers must document all disbursement requests, including any supporting documentation and analysis, in the Servicing File.

### **408.03** Completion/Repairs

#### **408.03A** General

The Loan Documents for administering Completion/Repairs are:

- for Mortgage Loans documented with the 6000 series Loan Documents, the Multifamily Loan Agreement, plus the:
  - Completion/Repair Schedule;
  - Multifamily Loan Agreement and Modifications to Multifamily Loan and Security Agreement (Rehabilitation Reserve - Moderate Rehabilitation/Substantial Rehabilitation); or
  - another approved Modifications to Multifamily Loan and Security Agreement; and
- For Mortgage Loans documented with the 4000 series Loan Documents, the Completion/Repair Agreement.



The Servicer must administer the Loan Documents to ensure the timely implementation of all Completion/Repairs. Once the Completion/Repairs are completed and comply with the Guide, the Servicer must enter the final completion dates and close out the work items for the Mortgage Loan in the Completion/Repair module in the MAMP. Additional information may be required for any Mortgage Loan assigned to Loss Mitigation. If the Mortgage Loan does not have work items in the MAMP, no further action in the MAMP is required.

#### **408.03B** Extensions for Completion/Repairs

The Servicer is delegated the authority to extend the time limits for making Completion/Repairs if:

- the Completion/Repairs subject to the extension request do not involve life safety issues; and
- the Mortgage Loan does not have a Fannie Mae risk rating of Substandard or Doubtful.

Notwithstanding the above, the Servicer is delegated the authority to grant a one-time extension of 30 days for a life safety issue if the Borrower is diligently pursuing completion of the related Completion/Repair.

The duration of any permitted non-life safety extension may not exceed:

- 1 year past the original completion date specified in the Loan Documents for that Completion/Repair, for a Mortgage Loan without loss sharing; and
- 2 years past the original completion date specified in the Loan Documents for that Completion/Repair, for any Mortgage Loan with loss sharing.

The Servicer must submit a Non-Monetary Default Borrower Request in the MAMP if the required Completion/Repairs are not completed with this timeframe.

The Servicer is delegated the authority to grant a one-time extension of up to 90 days past the original completion date for any Completion/Repairs that are Efficiency Measures which the Borrower agreed to implement to qualify as a Green Rewards Mortgage Loan. The Servicer is not delegated the authority to extend the time limit beyond 90 days.

The Servicer is delegated the authority to:

- determine whether the extension requires an amendment to the Loan Documents; and
- document a required amendment in any form the Servicer



determines to be legally enforceable.

#### **408.03C** Completion/Repair Loan Document Amendments

Servicers are delegated the authority to move required Completion/Repairs from the Completion/Repair Schedule to the Replacement Reserve Schedule, or from the Completion/Repair Agreement to the Replacement Reserve Agreement, and the associated deposit from the Completion/Repair Escrow into the Replacement Reserve, provided:

- the Completion/Repair does not involve life safety issues;
- delaying the Completion/Repair will not materially negatively impact the Property; and
- the total amount of Completion/Repairs being transferred does not exceed the lesser of (i) 25% of the original Completion/Repair Escrow, or (ii) \$75,000.

Notwithstanding the above, the Servicer is not delegated the authority to move required Completion/Repairs to the Replacement Reserve Schedule for any Efficiency Measures that the Borrower agreed to implement in order to qualify as a Green Rewards Mortgage Loan.

The Servicer must:

- send the executed Loan Document amendment to Multifamily Certification and Custody within 15 Business Days;
- submit a copy of the Loan Document amendment through the MAMP for any Mortgage Loan with a Completion/Repair work item in the MAMP; and
- retain a copy in its Servicing File.

#### **408.03D** Servicer's Administrative Requirements

For all Completion/Repairs, the Servicer must:

- retain a copy of the executed Multifamily Loan Agreement and Completion/Repair Schedule or Completion/Repair Agreement in its Servicing File;
- hold all Completion/Repair Escrow funds in an account that meets the Custodial Account requirements of [Part V, Chapter 3: Custodial Accounts](#);
- ensure that all necessary permits are obtained, and that all required work is satisfactorily completed in a good and workmanlike manner by the completion dates stipulated in the



Loan Documents;

- for a Green Rewards Mortgage Loan, ensure all Efficiency Measures are completed in a timely manner and no later than:
  - 12 months after the Mortgage Loan Origination Date; or
  - any shorter time period per [Part II, Chapter 4: Inspections and Reserves, Section 403: Property Condition Assessment \(PCA\)](#) for capital improvements identified as Immediate Repairs by the PCA;
- process Borrower requisitions for funds in accordance with the terms and conditions of the Loan Documents;
- perform required inspections of completed work and, if appropriate, work in progress and, if necessary, arrange inspections by qualified professionals;
- ensure that the Completion/Repair work does not result in any mechanics' Liens, materialmen's Liens, or other Liens that have not been acceptably bonded over;
- promptly submit a Non-Monetary Default Borrower Request in the MAMP for any Completion/Repair Loan Document default;
- take appropriate steps to remedy or address any default under the Loan Documents for Completion/Repairs; and
- perform all other administrative duties required by the Loan Documents for Completion/Repairs.

## **408.03E** Processing Borrower Requisitions

### **1. General**

Completion/Repair Escrow funds are available to reimburse the Borrower for costs incurred for Completion/Repairs that are specifically identified in the Loan Documents. The Servicer may authorize the release of funds to cover the costs of other reasonable and necessary repairs, replacements, or improvements that are not specified in the Loan Documents only if the Loan Documents permit the disbursements, and all conditions are fully satisfied.

### **2. Required Documentation for Disbursement**

To obtain reimbursement, the Borrower must submit a written requisition specifying the Completion/Repairs for which reimbursement is being sought, including:

- the specific Completion/Repairs completed;
- the quantity and price of all materials (grouped by type



or category) or specific replacement items (e.g., appliances) purchased in connection with the Completion/Repairs; and

- the cost of all contracted labor or other services involved in completing the Completion/Repairs.

The Borrower requisition for the specified Completion/Repairs for which reimbursement is being sought must be accompanied by:

- a Borrower certification that the specific Completion/Repairs have been completed:
  - in a good and workmanlike manner;
  - in accordance with any plans and specifications previously approved by the Servicer; and
  - in compliance with all applicable laws, ordinances, rules, and regulations of any governmental authority, agency, or instrumentality having jurisdiction over the Property; and
- if the invoice exceeds the lesser of \$25,000 or 1% of the UPB:
  - a copy of the invoice detailing the covered materials, labor, or services;
  - payment evidence; and
  - a Lien release from each contractor, subcontractor, or materialman.

### **3. Disbursement of Funds (Excluding Final Disbursement)**

The Servicer may disburse funds to the Borrower only if it has received all required documentation and determined that all applicable conditions for disbursement have been met, including (but not limited to) the following:

- all Completion/Repairs covered by the requisition have been completed in a good and workmanlike manner, as evidenced by the Borrower's submission and, if appropriate, an inspection of the completed work (see guidance on inspections below);
- all related invoices for items and services covered by the requisition have been paid, unless the Borrower



has satisfied any applicable conditions of the Loan Documents for issuance of a joint check(s), made payable to the Borrower and the Person owed funds under such invoices;

- no mechanics' Liens, materialmen's Liens, or other Liens exist, unless acceptably bonded over;
- no default exists under any Loan Document;
- for each Green Rewards Efficiency Measure disbursement, the Efficiency Measure was reported as:
  - compliant on the Green Rewards Verification Inspection Form (Form 4221) per Part V, Chapter 4: Asset Management: Loan Document Administration, Section 408.03I: Green Rewards Efficiency Measure Verification; or
  - noncompliant, and Fannie Mae has approved and closed the remediation in DUS Property Monitor; and
- for a Green Rewards Mortgage Loan with a Solar PV System as an Efficiency Measure, Completion/Repair Escrow funds are only released after confirming commercial operation of the Solar PV System.

The amount disbursed to the Borrower for any requisition, other than the final requisition, may not exceed the actual cost of the Completion/Repairs, and may be less than the actual cost if, after disbursement, the amount of funds remaining in the Completion/Repair Escrow would be less than the anticipated cost of completing all remaining Completion/Repairs plus any holdback specified in the Loan Documents.

Notwithstanding the above, once 75% of the total dollar amount of Completion/Repairs is disbursed, the Servicer may release funds in the Completion/Repair Escrow, provided:

- funds are only released for Completion/Repairs that have been fully completed;
- the Servicer has complied with all other disbursement requirements;
- the Servicer completes an analysis showing that the remaining amount in the Completion/Repair Escrow is sufficient to complete all remaining



Completion/Repairs;

- the Borrower affirms in writing its obligation to complete the remaining Completion/Repairs by the required completion dates; and
- the Completion/Repair Escrow is not for a Green Rewards Efficiency Measure that must be released per [Part V, Chapter 4: Asset Management: Loan Document Administration, Section 408.03I: Green Rewards Efficiency Measure Verification](#).

For Green Rewards Efficiency Measures included in a Moderate Rehabilitation Mortgage Loan, funds may be periodically disbursed from the applicable Completion/Repair Escrow or Rehabilitation Reserve Escrow as with a non-Green Rewards Mortgage Loan, rather than only after a compliant verification inspection of Efficiency Measures.

#### **4. Final Disbursement of Funds**

Before making the final disbursement of funds from the Completion/Repair Escrow, the Servicer must confirm and document the absence of any mechanics' and materialmen's Liens by requiring the Borrower to obtain an updated title report or a title policy endorsement showing that no such Liens exist. The Servicer may waive the updated title report or endorsement when the total scope of work is less than \$75,000. If the Borrower fails to provide the required title documentation, the Servicer must obtain a title report or title policy endorsement, and may charge the Borrower for the cost.

The Servicer may make a final disbursement of all remaining funds upon satisfactory completion of all required Completion/Repairs, and satisfaction of all other applicable release conditions contained in the Loan Documents for Completion/Repairs.

#### **5. Maintenance of Servicing File**

The Servicer must document the action taken with respect to each Borrower requisition for funds from the Completion/Repair Escrow in its Servicing File.

### **408.03F** Inspections

#### **1. Use of Third Party**

The Servicer may inspect the Property, or have a qualified independent third party inspect the Property, to confirm that the Completion/Repairs covered by the requisition have been satisfactorily completed. The Servicer is responsible for monitoring the third-party's performance.



## 2. When Periodic Inspections Are Required

Periodic inspections must be performed as the work progresses if the Completion/Repairs:

- exceed in the aggregate the lesser of:
  - \$500,000, or 20% of the UPB for any Mortgage Loan with loss sharing; or
  - \$250,000, or 10% of the UPB for any Mortgage Loan without loss sharing; and
- are likely to require more than 6 months to complete.

Inspections must occur at least every 6 months, or more frequently at the Servicer's discretion.

## 3. When a Final Inspection Is Required

An inspection must be performed to ensure that all Completion/Repairs have been satisfactorily completed before approving and disbursing the final requisition when the Completion/Repairs exceed the lesser of:

- \$500,000, or 20% of the UPB for any Mortgage Loan with loss sharing; or
- \$250,000, or 10% of the UPB for any Mortgage Loan without loss sharing.

## 4. Confirming Completion/Repairs if Inspection Is Not Required

Even if an inspection is not required by this Section, the Borrower must provide evidence to the Servicer that all Completion/Repairs covered by the requisition have been satisfactorily completed. If not inspected sooner, the Servicer must confirm the satisfactory completion of the Completion/Repairs during the next regularly scheduled Property inspection.

## 5. Documenting the Servicing File

In all instances, the Servicer must document in its Servicing File whether all work was satisfactorily completed.

### 408.03G Fees

Completion/Repair Escrow funds may not be used to cover any administrative or inspection fees due to the Servicer unless expressly permitted Loan Documents, or the Borrower agrees in writing. If permitted, the Servicer may charge the Borrower and deduct the following from any disbursement of funds:





- reasonable fees to cover the Servicer's costs of administering the Completion/Repairs; and
- additional fees to cover any reasonable inspection costs that are not adequately covered by general administrative fees collected from the Borrower.

#### **408.03H** Completion/Repair Defaults

##### **1. Notification of Default to Fannie Mae**

The Servicer must immediately submit a Non-Monetary Default Borrower Request in the MAMP for any Completion/Repair Loan Document default.

##### **2. No Release of Funds to Borrower**

No funds may be released to the Borrower while the Borrower is in default under any of the Loan Documents.

#### **408.03I** Green Rewards Efficiency Measure Verification

For all Green Rewards Mortgage Loans, the Servicer must ensure a Green Rewards Verification inspection is performed for all Efficiency Measures to confirm correct installation, and identify any errors that may hinder the Property achieving the expected savings and benefits.

##### **1. Green Rewards Verification Inspection**

For a Green Rewards Verification inspection, the inspector must use the Green Rewards Verification Inspection Form ([Form 4221](#)) that is pre-populated with Property information and the Efficiency Measures identified as Green Rewards Repairs in the Completion/Repair Schedule. The Servicer must submit [Form 4221](#) within 60 days after the Green Rewards Verification inspection date, and timely resolve any issues identified by Fannie Mae.

##### **2. Minimum Inspector Qualifications**

Third-party or Servicer staff must attend Fannie Mae's Green Rewards Verification inspection training on the requirements, processes, and documentation before conducting Green Rewards Verification inspections.

The minimum inspector qualifications correspond to the applicable Efficiency Measure type, and may be held by the inspection project team, rather than by an individual inspector.

<b>Efficiency Measures</b>	<b>Description</b>	<b>Minimum Inspector Qualification</b>
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Basic	<p>Simple upgrades such as:</p> <ul style="list-style-type: none"> <li>• low-flow water fixtures; or</li> <li>• lighting improvements.</li> </ul>	<p>Servicer must ensure the inspector is either a qualified third-party or Servicer staff per Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol and Part V, Chapter 5: Surveillance, Section 502.05A: Qualifications.</p>
Complex	<p>Upgrades and changes to building systems, such as:</p> <ul style="list-style-type: none"> <li>• heat recovery ventilation systems; or</li> <li>• boiler controls.</li> </ul>	<ul style="list-style-type: none"> <li>• For Solar PV System Efficiency Measures, the Servicer must retain a <ul style="list-style-type: none"> <li>- Solar Technical Consultant per Part III, Chapter 4: Green Mortgage Loans, Section 401.03: Technical Solar Report, or</li> <li>- qualified PCA High Performance Building Consultant per the Instructions for Performing a Multifamily Property Condition Assessment (Form 4099).</li> </ul> </li> <li>• For other Efficiency Measures, the Servicer must retain a qualified PCA High Performance Building Consultant per Form 4099.</li> </ul>

### 3. Unit Inspection

The inspector must inspect a minimum number of occupied and vacant units as follows:

Total number of units	Minimum number of units to be inspected
Less than 20	3 units
20 - 55	5 units
56 - 99	10% of total units
100 - 200	10 units
201 - 600	5% of total units



More than 600	30 units
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[Form 4221](#) calculates the required number of units and tracks the number of completed units based on the user's inputs. When unit inspections are required, the Servicer must:

- Determine the appropriate combination of vacant and occupied units for inspection.
- Determine which vacant and occupied units to inspect.
- Submit at least:
  - 1 representative photograph of each Efficiency Measure listed on [Form 4221](#); and
  - 1 photograph of each non-compliant Efficiency Measure.

For Partial Efficiency Measures, the Servicer must request a rent roll or other documentation identifying the units that received Partial Efficiency Measure installations, and conduct the Green Rewards Verification of those units.

#### **4. Determining Compliance**

An Efficiency Measure is compliant when the inspector:

- inspects each Efficiency Measure;
- verifies its proper installation within specifications using product information and field observation;
- confirms the Efficiency Measure installation meets the Multifamily Loan Agreement and Completion/Repair Schedule requirements; and
- documents it on [Form 4221](#).

#### **5. Remediating Noncompliance**

When an Efficiency Measure is noncompliant:

- The Servicer must:
  - provide a notice of the Efficiency Measure deficiencies to the Borrower and determine a course of action;
  - submit a remediation action plan through the DUS Property Monitor system that:
    - addresses the Property's Efficiency Measure deficiencies; and
    - provides a target date for remediation completion that is



no more than 60 days after the Borrower receives the notice of deficiencies.

- The Borrower must correct or complete the Efficiency Measure installation during the remediation period.
- Fannie Mae may require the Servicer to inspect the remediated Efficiency Measures based on the severity of noncompliance.

## 6. Verification Inspection Form Review

The Servicer must internally review all Green Rewards Verification Inspection Forms ([Form 4221](#)), whether prepared by a third party or by the Servicer before submission.

### 408.04 Replacement Reserve

#### 408.04A General

The Loan Documents for administering Replacement Reserves are:

- Multifamily Loan Agreement and Replacement Reserve Schedule, for Mortgage Loans documented with the 6000 series Loan Documents; and
- Replacement Reserve Agreement, for Mortgage Loans documented with the 4000 series Loan Documents.

The Replacement Reserve funds must be held by the Servicer in a Custodial Account, and are intended to pay for necessary replacements of capital items or major maintenance work to the Property over the term of the Mortgage Loan.

#### 408.04B Replacement Reserve Loan Document Amendments

If the Servicer's Limited Power of Attorney delegates the authority to amend the Loan Documents to revise the terms governing the Replacement Reserves, only the changes expressly permitted by this Section can be made, and the delegation does not expand the Servicer's ability to change or modify any other term of the Loan Documents.

The Servicer must send the executed Loan Document Amendment to Multifamily Certification and Custody within 15 Business Days, and retain a copy in its Servicing File.

#### 408.04C Servicer's Administrative Requirements

For all Replacement Reserves, the Servicer must:



- retain a copy of the executed Multifamily Loan Agreement and Replacement Reserve Schedule or Replacement Reserve Agreement in its Servicing File;
- unless the Borrower has requested in writing a non-interest bearing account, hold all funds in an interest-bearing Custodial Account that meets the requirements of [Part V, Chapter 3: Custodial Accounts](#) and the Loan Documents;
- ensure that all required deposits are made to the Replacement Reserve in accordance with the Loan Documents;
- process Borrower requisitions for funds in accordance with the terms and conditions of the Loan Documents;
- perform required inspections of completed work and, if appropriate, work in progress, and arrange, if necessary, for inspections by qualified professionals;
- ensure that work funded from the Replacement Reserve does not result in any mechanics' Liens, materialmen's Liens, or other Liens that have not been acceptably bonded over;
- promptly submit a Non-Monetary Default Borrower Request in the MAMP for any Replacement Reserve Loan Document default;
- take appropriate steps to remedy or address any default under the Loan Documents for Replacements, Repairs, or Restoration; and
- reassess the adequacy of the Replacement Reserve or the schedule of required deposits; and
- perform all other administrative duties required by the Loan Documents for the Replacement Reserve.

#### **408.04D** Modifications to Replacement Reserve Deposits

Based on the results of a Property inspection or a new Property Condition Assessment as required below, the Servicer may determine that the current level of Replacement Reserve funding and scheduled deposits will be insufficient to meet all projected capital item or major maintenance needs. The Servicer must then:

- adjust the Replacement Reserve Schedule or the Replacement Reserve Agreement and the Replacement Reserve funding to a sufficient level, if warranted, in accordance with the Loan Documents and Part III, by requiring the Borrower to:
  - deposit a lump sum into the Replacement Reserve; and/or



- increase the monthly Replacement Reserve deposit; and
- give the Borrower at least 30 days advance written notice prior to implementing any of the foregoing changes.

Based on the results of the new Property Condition Assessment obtained during the underwriting and delivery of a Supplemental Mortgage Loan, the Servicer may:

- adjust the Replacement Reserve funding, scheduled deposits, and Completion/Repair Schedule of all Pre-Existing Mortgage Loans to match the Supplemental Mortgage Loan underwriting; and
- amend the Loan Documents accordingly.

#### **408.04E** New Property Condition Assessments

##### **1. Timing and Waivers**

A new full PCA per [Form 4099](#) is required for:

- all MAH Properties every 5 years; or
- for any other Mortgage Loan with a term greater than 10 years, during the 10th Loan Year, and every 10 years thereafter, while the Mortgage Loan remains outstanding, or per the Loan Documents.

Notwithstanding the above, the Servicer is delegated the authority to waive the new PCA for non-MAH Properties as follows:

<b>Remaining Loan Term</b>	<b>Servicer Delegation</b>
Less than 1 Year	The new PCA may be waived for a Mortgage Loan with a: <ul style="list-style-type: none"><li>• Pass rating;</li><li>• Property inspection less than 1 year old; and</li><li>• Property condition rating of 1, 2, or 3.</li></ul>



1 Year to 5 Years	The new PCA may be waived for a Mortgage Loan with a: <ul style="list-style-type: none"><li>• Pass rating;</li><li>• Property inspection report less than 1 year old;</li></ul> and <ul style="list-style-type: none"><li>• Property condition rating of 1 or 2.</li></ul>
More than 5 Years	The new PCA may be waived for 5 years for a Mortgage Loan with a: <ul style="list-style-type: none"><li>• Pass rating;</li><li>• Property Inspection report less than 1 year old;</li></ul> and <ul style="list-style-type: none"><li>• Property condition rating of 1 or 2.</li></ul>

After 5 years, a new PCA is required unless the Mortgage Loan continues to qualify for Servicer waiver delegation. A Property may only receive a PCA waiver twice (i.e., a Mortgage Loan with a 30-year term may obtain a PCA waiver after the 10th loan year and the 15th loan year, but a new PCA is required after the 20th loan year).

All PCA waivers must be documented in the Servicing File, and any PCA waiver may be rescinded by Fannie Mae or the Servicer at any time if the Property condition warrants a new PCA.

## **2. Delivery and Payment of Property Condition Assessment**

The Servicer must submit any new PCA to Fannie Mae through the MAMP and retain a copy in its Servicing File. Subject to the terms of the Loan Documents, the cost of the PCA may be paid from funds in the Replacement Reserve.

### **408.04F** When Replacement Reserve Funding Was Partially or Fully Waived

If Replacement Reserve funding was partially or fully waived at the Mortgage Loan Origination Date, the Servicer must monitor the condition of the Property to ensure the Borrower preserves and maintains the Property as required by the Loan Documents.

If the Servicer or Fannie Mae determines that the Borrower is not properly preserving and maintaining the Property, the Servicer must require the Borrower to begin making monthly deposits to the Replacement Reserve in accordance with either the funding schedule set forth in the Loan Documents, or an alternative funding schedule determined by the Servicer.

### **408.04G** Interest on Replacement Reserve Funds

If the Servicer holds the Replacement Reserve funds in an interest-



bearing Custodial Account, none of the interest earned on the Replacement Reserve funds may be retained by the Servicer. Unless the Mortgage Loan is in default, all interest must be:

- added to the balance of the Replacement Reserve; or
- paid to the Borrower if applicable law requires or the Servicer agrees.

#### **408.04H** Items Eligible for Funding from the Replacement Reserve

Replacement Reserve funds are available to reimburse the Borrower for costs incurred to replace capital items or maintain major items specifically identified in the Loan Documents.

Replacement Reserve funds also may be used for discretionary replacements of capital items or major maintenance items that are not specifically identified in the Loan Documents, but which the Servicer determines are intended to be covered by a Replacement Reserve Schedule, such as those that would:

- correct or forestall a problem that may adversely affect the physical condition, livability, marketability, or value of the Property;
- directly contribute to the maintenance or enhancement of the Property's physical condition, livability, marketability, or value; or
- likely be noted in an updated Property Condition Assessment.

If Replacement Reserve funds are used for purposes not originally contemplated in the Loan Documents, the Servicer must monitor and adjust the monthly reserve deposits to ensure sufficient funds are available to make timely replacements of capital items or major maintenance items in the manner contemplated in the Loan Documents and/or the PCA.

#### **408.04I** Items Not Eligible for Funding from the Replacement Reserve

The Servicer must not use Replacement Reserve funds to reimburse the Borrower for any item specifically identified for reimbursement as a Completion/Repair, or for any routine maintenance item, routine repair, or cosmetic repair that would normally be characterized as an operating expense. Replacement Reserve funds must never be used for P&I, T&I, or any other purpose not specifically permitted by the Loan Documents, or the Guide.

#### **408.04J** Processing Borrower Requisitions

##### **1. General**





The Loan Documents specify the frequency, timing, and size of disbursements from the Replacement Reserve.

## 2. Required Documentation

Each Borrower requisition must be in writing and specify, at a minimum:

- the specific capital item replaced or major maintenance items for which reimbursement is being sought, and if any item is not specifically identified in the Loan Documents, an explanation of why the Replacement Reserve funds should be released for the item;
- the quantity and price of each type of capital item replaced (e.g., refrigerators);
- the quantity and price of all materials or parts (grouped by type or category) purchased; and
- the cost of all contracted labor or other services.

Each Borrower requisition submitted to the Servicer must be accompanied by:

- a Borrower certification that the capital item replacements or major maintenance items covered by the requisition have been completed in compliance with all applicable laws, ordinances, rules, and regulations of any governmental authority, agency, or instrumentality having jurisdiction over the Property; and
- if the invoice exceeds the lesser of \$25,000 or 1% of the UPB:
  - a copy of the invoice detailing the covered materials, labor, or services;
  - payment evidence;
  - a Lien release from each contractor, subcontractor, or materialman; and
  - other relevant documentation required by the Loan Documents.

## 3. Disbursement of Funds

The Servicer may release funds to the Borrower only if all required documentation is received, and all applicable release conditions have been met, including, but not limited to:

- all capital item replacements or major maintenance items



covered by the requisition have been completed in a good and workmanlike manner;

- all related invoices for capital items and services have been paid, unless the Borrower has satisfied any applicable conditions of the Loan Documents for issuance of a joint check, made payable to the Borrower and the Person owed funds;
- no mechanics' Liens, materialmen's Liens, or other Liens are outstanding that have not been acceptably bonded over; and
- the Borrower is not in default under any Loan Document.

The amount disbursed to the Borrower must not exceed the actual cost of the capital item replacements or major maintenance items covered by the Borrower's requisition.

#### **4. Maintenance of Servicing File**

The Servicer must ensure that the action taken with respect to each Borrower requisition for funds from the Replacement Reserve is appropriately documented in its Servicing File.

#### **408.04K Inspections**

The Servicer may use its discretion in deciding whether to conduct an on-site inspection before approving any specific requisition for Replacement Reserve funds. If the Servicer elects not to perform an on-site inspection when a requisition is submitted, the Servicer must inspect all capital item replacements or maintenance items covered by the requisition during its next scheduled Property inspection and confirm the satisfactory completion.

#### **408.04L Fees**

If the Loan Documents permit, the Servicer may collect and retain:

- a reasonable fee to cover the Servicer's routine costs of administering the Replacement Reserve; and
- additional fees to cover:
  - reasonable inspection costs, including the fees of any qualified professional used by the Servicer; and
  - any other reasonable costs incurred in connection with collecting, holding, investing, or disbursing Replacement Reserve funds but which are not adequately covered by the general administrative fees collected from the Borrower.



Subject to the Loan Documents, the Servicer may charge the Borrower a reasonable fee for any special inspection services provided in connection with a Replacement Reserve requisition; however, no fee may be charged if such inspection is made as part of a regularly scheduled Property inspection.

Replacement Reserve funds, including any interest, may not be used to cover fees due to the Servicer unless:

- the Loan Document specifically permits the Servicer to use Replacement Reserve funds to pay Servicer inspection fees; or
- the Borrower otherwise agrees in writing.

#### **408.04M** Replacement Reserve Defaults

##### **1. Notification of Default to Fannie Mae**

The Servicer must immediately submit a Non-Monetary Default Borrower Request in the MAMP for any Replacement Reserve Loan Document default.

##### **2. No Release of Funds to Borrower**

No funds may be released to the Borrower while the Mortgage Loan is in default.

#### **408.04N** Return of Replacement Reserve Funds to Borrower

No later than 30 days after the Mortgage Loan is paid in full, the Servicer must refund to the Borrower all remaining Replacement Reserve funds.

#### **408.04O** Alternative Funding of Replacement Reserves for Portfolio Mortgage Loans

The Servicer may amend existing the Schedule 5 to Multifamily Loan Agreement - Replacement Reserve Schedule or Replacement Reserve Agreement on Fannie Mae's behalf to match the alternative Replacement Reserve funding available for newly originated Mortgage Loans if the Borrower has a history of adequate property maintenance, and no other concerns are present (e.g., declining Property condition, declining rents, declining Net Cash Flow). The Servicer must send the executed Loan Document amendment revising the Replacement Reserve Schedule or Replacement Reserve Agreement to Multifamily Certification and Custody within 15 Business Days, and retain a copy in its Servicing File.

The Servicer must ensure the Property is properly maintained on an ongoing basis. If the Property is not being properly maintained, the Servicer must reinstate monthly deposits to the Replacement Reserve and the reimbursement requisition process.



## Section 409 Interest Rate Hedge Requirements

### 409.01 General

An acceptable Interest Rate Hedge must be in place and maintained at all times for:

- variable rate Credit Enhancement Mortgage Loans;
- Structured ARM Loans; and
- any Mortgage Loan where (i) the Borrower executed the Fannie Mae Interest Rate Cap Reserve and Security Agreement ([Form 6442 series](#)), or a similar agreement, allowing for a “springing” Interest Rate Cap under certain circumstances, and (ii) the requirement of the Borrower to acquire and pledge to the Lender an Interest Rate Cap has been triggered under the agreement.

The Interest Rate Hedge may be either an Interest Rate Cap or Interest Rate Swap, although the prior approval of Fannie Mae is required before the Borrower may enter into an Interest Rate Swap.

Each Interest Rate Hedge Agreement and its collateral assignment must meet the requirements of [Part III, Chapter 12: Structured Adjustable Rate Mortgage \(SARM\) Loans](#).

Fannie Mae outside counsel must be engaged, at Borrower’s cost, to review the hedge bid package and documents, and prepare the amended Loan Documents for each hedge renewal. The Servicer must submit a completed Counsel Designation Request for Interest Rate Hedge Transactions ([Form 4625.A](#)).

### 409.02 Interest Rate Hedge Coverage

#### 409.02A Bond Credit Enhancement Transactions

For Bond Credit Enhancement Mortgage Loans, the Interest Rate Hedge must:

- be in place whenever the variable rate mode is in effect; and
- comply with the requirements of the Reimbursement Agreement and other Loan Documents.

#### 409.02B Structured Transactions

When required for a Structured Transaction, the Servicer must ensure that the Interest Rate Hedge conforms to the applicable Master Credit Facility Agreement, Bulk Delivery Agreement, and/or the other Loan



Document requirements.

#### **409.02C** All Hedges

Per the Interest Rate Cap Reserve and Security Agreement ([Form 6442 series](#)), the Servicer must evaluate the Interest Rate Cap reserve and determine if the cost of a replacement Interest Rate Cap has increased or decreased based on market conditions.

- If the estimated cost of a replacement cap has increased, the Servicer must increase the monthly reserve payment to ensure that sufficient funds will be available to purchase the replacement cap by the end of the reserve period.
- If the estimated cost of a replacement cap has decreased, the Servicer must not adjust the reserve.

The Servicer may refund to the Borrower any amount left in the reserve account after purchasing the replacement Interest Rate Cap.

#### **409.03** Interest Rate Hedge Term

The Servicer must:

- monitor the term of each Interest Rate Hedge Agreement;
- hold all escrowed funds for an Interest Rate Hedge in an account meeting the Custodial Account requirements of [Part V, Chapter 3: Custodial Accounts](#);
- engage the Borrower prior to expiration of each Interest Rate Hedge to ensure that an acceptable replacement Interest Rate Hedge is in place prior to its expiration; and
- perform any required functions with respect to the Interest Rate Hedge Agreement.

#### **409.04** Lien Filings and Collateral

The Servicer must maintain all UCC filings, and ensure that Fannie Mae's Lien in the Interest Rate Hedge is maintained. The Servicer must not direct the investment, application, or release of the collateral under any Interest Rate Hedge Agreement, without express written authorization from Fannie Mae.

#### **409.05** Borrower Payments

##### **409.05A** Interest Rate Caps



Any payments by the Interest Rate Cap provider must be made to the Servicer and not to the Borrower. The disposition of funds depends on whether the Borrower is current on the Mortgage Loan and Reimbursement Agreement payment obligations (principal or PRF deposit, as applicable, interest, any Interest Rate Cap escrow, and all other amounts then due) or any default exists under the Reimbursement Agreement or any other Loan Document.

If no default exists, the Servicer must remit the Interest Rate Cap provider's payment to the Borrower. If a default exists, the Servicer must retain the Interest Rate Cap provider's payment as additional collateral for the Borrower's obligations, to be held in accordance with the applicable agreements, and notify Multifamily Structured Asset Management of the receipt of the payment.

If the Bond Trustee or another third party is to receive any payments from the Interest Rate Cap provider, and the Borrower is not current on its payments or a default exists, then the Servicer must:

- notify the payee of the facts; and
- instruct the third party to withhold the payment to the Borrower, and make payment to the Servicer to be held as additional collateral for the Borrower's obligations.

#### **409.05B** Interest Rate Swaps

The Servicer must monitor the Interest Rate Swap to ensure that all payments are made on a timely basis. All payments under an Interest Rate Swap must be made directly to the Servicer, which will:

- remit the amount received from the Borrower to the Interest Rate Swap provider; or
- remit the amount received from the Interest Rate Swap provider to the Borrower, but only after the Borrower has made the required monthly P&I payment on the Mortgage Loan.

Payments due on the Interest Rate Swap must match the payment dates on the Mortgage Loan or the Bonds, as applicable. The Servicer must advance Interest Rate Swap payments and Interest Rate Swap credit enhancement fees that are not made by the Borrower or the Interest Rate Swap provider, as applicable, on a timely basis. These payments and their duration will be treated as Delinquency Advances. The Servicer is not required to advance any termination payment due on the Interest Rate Swap.

#### **409.06** Provider Ratings

Fannie Mae lists the credit agency rating requirements and the



acceptable Interest Rate Hedge providers on [Cap/Swap Counterparties for Multifamily Transactions](#). If the rating of a provider declines to a level where termination and replacement of the outstanding Interest Rate Hedges with that provider is required, Fannie Mae will notify the affected servicers and direct them to contact their Borrowers and work with them to effect the termination and replacement. Failure to replace any Interest Rate Hedge provider whose rating no longer meets the rating requirements is a default under the Loan Documents.

#### **409.07 Replacement Interest Rate Hedge and Notification**

At least 90 days before termination of an Interest Rate Hedge, the Borrower must give the Servicer written notice of its intent to either obtain a new Interest Rate Hedge or, for a variable rate Credit Enhancement Mortgage Loan or Structured ARM Loan, adjust the interest rate to a Bond Reset Interest Rate or fixed rate.

If the Borrower elects to obtain a new Interest Rate Hedge, the Servicer must confirm that the possible Interest Rate Hedge providers are all on the current list of approved [Cap/Swap Counterparties for Multifamily Transactions](#), and review the Loan Documents for the timing requirements.

If the Interest Rate Hedge expires and the Borrower has failed to provide evidence of securing the replacement Interest Rate Hedge, the Servicer must notify Multifamily Structured Asset Management immediately. Fannie Mae will instruct the Servicer's action regarding the Borrower's default.

#### **409.08 Replacement Interest Rate Hedge Documents and Follow Up**

The Servicer must send to Multifamily Certification and Custody within 15 Business Days the original replacement Interest Rate Hedge documents, including the Interest Rate Cap Agreement or Interest Rate Swap Agreement, the Assignment of Hedge Interest or Supplemental Hedge Security Agreement, and UCC Financing Statements, and retain copies in the Servicing File. The Servicer must submit a copy of the new Interest Rate Cap Agreement or Interest Rate Swap Agreement through the MAMP, and provide the new Interest Rate Hedge information as follows:

- for Credit Enhancement Mortgage Loans – upload Hedge Delivery Information ([Form 4643](#)) into CESIR;
- for all Interest Rate Hedges in Credit Facility and Bulk Delivery transactions – update hedge data in MSFMS; or
- for Structured ARM Loans (except in Credit Facility and Bulk Delivery transactions) – submit [Form 4643](#) through the MAMP.



## Section 410 Ground Leases

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If the Borrower owns a Leasehold interest in the Property, the Servicer must:

- ensure that the Borrower complies with all provisions of the Loan Documents that relate to the Ground Lease;
- if the Ground Lease payments are escrowed, collect monthly payments from the Borrower to ensure sufficient funds will be available to pay the ground rents and any special payments required by the Ground Lease; and
- hold any escrowed ground rent payments with the Borrower's other T&I escrow funds in a T&I Custodial Account or a separate Custodial Account that meets all requirements of [Part V, Chapter 3: Custodial Accounts](#).

The Servicer is responsible for any losses incurred by Fannie Mae if the Servicer fails to make timely ground rent payments. The Servicer must immediately submit a Non-Monetary Default Borrower Request in the MAMP for any Ground Lease default.

## Section 411 Notice of Lien or Noncompliance with Applicable Laws, Ordinances and Regulations

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The Servicer is responsible for protecting the Lien priority of the Security Instrument, and must:

- take all reasonable actions to prevent the filing of any Lien that would prime the Lien of the Security Instrument;
- immediately notify Multifamily Asset Management, in writing, upon learning of any such Lien filing, including a recommendation for resolving the situation; and
- submit a Non-Monetary Default Borrower Request in the MAMP, if:
  - the Servicer is aware of any material violation by the Borrower or Property management agent of any applicable law, ordinance, regulation, or other legal requirement; or
  - the Property is not in compliance with any applicable law, ordinance, regulation, or other legal requirement, including, without limitation, any relating to:
    - Fair Housing Act;
    - Americans with Disabilities Act;





- non-discrimination;
- environmental hazards;
- occupancy;
- zoning and land use;
- health, fire, and building codes relating to immediately hazardous conditions; and
- illegal use of the Property.

The Servicer must also provide to Fannie Mae all information concerning any lawsuit, cause of action, or claim by any third party resulting from or relating to the violation.

## **Section 412** Property Forfeitures and Seizures

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Various federal and state statutes provide for the civil or criminal forfeiture of certain types of property, including real estate that is used, or intended to be used, to commit or facilitate the commission of certain violations of law.

The Servicer must not provide any information about the Borrower, the Mortgage Loan, the Property, any Key Principal, or any Principal directly to any federal or state agency unless Fannie Mae specifically authorizes the release of the information. Following any contact from a federal or state official, the Servicer must immediately contact Multifamily Asset Management and Multifamily Special Asset Management. The Servicer should describe in its communication the nature of the contact, the information requested, and any document or papers received by the Servicer in connection with the contact. The Servicer must continue to service the Mortgage Loan.

## **Section 413** Property and Liability Insurance

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### **413.01** Property and Liability Insurance

The Servicer must:

- ensure that the Property is continuously covered by property and liability insurance, as required by [Part II, Chapter 5: Property and Liability Insurance](#), and that all renewal premiums are paid in full and on time; and
- at least annually review the adequacy of the Borrower's insurance coverage in relation to the current requirements of [Part II, Chapter 5: Property and Liability Insurance](#).



If the existing insurance coverage or policy is inadequate, the Servicer must require the Borrower to make appropriate changes. Periodically, the Servicer may be required to make certain representations to Fannie Mae regarding the property and liability insurance coverages and policies for all of the Mortgage Loans it services.

#### **413.02** No Financing for Property and Liability Insurance Premiums

The Servicer must not provide financing to the Borrower, or otherwise permit the Borrower to obtain financing, in order to pay any insurance premiums, except as permitted by [Part II, Chapter 5: Property and Liability Insurance](#).

#### **413.03** Flood Map Changes; Obtaining Flood Insurance

The Servicer must monitor all flood map and community status changes, and take appropriate action when changes affecting Mortgage Loans it services occur as required by [Part II, Chapter 5: Property and Liability Insurance](#). When a Property is remapped into a Special Flood Hazard Area, the Servicer must require the Borrower to obtain flood insurance, regardless of whether the community is “participating” in the National Flood Insurance Program. The flood insurance policy must be in place within 45 days after the effective date of the remapping. If the Borrower refuses to obtain the required coverage or pay a disputed premium, the Servicer must obtain the required coverage. The Servicer must contact Multifamily Insurance if:

- a Property is in a Special Flood Hazard Area;
- the community in which the Property is located does not participate in the National Flood Insurance Program; and
- the Borrower cannot obtain the required flood insurance.

#### **413.04** Lender Placed Insurance

##### **413.04A** Property and Liability Insurance

If the Borrower fails to obtain acceptable insurance coverage, the Servicer must immediately obtain acceptable insurance coverage for the Property at the Borrower’s expense.

##### **413.04B** Flood Insurance

If acceptable insurance coverage cannot be obtained, the Servicer must immediately contact Multifamily Insurance to determine the appropriate course of action.



#### 413.04C Servicer's Administrative Costs and Expenses

The Servicer is permitted to collect from the Borrower any reasonable out-of-pocket costs and expenses incurred by the Servicer to obtain insurance coverage for the Property.

### Section 414 Casualty Losses – Performing Mortgage Loans

#### 414.01 Notice

In the event of a casualty loss of \$75,000 or more, the Servicer must submit through the MAMP a:

- Report of Multifamily Hazard Insurance Loss ([Form 178](#)):
  - within 30 days if no serious injury or death occurred; or
  - within 10 days if serious injury or death occurred; and
- final [Form 178](#) indicating that the Property is fully restored, and document its Servicing File when the Property is fully restored.

A revised [Form 178](#) must be submitted if any of the information on the form changes for any casualty loss greater than the lesser of (i) \$500,000, or (ii) 20% of the UPB.

#### 414.02 Filing Proof of Loss

For any casualty loss covered by the Borrower's insurance policy, the Servicer must ensure that the Borrower timely files a proof of loss with the insurance carrier, and effects a prompt and reasonable adjustment of the loss. If the Borrower fails to timely file a proof of loss with the insurance carrier, or take requisite actions to effect a prompt adjustment of the loss claim, the Servicer must independently contact the insurance carrier to adjust the loss claim.

#### 414.03 Casualty Loss Assessment

The Servicer must assess the extent and impact of any damage caused by a casualty, and ensure that the Borrower appropriately addresses the damage.

Within 45 days after learning of a casualty loss, the Servicer must document its Servicing File with the results of its casualty loss assessment. At a minimum, the Servicer must include:

- when the casualty loss occurred and when the Servicer was first informed of the casualty loss;
- the scope of the damage and its effect on the Property (e.g.,



impact on the habitability of the buildings, safety of the residents, serious injury or loss of life, project occupancy, and project income and expenses);

- the Borrower's plan of action for securing and restoring the damaged portion of the Property, and the status of the Borrower's efforts to implement the plan, including the specific steps to be taken (e.g., temporarily relocating tenants, preparing plans and specifications, awarding contracts, and commencing repair work);
- whether any environmental problems are associated with the damage, and if so, how they will be addressed;
- the projected cost to repair and restore the damaged Improvements, including any available information on contractors' bids or awards;
- whether the casualty loss is covered by the Borrower's insurance policy, the status of any insurance claim, and an estimate of the amount and timing of the funds to be received from the insurance carrier;
- the estimated amount of additional funds that the Borrower will have to provide from its own resources to complete all necessary repair and restoration work, and the current availability of such funds; and
- any other relevant information pertaining to the loss event that is known to the Servicer and could have a material bearing on Fannie Mae's interests.

#### **414.04 Required Casualty Loss Property Inspection**

The Servicer must inspect the Property, take photographs of the damage, and complete a Multifamily Catastrophic Loss Inspection ([Form 4261](#)) if:

- the casualty loss is expected to exceed the lesser of (i) \$500,000, or (ii) 20% of the UPB of the Mortgage Loan as of the date of the casualty; or
- any of the following conditions exists:
  - a default has occurred and is continuing under the Loan Documents;
  - the combination of insurance proceeds and Borrower funds is insufficient to complete the necessary Property repairs for restoration to a condition fit for human habitation and meeting all applicable permitting requirements;



- prior to the commencement of any restoration work, the Servicer determines that, upon completion of the repair and restoration work, the Property will not be capable of generating sufficient income to cover all operating expenses, required Replacement Reserve deposits, P&I on the Mortgage Loan, and required payments on any subordinate debt secured by the Property, or will not otherwise meet a DSCR or other test required by the Loan Documents; or
- the repair and restoration work will not be completed by the earlier of (i) the Maturity Date, or (ii) within 1 year from the date of the casualty.

The Servicer may charge the Borrower for the cost of the inspection unless expressly prohibited by the Loan Documents.

An inspection by the Servicer is optional if the casualty loss is expected to be less than (i) \$500,000, or (ii) 20% of the UPB, and none of the above conditions exist. If the Servicer elects not to inspect the Property, the Servicer must confirm during the next Property inspection, and document in its Servicing File, that the repair and restoration work was satisfactorily completed. If the Servicer determines that the repair or restoration work was not satisfactorily completed, the Servicer must notify Multifamily Inspections and Multifamily Loss Mitigation) in writing, as required by [Part V, Chapter 5: Surveillance](#).

#### **414.05** Documentation for Required Casualty Loss Property Inspections

After inspecting the Property, the Servicer must:

- retain in its Servicing File a copy of the completed Catastrophic Loss Inspection ([Form 4261](#)), and photographs of the damaged portions of the Property; and
- submit a copy of the Catastrophic Loss Inspection ([Form 4261](#)) and the photographs through the MAMP within 7 days after completing the Catastrophic Loss Inspection ([Form 4261](#)).

#### **414.06** Endorsement of Insurance Loss Draft or Check When Payable to Fannie Mae

Any insurance loss draft or check issued by the insurance carrier must be made payable to Fannie Mae in care of the Servicer, or as otherwise required by the mortgagee clause. Provided the Lender Contract contains nothing to the contrary, the Servicer is delegated the authority to endorse any insurance loss draft or check on Fannie Mae's behalf, as follows:



Fannie Mae

By: [Name of Servicer]

By: [Name of Servicer's Authorized Signer]

[Title of Servicer's Authorized Signer].

If any insurance loss draft or check made payable to Fannie Mae or the Servicer is cashed by the Borrower without proper endorsement by Fannie Mae or the Servicer, the Servicer must instruct the Borrower to send the funds to the Servicer within 5 Business Days. If the Borrower does not send the funds, the Servicer must contact Multifamily Asset Management immediately.

#### **414.07** Endorsement of Insurance Loss Draft or Check When Not Payable to Fannie Mae

If the insurance loss draft or check is payable to the Servicer, the Servicer is authorized to endorse the draft or check and apply the proceeds in accordance with this Section. The Servicer must also send the Insurer an Insurance Loss Payee Notice Letter ([Form 4803](#)) so that all future insurance loss drafts and checks will be issued to Fannie Mae in care of the Servicer. The Servicer must retain a copy of the Insurance Loss Payee Notice Letter ([Form 4803](#)) in its Servicing File.

#### **414.08** Insurance Loss Draft or Check Not Payable to Either Fannie Mae or Servicer

If the insurance loss draft or check is not made payable to either Fannie Mae or the Servicer, the Servicer must return it to the insurance carrier and request the loss draft or check be reissued in the name of Fannie Mae and sent to the Servicer. If the check has already been cashed by the Borrower, the Servicer must demand those funds be either paid by the Borrower to the Servicer and/or deposited in a Custodial Account meeting the requirements of [Part V, Chapter 3: Custodial Accounts](#).

#### **414.09** Application of Insurance Loss Proceeds

The Servicer must review the Loan Documents to confirm no contrary requirements exist regarding the application of insurance loss proceeds (e.g., where the Loan Documents require the noteholder to “reasonably” approve the application of insurance proceeds, where the noteholder is to apply commercially reasonable standards, or where the noteholder has the power to approve in its sole discretion).

#### **414.09A** Fannie Mae Determination Required

If any of the following conditions exist, Fannie Mae will determine, in its sole discretion, whether to require the insurance loss proceeds to be (i) applied to the UPB, or (ii) used to repair and restore the Property:

- a default has occurred and is continuing under the Loan



Documents;

- the combination of insurance proceeds and Borrower funds is insufficient to complete the necessary Property repairs for restoration to a condition fit for human habitation and meeting all applicable permitting requirements;
- prior to the commencement of any restoration work, the Servicer determines that, upon completion of the repair and restoration work, the Property will not be capable of generating sufficient income to cover all operating expenses, required Replacement Reserve deposits, P&I on the Mortgage Loan, and required payments on any subordinate debt secured by the Property, or will otherwise meet a DSCR or other test required by the Loan Documents; or
- the repair and restoration work will not be completed by the earlier of (i) the Maturity Date, or (ii) within 1 year from the date of the casualty loss.

#### **414.09B** Disposition of Insurance Loss Proceeds

Based upon the Borrower's plan of action and the Servicer's overall assessment, and provided none of the conditions listed in [Part V, Chapter 4: Asset Management: Loan Document Administration, Section 414.04: Required Casualty Loss Property Inspection](#) exist, the Servicer has the authority to:

- hold the proceeds to incrementally reimburse the Borrower for the cost of repairing the damage and restoring the Property to habitable condition; or
- recommend to Fannie Mae that the proceeds be applied to the UPB of the Mortgage Loan by submitting a request through the MAMP.

#### **414.10** Property Restoration Requirements

All insurance loss proceeds will be held to reimburse the Borrower in increments for the cost of repairing the damage and restoring the Property. If the Property will be restored to habitable condition, the Servicer must:

- deposit all insurance loss proceeds in a Custodial Account meeting the requirements of [Part V, Chapter 3: Custodial Accounts](#), to incrementally reimburse the Borrower for the cost of repairing the damage;
- require the Borrower to deposit, in the same Custodial Account,



funds equal to the difference between (a) the Servicer's estimate of the total cost to repair and restore the Property to its pre-casualty condition, and (b) the amount of the insurance proceeds;

- for losses greater than \$75,000, prepare and have the Borrower execute the applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) for use with the 6000 series Loan Documents if documented before the June 2019 Loan Document publication, or Insurance Loss Proceeds Collateral Agreement (Form 6639) for use with the 4000 series Loan Documents, specifying the terms and conditions under which the funds held in the Custodial Account will be released to the Borrower (Form 6615) is not required for Mortgage Loans with Loan Documents documented after the June 2019 Loan Document publication); and
- submit a copy of any applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639) through the MAMP.

The Servicer may waive the above requirement that the Borrower deposit additional funds into the Custodial Account if (i) the Servicer deposits all insurance loss proceeds into the Custodial Account, and (ii) determines that the Borrower, Key Principals, and Principals have sufficient funds to repair and restore the Property when the insurance loss proceeds alone are insufficient.

Within 7 days of execution, the Servicer must submit through the MAMP copies of:

- any applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639);
- any Report of Multifamily Hazard Insurance Loss (Form 178); and
- if required and completed, a copy of the Multifamily Catastrophic Loss Inspection (Form 4261).

The Multifamily Catastrophic Loss Inspection (Form 4261) must be submitted through the MAMP within 7 days after the later of:

- the execution of any Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639);





or

- the completion of the Multifamily Catastrophic Loss Inspection (Form 4261).

The Servicer must send to Multifamily Certification and Custody within 15 Business Days the original executed copy of any Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639), and retain in its Servicing File the original:

- Multifamily Catastrophic Loss Inspection (Form 4261); and
- Report of Multifamily Hazard Insurance Loss (Form 178).

#### **414.11 Commencement of Repair/Restoration Work**

Before the Servicer disburses any funds to the Borrower for repair or restoration work the Servicer must:

- have any applicable executed Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639);
- have on deposit in a Custodial Account all insurance loss proceeds and, unless waived as provided above, sufficient Borrower funds to cover the estimated cost to complete the repair and restoration work;
- except in the case of minor casualties, have copies of all applicable building permits and other permits/authorizations required to carry out the repair and restoration work;
- except in the case of minor casualties, review (or have a qualified professional review) and approve any plans and specifications relating to the repair and restoration work;
- obtain from the Borrower the identities of each principal contractor, architect, and engineer who will be involved in the repair and restoration work, and be satisfied with their qualifications (including assurance each is appropriately licensed and bonded); and
- obtain evidence of builder's risk insurance, if required, in accordance with Part II, Chapter 5: Property and Liability Insurance, Section 501.02E: Builder's Risk Insurance.

Any emergency work required to protect the Property or correct a condition threatening the health or safety of the tenants must be undertaken immediately by the Borrower, even if the forgoing requirements have not



been complied with.

## **414.12** Disbursements

### **414.12A** Prerequisites for Disbursement of Funds

Before disbursing funds, including the final disbursement, to the Borrower for each disbursement request, the Servicer must be satisfied that:

- all repair and restoration work has been completed in a good and workmanlike manner and in accordance with any applicable plans and specifications, as evidenced by submissions from the Borrower and, if applicable, by the Servicer's or a qualified professional's inspection of the completed work;
- all related invoices for items and services have been paid, unless the Borrower has satisfied any applicable pre-conditions of the Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639) for issuance of a joint check made payable to the Borrower and the Person owed funds;
- the necessary release of Lien or Lien waivers have been submitted by all contractors, and no mechanics' Liens, materialmen's Liens, or other Liens are outstanding that have not been acceptably bonded over; and
- the Borrower is not in default under any Loan Document, including the Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639).

### **414.12B** Disbursing Funds

The Servicer must approve and disburse funds related to each Borrower request in accordance with the Loan Documents, including any applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639). Funds must be disbursed no more frequently than once a month, unless:

- the Servicer determines that more frequent disbursements of funds are appropriate and can be managed effectively; or
- the disbursement is equal to or greater than \$10,000, or is the final disbursement of proceeds.



#### **414.12C** Content of Disbursement Request

Each of the Borrower's disbursement requests must be in writing and must specify, at a minimum:

- the specific repair and restoration work for which reimbursement is being sought;
- the quantity and price of all materials (grouped by type or category) or specific replacement items (e.g., appliances) purchased; and
- the cost of all contracted labor or other services.

The Borrower's disbursement requests must be accompanied by:

- a Borrower certification that the repair and restoration work was completed in a good and workmanlike manner, in accordance with any plans and specifications previously approved by the Servicer, and in compliance with all applicable laws, ordinances, rules, and regulations of any governmental authority, agency, or instrumentality having jurisdiction over the Property;
- if the invoice exceeds the lesser of \$25,000 or 1% of the UPB:
  - a copy of the invoice detailing the covered materials, labor, or services;
  - payment evidence; and
  - a Lien release from each contractor, subcontractor, or materialman; and
- other relevant documentation required under the Loan Documents, including any applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) ([Form 6615](#)) or Insurance Loss Proceeds Collateral Agreement ([Form 6639](#)).

#### **414.12D** Disbursement Amount

The amount of each disbursement (other than the final disbursement) may not exceed the lesser of:

- (i) an amount equal to:
  - the actual cost of the repair and restoration work covered by the disbursement request, or, if the work was done under a contract or subcontract pursuant to which other work remains to be done, an amount



equal to 90% of the actual cost of the repair and restoration work covered by the disbursement request (i.e., a 10% holdback is required if the work under the applicable contract or subcontract has not been completed in full); plus

- 100% of the cost of any materials used, or to be used, in connection with the repair and restoration work, if at the time of the disbursement request, title to the materials has passed to the Borrower and the materials have been installed, or are being properly stored, on the Property; or

(ii) an amount equal to the difference between:

- the balance of the Collateral Agreement Custodial Account at the time of the disbursement request; and
- the estimated cost of all remaining repair and restoration work at that time of the disbursement request.

#### **414.12E** Final Disbursement; Notice to Fannie Mae

Upon satisfactory completion of all required repair and restoration work, and satisfaction of all other applicable conditions of the Loan Documents, including any applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) ([Form 6615](#)) or Insurance Loss Proceeds Collateral Agreement ([Form 6639](#)), the Servicer must:

- disburse all remaining funds to the Borrower; and
- submit through the MAMP a final Report of Multifamily Hazard Insurance Loss ([Form 178](#)) to indicate that all work was satisfactorily completed.

#### **414.12F** Documentation in Servicing File

The Servicer must ensure that all actions taken with respect to each Borrower disbursement request are appropriately documented in its Servicing File.

#### **414.13** Borrower's Failure to Diligently Pursue Repair

The Servicer must notify Multifamily Asset Management immediately if the Borrower fails to:

- proceed diligently with any necessary repair and restoration



work;

- perform the work satisfactorily; or
- perform in accordance with the terms of the Loan Documents, including any applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639).

The Servicer's notice to Multifamily Asset Management must include a description of any steps that the Servicer is taking to resolve the situation.

#### **414.14 Reimbursement of Administrative Costs**

If the insurance loss proceeds include funds specifically designated to defray administrative costs incurred by the mortgagee in connection with the casualty loss, the Servicer may reimburse itself from this designated amount for its actual, reasonable administrative costs. If no such provision is made by the insurer, the Servicer may not seek reimbursement for its administrative costs from the proceeds, nor may the Servicer seek reimbursement separately from the Borrower.

### **Section 415 Casualty Losses – Non-Performing Mortgage Loans**

The Servicer must contact Multifamily Special Asset Management before performing a casualty loss assessment on a Property securing a Non-Performing Mortgage Loan. Fannie Mae will determine whether the Servicer should proceed with the assessment, and direct the Servicer accordingly. Any activity or action plans to repair or restore the Property must be approved by Fannie Mae. All insurance loss drafts and checks must be forwarded to Fannie Mae for endorsement and disposition.

### **Section 416 Credit Facilities and Bulk Deliveries**

#### **416.01 General**

Each Credit Facility and Bulk Delivery transaction is different, therefore the requirements in this Section may not apply to every transaction. The Servicer must refer to the applicable Master Credit Facility Agreement, Bulk Delivery Agreement, and other Loan Documents for specific requirements.

#### **416.02 Delegation of Decisions**

Credit Facility and Bulk Delivery requests are delegated to the Servicer as described below.



#### **416.02A** Decisions and Actions Not Delegated

Decisions and actions are not delegated to the Servicer when a request involves:

- amendments or changes to the Master Credit Facility Agreement, Bulk Delivery Agreement, or equivalent agreement, except for the Fannie Mae standard form (i) Amendment for Completion/Repair extensions, and (ii) changes to the monthly Replacement Reserve deposits;
- Supplemental Mortgage Loans or borrow-ups (future advances);
- additions, releases, or substitutions of collateral;
- revaluation and determination of the Allocable Facility Amount;
- Transfers/Assumptions;
- the interest rate conversion from variable to fixed on a SARM Loan;
- Interest Rate Hedge renewals or modifications;
- refinances;
- defeasance;
- payoffs/terminations;
- Ground Lease or operating lease modifications; or
- Property management or operator changes.

#### **416.02B** Decisions Delegated by the Delegated Transaction Form 4636 series

Decisions and actions covered by the Delegated Transaction Forms ([Form 4636 series](#)) are delegated to the Servicer as set forth in the applicable [Form 4636 series](#). For these requests, the Servicer must submit the completed Delegated Transaction Form ([Form 4636 series](#)) through the MAMP.

#### **416.02C** Other Delegated Decisions

Decisions and actions involving the following are delegated to the Servicer to the extent delegated in this Chapter:

- Letter of Credit replacements and draws;
- Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) ([Form 6615](#)) or Insurance Loss Proceeds Collateral Agreements ([Form 6639](#));



- endorsing insurance checks;
- extensions to complete Completion/Repairs;
- changes to the monthly Replacement Reserve deposits;
- administering escrow accounts; and
- administering Collateral Agreements.

If the Servicer has any questions regarding the need for Fannie Mae approval, the Servicer must contact Multifamily Structured Asset Management prior to proceeding.

### **416.03** Approval Requests

If Fannie Mae approval is required, the Servicer must submit a request through the MAMP. Any approval request must include the Servicer's recommendation, any supporting documentation (including references to the relevant sections of the governing documents), and the Servicer's analysis supporting its recommendation.

### **416.04** Release and Substitution Requests

To the extent permitted by the provisions of the Master Credit Facility Agreement, Bulk Delivery Agreement, and the other Loan Documents, Borrowers may have the ability to release or substitute collateral. These requests must follow the provisions of the Loan Documents, and are not delegated under this Section.

The Borrower must initiate the release/substitution process by submitting a written request to the Servicer. Upon receipt, the Servicer must submit a release/substitution request package through the MAMP that includes:

- the Servicer's summary of the Borrower's release/substitution request, and its recommendation regarding approval of the requested release/substitution;
- any waiver requests and the Servicer's recommendation for approval of each waiver;
- when the Borrower expects the release/substitution to close;
- whether the Property meets all conditions to release/substitute and compliance tests (e.g., LTV, DSCR, geographic/asset concentration) stipulated in the Master Credit Facility Agreement, Bulk Delivery Agreement, and other Loan Documents;
- for a Credit Facility, the release price and calculations (calculated according to the terms of the Master Credit Facility



Agreement and other Loan Documents);

- for a Credit Facility, the remaining Allocable Facility Amount balance of the facility and each property after the release;
- the amount of the release/substitution fees associated with the transaction;
- whether a prepayment or advance of funds is expected to occur in connection with the transaction;
- the Structured Facilities Monitoring Spreadsheet ([Form 4802](#)) showing the Mortgage Loan level and collateral level data for the Structured Transaction both before and after the release/substitution occurs;
- third-party reports; and
- any other items required by the Loan Documents.

If a Letter of Credit or cash collateral is required as part of the request, the Servicer must enter the Letter of Credit or cash collateral information in MSFMS. Any Letter of Credit must meet the requirements of [Part I, Chapter 2: Mortgage Loan, Section 204: Letters of Credit](#). Original Letters of Credit must be sent to Multifamily Structured Acquisitions.

If the request is approved, the Servicer must:

- submit its payoff calculations to Multifamily Structured Acquisitions;
- release the collateral from the MSFMS system; and
- if necessary, release, update, and verify any interest rate hedges associated with the transaction in MSFMS.

#### **416.05 Borrow-Up (Future Advance) Requests**

To the extent permitted by the Master Credit Facility Agreement, Bulk Delivery Agreement, and the other Loan Documents, the Borrower may have the ability to obtain a Future Advance. These requests must follow the requirements of the applicable Loan Documents, and approval is not delegated to the Servicer.

The Borrower must initiate the Borrow-Up process by submitting a written request to the Servicer. Upon receipt, the Servicer must submit a Borrow-Up request package through DUS Gateway that includes:

- the Servicer's summary of the Borrower's Borrow-Up request and its recommendation for approval;
- any waiver requests and the Servicer's recommendation for





approval of each waiver;

- the amount of the Borrow-Up and the supporting underwriting spreadsheets and calculations (calculated per the terms of the Master Credit Facility Agreement and other Loan Documents);
- when the Borrower expects the Borrow-Up to close;
- whether the Property meets all conditions and compliance tests (e.g., LTV, DSCR, geographic/asset concentration) for a Borrow-Up per the applicable Loan Documents;
- a quote sheet;
- a Sources and Uses statement;
- any Interest Rate Hedge requirements;
- for a Credit Facility, the remaining Allocable Facility Amount balance of the Credit Facility and each Property after the Borrow-Up;
- itemized Borrow-Up fees associated with the transaction;
- the Structured Facilities Monitoring Spreadsheet ([Form 4802](#)) showing the Mortgage Loan level and collateral level data for the Structured Transaction both before and after the release/substitution occurs; and
- any other items required by the Loan Documents.

#### **416.06 Facility Revaluations**

Revaluations of Credit Facilities and Bulk Deliveries occur as required by the Master Credit Facility Agreement and Bulk Delivery Agreement. Servicers must send recommended property cap rates and values along with supporting market information through the MAMP. Upon completion of Fannie Mae's review, the Servicer will be notified of the final cap rate determination and valuation. The Servicer must promptly notify the Borrower of the revised cap rates, Property values, Allocable Facility Amounts, LTV, and the failure to meet any compliance tests (if applicable). The Servicer must attach a copy of this Borrower correspondence to the request in the MAMP.

#### **416.07 Supplemental Mortgage Loans Not Permitted**

Supplemental Mortgage Loans on Properties that are part of a Credit Facility or a Bulk Delivery are not permitted unless expressly authorized under the Master Credit Facility Agreement, Bulk Delivery Agreement, and other Loan Documents. The Servicer must contact Multifamily Structured Asset Management before underwriting a Supplemental Mortgage Loan.



## 416.08 Additional Information

For any issue not covered in this Section, or if the Servicer requires a more detailed explanation, contact Multifamily Structured Asset Management.

## Section 417 Seniors Housing Properties

### 417.01 General

The requirements in this Section may not apply to every Seniors Housing Mortgage Loan. The Servicer must refer to the Loan Documents for specific requirements.

### 417.02 Decisions and Actions Delegated and Not Delegated

Decisions and actions covered by the Delegated Transaction Form ([Form 4636 series](#)) are delegated to the Servicer as set forth in the applicable [Form 4636 series](#) or the Guide. For these requests, the Servicer must submit the completed applicable [Form 4636 series](#) through the MAMP. Decisions and actions for Seniors Housing Mortgage Loans regarding the following are not delegated to the Servicer:

- Seniors Housing expansions/conversions, including constructing additional units, substantial alterations, Seniors Housing Major Renovations, and Seniors Housing Minor Renovations;
- changes in the Seniors Housing operator;
- changes in Property management or management agreements;
- changes in licensing (**Note:** All licensing changes require an Opinion of Borrower's Counsel on Origination of Mortgage Loan (Seniors Housing Licensing) ([Form 6450.SRS](#)) confirming that all licensing requirements have been met);
- Seniors Housing operator Leases; and
- master leases.

If the Servicer has any questions regarding the need for Fannie Mae approval, the Servicer must contact Multifamily Seniors Housing Property Asset Management before proceeding.

### 417.03 Approval Requests

The Servicer must refer to the Loan Documents and this Section to determine whether Fannie Mae approval is required for a particular request.



If Fannie Mae approval is required, the Servicer must submit a request through the MAMP. Any approval request must include the Servicer's recommendation, any supporting documentation (including references to the relevant sections of the governing documents), and the Servicer's analysis supporting its recommendation.

#### **417.04 Seniors Housing Expansion/Conversion Requests**

Unless expressly permitted by the Loan Documents, requests by the Borrower for the construction of additional units, renovation, or expansion of a Seniors Housing Property, or a change in the overall percentage of one Seniors Housing type of unit (e.g., Independent Living, Assisted Living, or Alzheimer's/Dementia Care) into another are not delegated to the Servicer. The Borrower must request approval from the Servicer and Fannie Mae before proceeding, and Fannie Mae will consider these requests under the following parameters, conditions, and requirements:

##### **417.04A Permitted Purpose**

To allow for the construction of additional units on existing land, or the renovation and/or repositioning of existing units:

- a "Seniors Housing Major Renovation" is any physical improvement costing in excess of (i) \$20,000/unit, or (ii) \$3 million in total project costs; and
- a "Seniors Housing Minor Renovation" is any physical improvement that is not a Seniors Housing Major Renovation, but which increases the number of units, or converts one type of unit into another, unless expressly permitted by the Loan Documents.

##### **417.04B Submission Requirements**

Upon receipt of a Borrower Seniors Housing Expansion/Conversion Request, the Servicer must submit a written request through the MAMP, and include the following:

- Sponsor name and experience in operating seniors housing properties;
- Mortgage Loan performance;
- financial performance (including NCF and UPB history, and DSCR and LTV trends);
- pro forma financial statements;
- sources/uses of funds statement;



- project budget, scope, and plans;
- market study;
- construction contract and timeline;
- Servicer's monitoring plan;
- licensure issues;
- insurance; and
- general contractor and major subcontractors.

Fannie Mae will review the completed request, and approve or decline the request in its sole discretion.

#### **417.04C** Requirements and Monitoring

For a Seniors Housing Expansion/Conversion Request approved by Fannie Mae, the following requirements will apply:

- Escrow:
  - the Borrower must escrow 25% of the estimated construction costs with the Servicer, who will administer the funds through a standard construction draw process; and
  - the Borrower must demonstrate to the Servicer's satisfaction that it has sufficient liquid assets to complete the construction;
- Minimum DSCR during the expansion/conversion period cannot fall below 1.15x;
- Completion of construction must occur no later than 18 months from the date of commencement;
- Construction monitoring requirements will be set forth in the approval letter;
- Fannie Mae will charge a construction monitoring fee which does not cover the expenses associated with third-party inspections;
- Completion Guaranty ([Form 6018](#), [Form 6632](#), or [Form 6633](#)) and, if determined applicable by Fannie Mae, an Agreement and Assignment Regarding General Contractor's Contract ([Form 6473](#)), and an Omnibus Assignment of Contracts, Plans, Permits, and Approvals ([Form 6473](#)), will be required;
- Fannie Mae will charge a change in use fee, and the Servicer may charge additional fees at its discretion, subject to approval



by Fannie Mae;

- The Borrower must reimburse all legal costs incurred by Fannie Mae; and
- A fixed-price general construction contract provided by a general contractor, together with a payment and performance bond issued by an acceptable surety, will be required.

#### **417.04D** Construction Completion Requirements

Within 60 days of completing any Seniors Housing Major Renovation or Seniors Housing Minor Renovation, the Borrower must deliver to the Servicer, and the Servicer must provide to Fannie Mae, the following:

- title endorsement to the existing mortgagee title policy, confirming that no mechanics' Liens, materialmen's Liens, or other Liens exist that have not been acceptably bonded over;
- final lien waivers from all contractors, architects, subcontractors, and material suppliers;
- copies of updated or newly issued certificates of occupancy;
- renewed licenses;
- confirmation in the form of an Opinion of Borrower's Counsel on Origination of Mortgage Loan (Seniors Housing Licensing) ([Form 6450.SRS](#)) that all licensing requirements have been met;
- certificate from the Borrower, architect, and contractor certifying to the Servicer, for the benefit of Fannie Mae, that the improvements:
  - are completed in accordance with the plans and specifications approved by Fannie Mae; and
  - meet the local zoning and planning restrictions, and all other governmental requirements;
- final inspection of completed Improvements;
- updated certified operating statement and rent roll for the Seniors Housing Property; and
- a survey showing any new Improvements on the Seniors Housing Property.

#### **417.04E** Request Changes in Unit Count/Mix in the MAMP

Within 60 days of completion of any Seniors Housing Major



Renovation or Seniors Housing Minor Renovation, the Servicer must request any applicable change in unit count and/or unit mix (IL, AL, ALZ) in the MAMP resulting from the renovation.

## **Section 418**      **Credit Enhancement Mortgage Loans and Multifamily Affordable Housing Properties**

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### **418.01**      **Bond Transactions and Credit Enhancement Mortgage Loans**

For any Credit Enhancement Mortgage Loan where Fannie Mae is providing credit enhancement for tax-exempt multifamily housing Bonds, the Borrower must provide the Servicer with a copy of the compliance monitoring statement required under the Bond Documents. If the Borrower's statement reflects noncompliance with the low- and moderate-income tenant occupancy requirements set forth in the Affordable Regulatory Agreement, or if the Borrower fails to provide the statement to the Servicer, the Servicer must notify Multifamily Asset Management, and retain the compliance monitoring statement in its Servicing File.

### **418.02**      **Compliance Issues Relative to Bond Credit Enhancement Transactions**

The Servicer must monitor the Interest Reserve Requirement, if any, under the Bond Trust Indenture with respect to each Credit Enhancement Mortgage Loan.

The Servicer must monitor the rating of the institution in which the accounts under any Cash Management, Security, Pledge, and Assignment Agreement are held, and must require the Borrower to move the accounts if the rating no longer meets Fannie Mae's requirements as provided in [Part V, Chapter 3: Custodial Accounts](#).

### **418.03**      **Monitoring Compliance; Notification of Noncompliance**

#### **418.03A**      **Affordable Regulatory Agreement**

At least once in each calendar year (and more often if directed by Fannie Mae), the Servicer must obtain a Borrower certification that the Property is in full compliance with:

- the rules qualifying the interest on the Bonds for exclusion from gross income for federal income tax purposes pursuant to the Internal Revenue Code; and
- the requirements of the Affordable Regulatory Agreement.

The Servicer must review the Borrower certificate, and if the Property does not comply with all applicable regulatory requirements, the Servicer must immediately notify Multifamily Asset Management. Neither



Fannie Mae nor the Servicer is responsible for determining or ensuring the Borrower's compliance under the Affordable Regulatory Agreement.

#### **418.03B** Default Notice for Failure to Comply with the Bond Documents

The Servicer must promptly notify Multifamily Asset Management, the Borrower, the Bond Trustee, and the Issuer in writing of any default by a Borrower with any provision of any Loan Document, Reimbursement Agreement, Security Agreement, the Affordable Regulatory Agreement, or other Loan Document, Credit Enhancement Document, or Bond Document.

The Servicer must promptly forward to Multifamily Asset Management copies of any notices received from a Borrower, Bond Trustee, Issuer, or any other party regarding any default by a Borrower, and shall maintain ongoing contact with Fannie Mae regarding the status of the Credit Enhancement Mortgage Loan by submitting a Non-Monetary Default Borrower Request in the MAMP.

#### **418.04** Multifamily Affordable Housing (MAH) Properties

The Servicer must collect annual compliance documentation in the form of:

- for an MAH Property with Sponsor-Initiated Affordability, certifications from the Borrower and Administering Agent of compliance with the Sponsor-Initiated Affordability Agreement; or
- for any other MAH Property, the annual recertification of the Property's compliance with the Affordable Regulatory Agreement from the agency or entity that imposed any applicable rent or occupancy restrictions or, if not available, an explanation of why it is not available.

The Servicer must immediately submit a Non-Monetary Default Borrower Request in the MAMP to notify Multifamily Asset Management if this documentation reveals any event of default or noncompliance with the applicable:

- Sponsor-Initiated Affordability Agreement; or
- Affordable Regulatory Agreement.

The Servicer must retain the annual compliance documentation in its Servicing File.

#### **418.05** Low-Income Housing Tax Credits

If the Property is subject to a Low-Income Housing Tax Credit allocation, the Servicer must obtain, at least once in each calendar year (and



more often if directed by Fannie Mae):

- copies of the tax and other compliance forms specified in [Part III, Chapter 7: Multifamily Affordable Housing Properties](#); and
- Borrower certifications of the Property's compliance with the requirements of the Internal Revenue Code regarding Low-Income Housing Tax Credits; and
- if the Low-Income Housing Tax Credits have not yet been syndicated, monthly reports from the Borrower detailing the Borrower's progress in syndicating the tax credit allocation until the syndication is completed.

If the Borrower indicated that the Property does not comply with all applicable regulatory requirements, the Servicer must immediately submit a Non-Monetary Default Borrower Request in the MAMP. Neither Fannie Mae nor the Servicer is responsible for determining or ensuring the Borrower's compliance with Low-Income Housing Tax Credit requirements. The Servicer also must comply with the information requirements of [Part III, Chapter 7: Multifamily Affordable Housing Properties](#).

#### **418.06** Enhanced Resident Services

The Borrower must annually recertify the Property and submit each recertification to the Servicer within 75 days following the end of each Loan Year. The Servicer must collect the initial certification and each recertification in the Servicing File. For any recertification failure, the Servicer must promptly notify Fannie Mae through the MAMP, or such other method indicated by Fannie Mae. Additionally, the Servicer must promptly submit a Non-Monetary Default Borrower Request in the MAMP if the Property later achieves recertification. After recertification, the Servicer must then resume annual compliance monitoring at the end of each subsequent Loan Year.

#### **418.07** Expanded Housing Choice

A Mortgage Loan with an Expanded Housing Choice pricing incentive requires additional monitoring. Per the Loan Documents, the Servicer must:

- receive from the Borrower a Supplemental Annual Loan Agreement Certification (Expanded Housing Choice) ([Form 6620.Supplemental.Expanded Housing Choice](#)), including:
  - a rent schedule or rent roll identifying all units where rent is paid using Housing Choice Vouchers;
  - a report for all rental applications seeking to use Housing





Choice Vouchers, including:

- the number of rental applications;
  - the current status; and
  - an explanation for all denied applications; and
- for the first annual Certification, complete lease files for at least 25% of the tenants paying rent using Housing Choice Vouchers;
- review [Form 6620.Supplemental.Expanded Housing Choice](#) and the rent roll for reasonableness and completeness, and notify Fannie Mae via a Borrower Request in the MAMP of any Certification issues, including non-delivery;
  - within 30 days after receiving the first [Form 6620.Supplemental.Expanded Housing Choice](#), compare the Housing Choice Voucher lease files to the rent roll and notify Fannie Mae via a Borrower Request in the MAMP of any discrepancies;
  - ensure the Borrower conducts any Fair Housing training required by Fannie Mae for its employees;
  - submit a Non-Monetary Default Borrower Request in the MAMP if the required Fair Housing training is not completed within the required timeframe;
  - notify the Borrower in writing of any default under the Loan Documents and any required recapture of the pricing incentive;
  - submit a copy of any Borrower notice for recapturing the pricing incentive via a Non-Monetary Default Borrower Request in the MAMP; and
  - retain in its Servicing File, copies of:
    - [Form 6620.Supplemental.Expanded Housing Choice](#) and the rent roll;
    - the results of the rent roll and lease file review submitted with the first [Form 6620.Supplemental.Expanded Housing Choice](#); and
    - any Borrower notices required for:
      - Fair Housing training;
      - Loan Document default; or
      - pricing incentive recapture.



Fannie Mae:

- may conduct Fair Housing testing for a Mortgage Loan delivered with an Expanded Housing Choice pricing incentive;
- will notify the Servicer if the Fair Housing testing or any other information reveals the Borrower is not complying with [Part II, Chapter 1: Attributes and Characteristics, Section 101.02: Expanded Housing Choice](#); and
- for any noncompliance, may:
  - require the Borrower's employees to complete Fair Housing training; and/or
  - notify the Borrower it is in default and require the Borrower to repay the pricing incentive per the Multifamily Loan Agreement and Payment Guaranty (Pricing Incentive Recapture) ([Form 6020.PIR](#)).

#### **418.08 HAP Contract Approval and Releasing Restabilization Reserve**

The Servicer is delegated the authority to:

- approve renewal of the HAP Contract during the Mortgage Loan term; and
- waive any Loan Document provision requiring the HAP Contract to be fully funded by HUD through the Mortgage Loan Maturity Date.

The Servicer must submit through the MAMP a copy of the renewed HAP Contract, and retain a copy in the Servicing File, together with any Borrower request for release of the Restabilization Reserve.

Most disbursements from a Restabilization Reserve require Fannie Mae's approval. The Servicer is delegated the authority to approve, without Fannie Mae's consent, a Borrower request for a final disbursement, provided:

- the Servicer has received written evidence that the HAP contract has been extended by HUD through the Maturity Date with no material changes to its terms;
- no default has occurred and is continuing under the Loan Documents; and
- the Loan Documents explicitly allow a final disbursement under these conditions.



## Section 419

### Sponsor-Dedicated Workforce Housing Properties

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Per the Loan Documents, to monitor an SDW Housing Property, the Servicer must:

- annually review the rent roll and sufficient lease files to determine Borrower compliance with the required rent restrictions;
- receive an annual Supplemental Annual Loan Agreement Certification (Sponsor-Dedicated Workforce Housing) ([Form 6620.Supplemental.SDW](#)) from the Borrower, and:
  - attest to the [Form 6620.Supplemental.SDW](#) that the Servicer has audited the rent roll for Borrower compliance with the required rent restrictions; or
  - for any noncompliance:
    - notify the Borrower of the default; and
    - submit a Non-Monetary Default Borrower Request in the MAMP;
- retain in the Servicing File, copies of:
  - Modifications to Multifamily Loan and Security Agreement (Sponsor-Dedicated Workforce Housing) ([Form 6271.SDW](#));
  - Modifications to Security Instrument (Sponsor-Dedicated Workforce Housing) ([Form 6325](#));
  - Property rent restrictions;
  - annual rent roll and compliance results; and
  - any Loan Document default Borrower notices; and
- per the [Sponsor-Dedicated Workforce \(SDW\) Housing Job Aid](#), annually submit copies of the:
  - [Form 6620.Supplemental.SDW](#) and Servicer attestation; and
  - Property rent roll.

## Section 420

### MH Communities with Tenant Site Lease Protections

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A Mortgage Loan secured by an MH Community with Tenant Site Lease Protections requires additional monitoring. The Loan Documents



require the Borrower to annually provide:

- a certified copy of the current residential MH Site Lease form;
- a certified copy of the notice sent to all MH Site Lease tenants if the Tenant Site Lease Protections were implemented by the Rules and Regulations;
- copies of any actual MH Site Lease requested by Lender; and
- a certification of the actual percentage of MH Site Leases that include all required Tenant Site Lease Protections, and that no material changes have been made to the MH Community's rules and regulations or to the MH Site Lease form.

The Servicer must:

- confirm the Borrower's on-going compliance with the Loan Documents;
- if the Tenant Site Lease Protections were implemented within the MH Community's rules and regulations, confirm:
  - the rules and regulations contain all Tenant Site Lease Protections and are publicly posted in the MH Community; and
  - each MH Site Lease tenant received written notice of all Tenant Site Lease Protections added to the rules and regulations;
- if the Tenant Site Lease Protections were implemented within the MH Site Lease:
  - confirm the MH Site Lease form includes:
    - all Tenant Site Lease Protections; and
    - the required percentage of MH Site Leases (i.e., 25%, 50%, or 100%) are covered by the Tenant Site Lease Protections; and
  - annually audit at least 25% of the minimum percentage of MH Site Leases required per the Loan Documents (i.e., 25%, 50%, or 100%) to ensure all Tenant Site Lease Protections are included;
- determine whether the Borrower complied with all terms of the Tenant Site Lease Protections (e.g., the Borrower only raised MH Site Lease rents after required notice);
- retain the review of the Borrower's certification and audit results in the Servicing File; and



- notify Multifamily Loss Mitigation if the Borrower fails to certify compliance, or the MH Site Lease audit discloses potential noncompliance.

## **Section 421**      Single Asset Entity Conversion

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If the Loan Documents require the Borrower to convert into a single asset entity that complies with [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.01: Single-Asset Entity](#) by a certain date, the Servicer is delegated the authority to:

- grant a one-time extension of the date by up to 90 days;
- determine whether the extension requires an amendment to the Multifamily Loan Agreement; and
- document it in any form that the Servicer deems legally enforceable.

## **Section 422**      Loan Document Amendments

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Provided the change does not violate the Disclosure Documents or the Fannie Mae Master Trust Agreement, the Servicer is delegated the authority to modify the Loan Documents for a Portfolio Mortgage Loan to:

- align with the approved terms for a Supplemental Mortgage Loan; or
- cross-default and/or cross-collateralize the Portfolio Mortgage Loan with a subsequent Mortgage Loan.

This delegated authority includes executing all Loan Document amendments related to:

- a subordinate lien, including any Mortgage Loan modification for a Supplemental Mortgage Loan with a confirmed Commitment;
- cross-collateralizing and/or cross-defaulting a Pre-Existing Mortgage Loan with a Supplemental Mortgage Loan with a confirmed Commitment; and
- cross-collateralizing and/or cross-defaulting a first Lien Mortgage Loan with another first Lien Mortgage Loan (e.g., for a phased property), provided that cross-collateralization and cross-default were contemplated in the Loan Documents for the Portfolio Mortgage Loan and there is a confirmed Commitment for the second first Lien Mortgage Loan.



## Section 423 Maturing Mortgage Loans

### 423.01 Written Policy

The Servicer must establish a written policy for maturing Mortgage Loans, including:

- overall monitoring responsibilities;
- criteria for handoffs between functional groups (e.g., Special Asset Management, Special Credits, etc.);
- Fannie Mae reporting;
- sending Borrower maturity notification letters; and
- determining the Mortgage Loan's refinance eligibility.

### 423.02 Refinance Eligibility

On a monthly basis, beginning at least 24 months before each Mortgage Loan's Maturity Date, the Servicer must evaluate the Property's operating performance to determine the likelihood that the Mortgage Loan UPB can be refinanced based on the current cap rate, and the DSCR and NCF from the Property's most recent annual financial statement.

Participants from the Servicer's underwriting, asset management, portfolio management, and finance teams must coordinate to categorize each Mortgage Loan as either:

- "Meets Criteria" = the Mortgage Loan qualifies for refinancing based on the currently published underwriting criteria of Fannie Mae or a third party; or
- "Does Not Meet Criteria" = the Mortgage Loan does not qualify for refinancing based on the currently published underwriting criteria of Fannie Mae or a third party.

For each Mortgage Loan categorized as "Does Not Meet Criteria", the Servicer must:

- review the Property's quarterly operating statements and analyze the operating expenses (especially repairs & maintenance and capital expenses) to assess whether the Borrower is prudently managing the Property; and
- work with the Borrower and Fannie Mae to ensure the Borrower has a reasonable payoff plan.

### 423.03 Borrower Communications



The Servicer must send the following maturity notification letters to the Borrower:

- 18 months before the Mortgage Loan Maturity Date, send the first maturity notification letter notifying the Borrower of the upcoming Maturity Date (18 Month Notice to Borrower – Choice Refinance Loans (Form 4217)).
- 12 months before the Mortgage Loan Maturity Date, send the applicable second maturity notification letter (12 Month Notice to Borrower Marketing Oriented – Choice Refinance Loans (Form 4218) or 12 Month Notice to Borrower – In Place Loans (Form 4219)):
  - notifying the Borrower of the upcoming Maturity Date;
  - providing Servicer contact information; and
  - requesting a detailed payoff plan.
- 6 months before the Mortgage Loan Maturity Date, send the 6 Month Notice to Borrower – In Place Loans (Form 4220):
  - notifying the Borrower of the upcoming Maturity Date;
  - requesting proof of a payoff plan (e.g., a commitment letter from another lender or sale contract); and
  - advising the Borrower that the Mortgage Loan will be in default if not paid off or refinanced.

Within 6 months of the Maturity Date, the Servicer must aggressively pursue a maturity solution for any Mortgage Loan that “Does Not Meet Criteria” until the Borrower provides written proof of a payoff plan, which may include a certified escrow letter, contact information for the new lender with appropriate follow-up by the Servicer, or other reasonable evidence.

#### **423.04 Fannie Mae Communications**

On the first Business Day of each month, the Servicer must submit a Maturing Loan Report using the mandated template to Multifamily Maturity Management with information on each Mortgage Loan maturing within the next 24 months (or advising that no Mortgage Loans are maturing within the next 24 months), and categorizing each as “Meets Criteria” or “Does Not Meet Criteria” in the Performance Rating column. The Servicer must also update the Maturing Loan Report as new information becomes available with each monthly submission.

The comments section of the Maturing Loan Report must include, at a minimum:



- a report of discussions with the Borrower (e.g., potential new lender, term of new loan, proof of payoff plan received);
- the anticipated payoff date; and
- whether the Mortgage Loan is likely or not to refinance, and the rationale.

All other Fannie Mae notices related to maturing Mortgage Loans, including default notices, must be sent to Multifamily Maturity Management.





## Chapter 5 Surveillance

### Section 501 Generally

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#### Requirements

You must:

- Monitor the Property by:
  - inspecting it;
  - evaluating its financial performance; and
  - submitting the inspection and evaluation results per this Chapter.
- Ensure the Borrower manages and maintains the Property per the Loan Documents.

### Section 502 Property Inspections

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#### 502.01 Forms

#### Requirements

For all Property inspections, you must use

- the MBA Standard Inspection Form, or
- if a Catastrophic Event has occurred, the Multifamily Catastrophic Loss Inspection form ([Form 4261](#)).

For a Green Rewards Mortgage Loan, you must also submit the Green Rewards Verification Inspection Form ([Form 4221](#)) per [Part V, Chapter 4: Asset Management: Loan Document Administration, Section 408.03I: Green Rewards Efficiency Measure Verification](#).

#### Operating Procedures

On the MBA Standard Inspection Form, you must:

1. Select the “Fannie Mae Inspection” option on the Tools tab.
2. Complete the following tabs:
  - “General Information”;
  - “Physical Condition & Deferred Maintenance”;
  - “Photos”;



- "Rent Roll";
- "Management Interview";
- "Multifamily";
- "Fannie Mae Assessment Addendum"; and
- "Senior Supplement", for Seniors Housing Properties.

3. Assign an overall rating per Fannie Mae's Ratings Scale Definitions.

## 502.02 Property Condition Concerns

### Operating Procedures

If the Property has...	You must...
<ul style="list-style-type: none"> <li>• an inspection rating of 4 or 5 per the Fannie Mae Assessment Addendum tab of the MBA Standard Inspection Form;</li> <li>• incomplete repairs per the specified timing in the Loan Documents;</li> <li>• significant deferred maintenance; or</li> <li>• non-significant deferred maintenance that was not corrected within 12 months after notifying the Borrower.</li> </ul>	<ul style="list-style-type: none"> <li>• Inform Multifamily Inspections and Multifamily Loss Mitigation:               <ul style="list-style-type: none"> <li>- promptly after receiving notice of any Life Safety Issues per <a href="#">Part V, Chapter 5: Surveillance, Section 502.06F: Life Safety Issues</a>; or</li> <li>- otherwise within 10 Business Days after becoming aware.</li> </ul> </li> <li>• Reinstate any suspended Completion/Repair Escrow or Replacement Reserve if the Property inspection rating is 4 or 5, unless the rating resulted from a casualty loss (see <a href="#">Part V, Chapter 5: Surveillance, Section 502.06E: Collateral Analysis</a>).</li> <li>• Inspect the Property as necessary to ensure the Borrower resolves any deferred maintenance.</li> <li>• Regardless of whether the Mortgage Loan is on a Watchlist, submit a request to Multifamily Loss Mitigation before ordering a PCA (excluding regularly-scheduled PCAs required per the Loan Documents).</li> <li>• Identify the appropriate Fannie Mae risk rating per <a href="#">Part VI, Chapter 1: Watchlist Management</a>.</li> </ul>

## 502.03 Property Inspection Protocol

### Guidance



Property inspection frequency is based on

- the current Fannie Mae risk rating,
- the Mortgage Loan amount at the Mortgage Loan Origination Date, and
- a full inspection (unless otherwise noted) of the specified percentage of units per the Property Inspection Protocol table criteria, but not:
  - less than the specified minimum; and
  - more than the specified maximum.

If the scheduled inspection due date is within 6 months of the Maturity Date, the MAMP inspection due date will be set to 6 months before the Maturity Date.

### Operating Procedures

Property Inspection Protocol						
If the original Mortgage Loan Amount is greater than \$30 million...						
Type	Fannie Mae Risk Rating	Inspection Frequency	Number of Units to Inspect		Minimum # of Photos	Inspector
			%	Min/Max		
All Mortgage Loans	• Pass, • Pass-Watch, or • Special Mention	Annual	5%	5/15	15	• Third-Party, or • In-House
	Substandard	Annual	10%	10/20	15	In-House Only
If the original Mortgage Loan Amount is greater than \$6 million and less than or equal to \$30 million...						
NOTE: DSCR is per the most recent annual financial statement submitted to Fannie Mae.						
Type	Fannie Mae Risk Rating	Inspection Frequency	Number of Units to Inspect		Minimum # of Photos	Inspector
			%	Min/Max		
Most Recent Inspection rating of 4 or 5	All Ratings	Annual	10%	10/20	15	In-House Only



Property Inspection Protocol						
• Seniors Housing, or • Rent-Stabilized	• Pass, • Pass-Watch, or • Special Mention	Annual	5%	5/15	15	• Third-Party, or • In-House
	Substandard	Annual	10%	10/20	15	In-House Only
Maturing	All Ratings	Within 12 months before Maturity Date	Per applicable Mortgage Loan type.			
All Others	• Pass, Pass-Watch, or Special Mention; and • DSCR $\geq$ 1.35, or Co-op DSCR $\geq$ 1.00.	• Every 2 years; or • Annual if required annual Operating Statement not received.	5%	5/15	15	• Third-Party, or • In-House
	• Pass, Pass-Watch, or Special Mention; and • DSCR < 1.35, or Co-op DSCR < 1.00.	Annual	5%	5/15	15	• Third-Party, or • In-House
	Substandard	Annual	10%	10/20	15	In-House Only
If the original Mortgage Loan Amount is \$6 million or less...						
NOTE: If the Property has 10 units or less, at least 2 units must be inspected.						
Type	Fannie Mae Risk Rating	Inspection Frequency	Number of Units to Inspect		Minimum # of Photos	Inspector
			%	Min/Max		
Most Recent Inspection rating of 4 or 5 (unless Delivered Mortgage Loan Amount was less than \$750,000)	All Ratings	Annual	10%	10/20	15	In-House Only



Property Inspection Protocol						
• Seniors Housing, or • Rent-Stabilized	• Pass, • Pass Watch, or • Special Mention	Annual	5%	5/15	15	• Third-Party, or • In-House
	Substandard	Annual	10%	10/20	15	In-House Only
Maturing	All Ratings	Within 12 months before Maturity Date	Per applicable Mortgage Loan type.			
All Others	• Pass, Pass-Watch, or Special Mention; and • Delivered Mortgage Loan Amount < \$750,000.	Walk Around every 5 years	N/A	N/A	10	• Third-Party, or • In-House
	• Pass, Pass-Watch, or Special Mention; and • Delivered Mortgage Loan Amount ≥ \$750,000.	Every 2 years	5%	2/5	10	• Third-Party, or • In-House
	Substandard	Annual	10%	2/5	10	In-House Only

## 502.04 Scheduling and Submissions

### 502.04A Scheduling

#### Operating Procedures

You must:

- ensure Property inspections are performed per [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol](#); and
- allow enough time to submit the Property inspection form by the MAMP



submission due date.

### ➔ Guidance

For scheduling efficiency, you may request 1 automatic extension for up to 60 days after the submission due date if:

- you request it before the original submission due date using the “Modification Request” tab within the MAMP;
- the Fannie Mae risk rating is not Substandard;
- the most recent Property inspection rating is:
  - 1 or 2; or
  - 3 if the inspection is less than 1 year old; and
- the extended MAMP submission due date is at least 6 months before the Maturity Date.

## 502.04B Submissions

### ✻ Operating Procedures

You must:

- Submit via the MAMP:
  - the origination inspection form:
    - within 45 days after Fannie Mae purchases the Mortgage Loan and loads it into the MAMP; and
    - no later than the MAMP submission due date; and
  - each subsequent inspection form:
    - within 60 days after the Property inspection date; and
    - no later than the MAMP submission due date.
- Timely resolve all issues Fannie Mae identifies.

### ➔ Guidance

See the MAMP User Guide for Property inspection form submission information.

If the Property inspection is inadequate, Fannie Mae may require you to



obtain a new inspection at your expense.

## 502.05 Property Inspectors

### 502.05A Qualifications

#### Requirements

You must ensure any inspector:

- Meets 1 of the following:
  1. Is certified by the:
    - Real Estate Assessment Center for HUD as a Certified Home Inspector;
    - American Society of Home Inspectors (ASHI); or
    - International Association of Certified Home Inspectors (InterNACHI).
  2. Is a:
    - state-certified home inspector;
    - registered architect; or
    - civil engineer.
  3. Successfully completed other acceptable training, including the MBA's School of Multifamily Property Inspections.
- Has the following minimum experience:

Type	Minimum Inspection Experience
Senior Housing Mortgage Loans	10 seniors housing property inspections
Substandard Fannie Mae Risk Rating	25 multifamily property inspections
All Others	10 multifamily property inspections

### 502.05B Third Parties

#### Requirements

Any third-party inspector must:

- have no financial interest in the inspected Property;
- have experience in the Property's market; and



- not reassign responsibility to another Person without your approval.

### ➔ Guidance

Fannie Mae reserves the right, in its sole discretion, to notify you that a third-party inspector or inspection firm is unacceptable.

## 502.06 Content

### 502.06A Unit Selection

#### Operating Procedures

When selecting units:

- The inspector, not the Property manager, must select and inspect the interior of:
  - all “down” units (i.e., units that cannot currently be rented in the normal course of business);
  - at least the minimum, but no more than the maximum, number of occupied and vacant units per [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol](#); and
  - units where at least:
    - 50% are vacant (if existing); and
    - 2 are occupied.
- If substantial physical concerns exist, the inspector may inspect more than the maximum number of units per [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol](#).
- If a Property has Non-Contiguous Parcels or scattered sites, on each parcel or site:
  - inspect all buildings;
  - allocate the number of units to inspect in the same proportion as the total Property units; and
  - randomly select the units to be inspected.

### 502.06B Photos

#### Operating Procedures





You must submit at least the minimum number of photos per [Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol](#) with the Property inspection form. The photos must include views and captions of the Property's

- signage,
- frontage,
- site office and clubhouse (if applicable),
- amenities,
- typical building front,
- apartment interior,
- major building systems,
- deferred maintenance and life safety items,
- extraordinary repair or capital expenditure items, and
- all critical or substantial issues per the inspection report.

#### **502.06C** Interviews

##### Operating Procedures

Except for walk-around inspections, you must interview the Property manager and other on-site staff to:

- ascertain the Property's condition and performance; and
- confirm all life safety and deferred maintenance items per the most recent Property inspection were corrected.

#### **502.06D** Market Analysis

##### Operating Procedures

You must evaluate:

- the Property's neighborhood, submarket, and market to determine material shifts in economic and real estate conditions; and
- competitive properties to determine any changes in the Property's competitive position since
  - initial underwriting, or
  - the most recent Property inspection.



## 502.06E Collateral Analysis

### Operating Procedures

If the Property needs repairs or maintenance:

Step	Activity	You must...
1	Notify Borrower	<ul style="list-style-type: none"><li>• Within 45 days after the inspection date,<ul style="list-style-type: none"><li>- identify the repair or maintenance issues,</li><li>- include any photos, and</li><li>- direct the Borrower to timely complete the work.</li></ul></li><li>• Use <a href="#">Form 4830</a> if the Property inspection rating is 3, 4, or 5.</li></ul>
2	Follow Up	<ul style="list-style-type: none"><li>• Follow up to ensure the Borrower responded and the work was successfully completed. If not:<ul style="list-style-type: none"><li>- notify the Borrower;</li><li>- notify Multifamily Inspections; and</li><li>- include your resolution recommendation.</li></ul></li><li>• Use <a href="#">Form 4831</a> or <a href="#">Form 4832</a> if the Property inspection rating is 3, 4, or 5.</li></ul>
3	Set Rating	<p>Set the Property inspection overall rating to 4 (or 5 depending on the severity or other existing issues) if:</p> <ul style="list-style-type: none"><li>• 10% or more of the units are down for any reason; or</li><li>• there is casualty damage equal to<ul style="list-style-type: none"><li>- 25% of the current UPB, or</li><li>- \$1 million.</li></ul></li></ul>

### Guidance

Setting the Property inspection rating to 4 or 5 does not:

- add the Mortgage Loan to Fannie Mae's Watchlist;
- require an Action Plan; or
- require Replacement Reserves reinstatement if the rating is the result of a casualty loss unless you



- identify other performance issues that increase credit risk, or
- expect insufficient funds or insurance proceeds to restore the Property to its original condition.

## 502.06F Life Safety Issues

### Requirements

If a third-party inspector identifies any Property issues that would be rated 3, 4, or 5 per the “Life Safety” section of the Fannie Mae Assessment Addendum of the MBA Standard Inspection Form, the inspector must notify you within 3 Business Days after completing the inspection.

## 502.07 Quality Control

### 502.07A Program

#### Requirements

You must:

- Have a quality control program to annually review the Property inspections performed by third-party inspectors.
- Ensure every Property inspection complies with Fannie Mae’s requirements before submission.
- Show evidence and results of your quality control program if requested.

### 502.07B Inspection Form Retention

#### Operating Procedures

You must

- retain all Property inspection forms in your Servicing File for at least 2 inspection cycles, and
- submit them upon request.

### 502.07C Additional Inspections and Fees

#### Guidance

Property inspections are a regular asset management responsibility, and additional Property inspections may be required if circumstances warrant.



You may charge the Borrower a reasonable Property inspection fee if it is

- permitted per the Loan Documents or other written Borrower agreement, and
- not prohibited by Fannie Mae.

## Section 503 Financial Analysis of Operations

### 503.01 Reporting

#### Requirements

You must submit quarterly and annual Financial Analysis of Operations reports (Form 4254 or Form 4254.Seniors) for each Property.

#### Operating Procedures

You must submit all Financial Analysis of Operations reports via the MAMP. To ensure the operating statements are complete:

Item	Activity	You must...
1	Verify	Verify the operating statements reflect the Property's actual physical occupancy based on the most recent quarter-end rent roll.
2	Provide	Provide actual expenses, normalizing <ul style="list-style-type: none"><li>• for seasonal variations, and</li><li>• certain expenses including, but not limited to,<ul style="list-style-type: none"><li>- real estate taxes,</li><li>- property casualty insurance,</li><li>- Replacement Reserves, and</li><li>- property management fees.</li></ul></li></ul>



Item	Activity	You must...
3	Comment	<p>Comment if:</p> <ul style="list-style-type: none"> <li>• the Mortgage Loan is on Fannie Maes Watchlist; or</li> <li>• per <a href="#">Form 4254.DEF</a> there is a 20% or greater variance, either higher or lower, from the same reporting period in the prior year for               <ul style="list-style-type: none"> <li>- Effective Gross Income,</li> <li>- Total Operating Expenses,</li> <li>- Capital Expenditures, or</li> <li>- Debt Service Coverage.</li> </ul> </li> </ul> <p>Comments should:</p> <ul style="list-style-type: none"> <li>• describe:               <ul style="list-style-type: none"> <li>- the situation and the variances root cause;</li> <li>- risk changes or trends;</li> <li>- any Property management changes;</li> <li>- the Borrower/Property managers plan to improve cash flow if the Property is                   <ul style="list-style-type: none"> <li>▪ on the Watchlist, or</li> <li>▪ not performing as expected per original underwriting; and</li> </ul> </li> <li>- the overall                   <ul style="list-style-type: none"> <li>▪ payment history,</li> <li>▪ debt service adjustments,</li> <li>▪ Property performance, or</li> <li>▪ significant financial changes; and</li> </ul> </li> </ul> </li> <li>• include:               <ul style="list-style-type: none"> <li>- available market data, noting                   <ul style="list-style-type: none"> <li>▪ concerns or improvements, and</li> <li>▪ Property performance relative to competition;</li> </ul> </li> <li>- normalization/annualization adjustments; and</li> <li>- applicable hedge data for rate cap income and/or escrow payments.</li> </ul> </li> </ul>
4	Resolve	Timely resolve any quality control issues.



## 503.02 Quarterly Financial Analysis of Operations

### Requirements

Fannie Mae Watchlist Status or Product	Reporting
Fannie Mae Watchlist Property (All Products)	You must submit detailed quarterly operating statements <ul style="list-style-type: none"><li>• 90 days after the end of the first quarter, and</li><li>• 75 days after the end of the second and third quarters.</li></ul>
Cooperative Property	No quarterly financial reporting or waiver required.
Small Mortgage Loan	If the original Mortgage Loan amount is: <ul style="list-style-type: none"><li>• equal to \$6 million or less, no quarterly financial reporting or waiver required; or</li><li>• greater than \$6 million, you must submit detailed quarterly operating statements 75 days after the end of the second and third quarters.</li></ul>
Seniors Housing Property	You must submit detailed quarterly operating statements 75 days after the end of every quarter.
Credit Facility or Bulk Delivery Property	You must submit the Deal Level Structured Transaction (BD/CF) Quarterly report 75 days after the end of every quarter, including the <ul style="list-style-type: none"><li>• detailed quarterly operating statements,</li><li>• Structured Facilities Monitoring Narrative (Form 4801), and</li><li>• Spreadsheet (Form 4802).</li></ul>
All Others	You must submit detailed quarterly operating statements 75 days after the end of the second and third quarters.

### Operating Procedures

You must adhere to the following due dates:



Fannie Mae Watchlist Property			
Reporting Quarter	Period Covered	Reporting Due Date for Property with 12/31 Fiscal Year End	Reporting Due Date for Property with non-12/31 Fiscal Year End
First	1 st quarter	June 30	90 days after 1st quarter end
Second	2 nd quarter year-to-date	September 15	75 days after 2nd quarter end
Third	3 rd quarter year-to-date	December 15	75 days after 3rd quarter end

Seniors Housing Property			
Reporting Quarter	Period Covered	Reporting Due Date for Property with 12/31 Fiscal Year End	Reporting Due Date for Property with non-12/31 Fiscal Year End
First	Trailing 3 months operating data covering the 1st quarter	June 15	75 days after 1st quarter end
Second	Trailing 3 months operating data covering the 2nd quarter	September 15	75 days after 2nd quarter end
Third	Trailing 3 months operating data covering the 3rd quarter	December 15	75 days after 3rd quarter end
Fourth	Trailing 3 months operating data covering the 4th quarter	March 15	75 days after 4th quarter end



Credit Facility or Bulk Delivery Property			
Reporting Quarter	Reporting Period	Reporting Due Date for Property with 12/31 Fiscal Year End	Reporting Due Date for Property with non-12/31 Fiscal Year End
First	Trailing 3 months operating data: <ul style="list-style-type: none"> <li>• Property level statements covering the 1st quarter; and</li> <li>• Deal level Structured Facilities Monitoring Narrative and Spreadsheet (Form 4801 and Form 4802).</li> </ul>	June 15	75 days after 1st quarter end
Second	Trailing 3 months operating data: <ul style="list-style-type: none"> <li>• Property level statements covering the 2nd quarter; and</li> <li>• Deal level Structured Facilities Monitoring Narrative and Spreadsheet (Form 4801 and Form 4802).</li> </ul>	September 15	75 days after 2nd quarter end
Third	Trailing 3 months operating data: <ul style="list-style-type: none"> <li>• Property level statements covering the 3rd quarter; and</li> <li>• Deal level Structured Facilities Monitoring Narrative and Spreadsheet (Form 4801 and Form 4802).</li> </ul>	December 15	75 days after 3rd quarter end





Credit Facility or Bulk Delivery Property			
Fourth	Trailing 3 months operating data: <ul style="list-style-type: none"> <li>• Property level statements covering the 4th quarter; and</li> <li>• Deal level Structured Facilities Monitoring Narrative and Spreadsheet (Form 4801 and Form 4802).</li> </ul>	March 15	75 days after 4th quarter end

All Others			
Reporting Quarter	Period Covered	Reporting Due Date for Property with 12/31 Fiscal Year End	Reporting Due Date for Property with non-12/31 Fiscal Year End
Second	2 nd quarter year-to-date	September 15	75 days after 2nd quarter end
Third	3 rd quarter year-to-date	December 15	75 days after 3rd quarter end

Guidance

If any due date is not a Business Day, you may submit the quarterly Financial Analysis of Operations on the next Business Day.

**503.03** Annual Financial Analysis of Operations

**503.03A** Reporting Period

Requirements

The annual Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) for each Property must cover the



- previous calendar year for a Property with a 12/31 fiscal year end, or
- fiscal year ending in the previous calendar year for a Property with a non-12/31 fiscal year end.

**503.03B** Submission

 Operating Procedures

1. Comply with the Annual Reporting Protocol table.
2. Analyze the Borrower's operating statements per [Form 4254.DEF](#).
3. Indicate on each statement line which of the Borrower's income and expense items are included.
4. Provide the pertinent income, expense, and other required data for the current reporting period in the MAMP.

Annual Reporting Protocol		
For...	Due Date	You must...
First Year		
A Mortgage Loan Fannie Mae purchases on or before June 30	June 1 of the following year.	Annualize the operating data to represent 12 months of operations.
A Mortgage Loan Fannie Mae purchases on or after July 1	June 1 of the second year after purchase.	Submit 12 months of actual operating data.
Subsequent Years		
Every Property	<ul style="list-style-type: none"> <li>• June 1 for a Property with a 12/31 fiscal year end, or</li> <li>• for a Property with a non-12/31 fiscal year end:               <ul style="list-style-type: none"> <li>- within 150 days after the fiscal year-end; and</li> <li>- submit a data change request via the MAMP to change the Borrower's fiscal year end.</li> </ul> </li> </ul>	Submit 12 months of actual operating data.



### 503.03C Annual Review

#### Operating Procedures

Within 15 Business Days after Fannie Mae notifies you of a Mortgage Loan review, you must submit:

- the Borrower's operating statements, with each income and expense line item indicated per [Form 4254.DEF](#);
- the Borrower's escrow activity reconciliation; and
- any other requested documentation.

### 503.04 Waiver Request

#### Operating Procedures

Waiver Reason	Action
Unresponsive Borrower	<ul style="list-style-type: none"> <li>• Request the Borrower provide the missing statements.</li> <li>• If the Borrower does not respond after 3 written requests, wait to submit a waiver request via the MAMP until:               <ul style="list-style-type: none"> <li>- for an annual report, 6 months after the due date; or</li> <li>- for a quarterly report, the next due date.</li> </ul> </li> <li>• Include Unresponsive Borrower as the waiver condition in the MAMP.</li> <li>• Provide copies of all relevant Borrower correspondence.</li> <li>• Provide any additional requested information.</li> </ul>



Waiver Reason	Action
All Others	<p>Submit a waiver request via the MAMP if:</p> <ul style="list-style-type: none"><li>• Your Lender Contract does not require collecting Property operating statements.</li><li>• The Mortgage Loan Documents do not permit you to collect, nor require the Borrower to submit, financial reports.</li><li>• The Mortgage Loan:<ul style="list-style-type: none"><li>- liquidated in the current quarter (for quarterly reporting waivers), or year (for annual reporting waivers), before the Financial Analysis of Operations submission due date;</li><li>- was delivered per a Forward Commitment and has not yet converted to a permanent loan;</li><li>- was defeased;</li><li>- has FHA or HUD risk sharing;</li><li>- is managed by Fannie Mae's Special Asset Management; or</li><li>- was acquired by Fannie Mae in the current reporting year, and less than 6 months of Property operating data is available.</li></ul></li></ul>

If you receive operating statements after a waiver was granted, you must promptly submit the Financial Analysis of Operations report (Form 4254 or Form 4254.Seniors).

## Section 504 Loan Agreement Compliance

### 504.01 Generally

#### Requirements

For all Mortgage Loans, you must

- review all required Borrower or Guarantor information, and
- confirm compliance with the quarterly and annual reporting requirements per the Loan Documents.

#### Guidance

You may use the Annual Loan Agreement Certification ([Form 6620 series](#))



when compiling the required financial reports and information.

## 504.02 Financial Reports and Information

### 504.02A Borrower and Guarantor Notices

#### Operating Procedures

You:

- Will receive an annual list of all Mortgage Loans requiring Guarantor financial records for the past fiscal year.
- Must send the Borrower and Guarantors a list of all required financial reports.
- Must provide the Borrower and Guarantors sufficient time for you to submit certified financial reports:
  - for Borrowers,
    - within 45 days after the end of each fiscal quarter, and
    - 120 days after the end of each fiscal year; and
  - for Guarantors, by June 1.
- Must use best efforts to obtain all required reports.
- Must promptly submit all Guarantor financial reports received per [Part V, Chapter 5: Surveillance, Section 504.02C: Review Financial Reporting](#).

### 504.02B Borrower Fails to Provide Guarantor Financial Reports

#### Operating Procedures

You must immediately notify Fannie Mae and the Borrower or Guarantor if:

- the Borrower fails to submit the required Guarantor financial reports and information by the date required per the Loan Documents;
- the Guarantor fails to certify each financial report is true, complete, and accurate in all material respects; or
- you believe any financial report or information is materially inaccurate or misleading.

You must provide:

- the Borrower or Guarantor 30 days to deliver/certify all required financial



reports and information; and

- Fannie Mae copies of all related correspondence with the Borrower or any Guarantor.

If the Borrower or a Guarantor...	You...
Fails to: <ul style="list-style-type: none"> <li>• timely submit all required information; or</li> <li>• respond to at least 3 written notices.</li> </ul>	Must request a waiver through: <ul style="list-style-type: none"> <li>• the MAMP for financials required from the Borrower; or</li> <li>• Sponsor Financials for financials required from the Guarantors.</li> </ul>
Is diligently attempting to deliver all required information.	May extend the 30-day period by an additional 30 days.

## 504.02C Review Financial Reporting

### Operating Procedures

After reviewing the Borrower or Guarantor information:

If you determine...	You must...
No additional follow up is required	<ul style="list-style-type: none"> <li>• Submit the certified material through:               <ul style="list-style-type: none"> <li>- the MAMP for the Borrower; and</li> <li>- Sponsor Financials for Guarantors.</li> </ul> </li> <li>• Retain the information in your Servicing File.</li> </ul>
Additional or supporting information is required	<ul style="list-style-type: none"> <li>• Promptly:               <ul style="list-style-type: none"> <li>- contact the Borrower or Guarantor to request additional information; and</li> <li>- submit a copy of all financial reporting, explanatory schedules, and other supporting information through                   <ul style="list-style-type: none"> <li>▪ the MAMP for the Borrower, and</li> <li>▪ Sponsor Financials for Guarantors.</li> </ul> </li> </ul> </li> <li>• Retain the information in your Servicing File.</li> </ul>



## 504.02D Records

### Requirements

For the Mortgage Loan term, your Servicing File must include the originals of the following Borrower and Guarantor information:

- financial records;
- certifications and certified material; and
- related information and explanatory schedules.

## Section 505 Compliance

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### Requirements

You must:

- maintain effective OFAC compliance procedures;
- monthly screen:
  - the Borrower, Key Principal, Guarantor, and Principals for Potential Red Flags for Mortgage Fraud and Other Suspicious Activity; and
  - all Persons per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 308: Compliance; and
- report:
  - all unresolved red flags per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 308: Compliance; and
  - within 24 hours, any Blocked Person to Lender Assessment Oversight.



# Glossary

## A

ACH	Electronic Automated Clearing House network for processing U.S. banking transactions.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Automated Clearing House</li></ul>
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.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Achievement Agreements</li></ul>
Achievement Letter of Credit	Letter of Credit that is released as collateral when a certain event occurs or a requirement is met (e.g., construction completion, or minimum occupancy or EGI level reached).  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Achievement Letters of Credit</li><li>• Achievement LOC</li><li>• Achievement LOCs</li></ul>
Action Plan	Your report analyzing <ul style="list-style-type: none"><li>• the Mortgage Loan and Property issues,</li><li>• your resolution strategy, and</li><li>• related actions and outcomes.</li></ul> <b>Synonyms</b> <ul style="list-style-type: none"><li>• Action Plans</li></ul>
Administering Agent	Third-party compliance monitoring company.





**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](#))).

**Allocable Facility Amount**

For a Credit Facility, the amount of debt allocated to a given Property, used in calculating tests for collateral activity such as releases, substitutions, and additions.

**Synonyms**

- Allocable Facility Amounts

**Alzheimer's/Dementia Care**

Seniors Housing Property with units and beds for residents with significant cognitive impairment resulting from Alzheimer's disease or other dementia, which are typically licensed and regulated by a state or local government authority.

**Synonyms**

- ALZ

**Appraisal**

Written statement independently and impartially prepared by a qualified appraiser stating an opinion of the Property's market value

- as of a specific date, and
- supported by the presentation and analysis of relevant market information.

**Synonyms**

- Appraisals

**Asset Valuation Date**

Per the Loss Sharing Addendum.



## Assisted Living

Seniors Housing Property offering services limited to non-medical personal care, including ADL assistance, which are typically licensed and regulated by a state or local governmental authority.

### **Synonyms**

- AL

## **B**

## Balloon Mortgage Loan

Mortgage Loan with periodic installments of principal and interest that do not fully amortize the Mortgage Loan, with the balance of the Mortgage Loan due in a lump sum on a specified date, usually the Maturity Date.

## Blocked Person

Any Person who is:

- on the FHFA SCP List;
- sanctioned or blocked by OFAC; or
- identified on:
  - HUD's "Limited Denial of Participation, HUD Funding Disqualifications and Voluntary Abstentions List"; or
  - General Services Administration's "System for Award Management (SAM) exclusion list".

## 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

Bulk Delivery

Structured Transaction governed by a Bulk Delivery Agreement that allows future:

- Mortgage Loan additions; and/or
- Property substitutions.

**Synonyms**

- Bulk Deliveries

Bulk Delivery Agreement

Agreement evidencing the terms and conditions of a Bulk Delivery.

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

Cash Loan Drafting Application

Multifamily application or successor system, where you review, update, and certify amounts for Fannie Mae to draft from your bank accounts via ACH for monthly P&I and payoff remittances for:

- Cash Mortgage Loans; and
- PFP Mortgage Loans.



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

**Synonyms**

- Cash Mortgage Loans

Cash Remittance System Multifamily system where you set up and maintain banking instructions for Fannie Mae's drafting of remittances per [Part V, Chapter 2: Reporting and Remitting, Section 209: Remittance Procedures](#).

Catastrophic Event Natural or man-made hazard resulting in an event of substantial extent causing

- significant physical damage or destruction,
- loss of life, or
- drastic change to the natural environment, such as
  - earthquake,
  - flood,
  - terrorist attack, or
  - windstorm.

**Synonyms**

- Catastrophic Events

CESIR Credit Enhancement Servicing and Investor Reporting System

Choice Refinance Loan Mortgage Loan refinancing a Portfolio Mortgage Loan using streamlined underwriting per [Part III, Chapter 18: Choice Refinance Loans](#).

**Synonyms**

- Choice Refinance Loans



## 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

## Collateral

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

## Collateral Agreement

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

### **Synonyms**

- Collateral Agreements

## Collateral Agreement Custodial Accounts

Custodial account established by the Servicer for depositing funds received from the Borrower for Collateral Agreements.

### **Synonyms**

- Collateral Agreement Custodial Account

## 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



## Completion/Repair Agreement

The 4000 series Completion/Repair Security Agreement (Form 4505), or Fannie Mae-approved agreement, evidencing:

- the Borrower's agreement to
  - fund the Completion/Repair Escrow, and
  - perform Completion/Repairs; and
- Completion/Repair Escrow disbursement terms.

### **Synonyms**

- Completion/Repair Agreements

## Completion/Repair Escrow

Custodial Account funded on the Mortgage Loan Origination Date for Completion/Repairs or capital improvements per the Loan Documents.

## Completion/Repair Schedule

The Required Repair Schedule to the Multifamily Loan Agreement (Form 6001 series) and the applicable parts of the Multifamily Loan Agreement, or other Fannie Mae-approved agreement, evidencing:

- the Borrower's agreement to
  - fund the Completion/Repair Escrow, and
  - perform Completion/Repairs; and
- Completion/Repair Escrow disbursement terms.

### **Synonyms**

- Completion/Repair Schedules

## Completion/Repairs

Repairs or capital item replacements and deferred maintenance:

- identified per the Property Condition Assessment; and
- required per the
  - Completion/Repair Schedule, or
  - Completion/Repair Agreement.

### **Synonyms**

- Completion/Repair



Condominium	<p>Statutorily established Property ownership regime where Condominium Documents designate:</p> <ul style="list-style-type: none"><li>• individual units for separate ownership; and</li><li>• common areas for shared use and joint ownership by the unit owners.</li></ul>
Control	<p>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).</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Controlling</li><li>• Controlled</li><li>• Controls</li></ul>
Cooperative Maintenance Fee	<p>Periodic fee assessed each shareholder or owner of a Cooperative Organization to fund costs and expenses associated with ongoing operations of the Cooperative Property.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Cooperative Maintenance Fees</li></ul>
Cooperative Property	<p>Multifamily residential property owned by a Cooperative Organization.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Co-op</li><li>• Cooperative</li></ul>
Credit Enhancement Fee	<p>Fee due to Fannie Mae for a Credit Enhancement Instrument.</p>



### 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

### Credit Facility

Structured Transaction governed by a Master Credit Facility Agreement requiring Mortgage Loans and Properties to be

- cross-defaulted, and
- cross-collateralized.

#### **Synonyms**

- Credit Facilities
- Credit Facility's

### Custodial Account

Accounts established by the Servicer for depositing P&I payments, T&I funds, Collateral Agreement deposits, and other similar funds.

#### **Synonyms**

- Custodial Accounts

## **D**





Defeasance	Transaction where a Property is released from the lien of the Security Instrument and the Lender receives a valid and perfected lien and security interest in substitute collateral acceptable to Fannie Mae and the cash flows thereunder.
Delegated Transaction Form	Multifamily Asset Management Delegated Transaction Form ( <a href="#">Form 4636 series</a> ) used to determine whether certain asset management requests from a Borrower are delegated to the Servicer.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Delegated Transaction Forms</li></ul>
Delinquency Advance	Your required advances for scheduled monthly Mortgage Loan principal and/or interest per <ul style="list-style-type: none"><li>• your Lender Contract, or</li><li>• the Guide.</li></ul> <b>Synonyms</b> <ul style="list-style-type: none"><li>• Delinquency Advances</li></ul>
Delivered Mortgage Loan Amount	UPB of a Mortgage Loan when it is purchased by Fannie Mae.
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.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Deliver</li><li>• Delivered</li><li>• Deliveries</li></ul>
DEWS	Multifamily Delinquency Early Warning System used for reporting the monthly status of Non-Performing Mortgage Loans.



**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.

**Disclosure Documents** Documents for an Investor for a particular Securitized Mortgage Loan, which may include the MBS Trust Agreement, Prospectus, and any related documents.

**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

**DUS** Delegated Underwriting and Servicing

**DUS Gateway** Multifamily pre-acquisition system, or any successor systems, recording deal registration, Pre-Review and/or waiver tracking, Mortgage Loan Commitments, and decision records.

**DUS Plus** Mezzanine Financing option provided by the Fannie Mae-designated mezzanine Lender.

## **E**

**Effective Gross Income** On an annual basis or any specified period, the total of Net Rental Income plus other income per [Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis](#) and the applicable products and features in Part III.

**Synonyms**

- EGI



## Efficiency Measures

Energy- and water-efficiency measures that the Borrower agrees to implement per the Multifamily Loan Agreement to qualify as a Green Rewards Mortgage Loan, and which project a reduction in the Property's annual energy or water consumption.

### **Synonyms**

- Efficiency Measure

## **F**

### Fannie Mae Representative

Fannie Mae personnel who assist you with various business matters (e.g., Fannie Mae Deal Team, pricing, delivery, servicing, asset management, etc.).

### FDIC

Federal Deposit Insurance Corporation

### FHA

Federal Housing Administration

### Foreclosure Event

Any of the following:

- Foreclosure per the Security Instrument;
- Fannie Mae's exercise of rights and remedies per the Security Instrument or applicable law (including Insolvency Laws) as holder of the Mortgage Loan and/or the Security Instrument, where Fannie Mae (or its designee or nominee), or a third-party purchaser, becomes the Property owner;
- Borrower delivers Fannie Mae (or its designee or nominee) a deed or other conveyance of the Property in lieu of any of the foregoing; or
- in Louisiana, any dation en paiement.

### Forward Commitment

Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property.

### **Synonyms**

- Forward Commitment's
- Forward Commitments



## G

### Green Rewards Mortgage Loan

Mortgage Loan secured by a Property where the Borrower agrees to undertake 1 or more Energy- and Water-Efficiency Measures that comply with Part III, Chapter 4: Green Mortgage Loans, Section 403: Green Rewards Mortgage Loans.

#### **Synonyms**

- Green Rewards Mortgage Loans
- Green Rewards

### Green Rewards Verification

Green Rewards Mortgage Loan Property inspection ensuring all Efficiency Measures were correctly installed.

### Gross Note Rate

Interest rate stated in the Loan Documents.

### Ground Lease

Contract for the rental of land, usually on a long term basis.

### Guarantor

Key Principal or other Person executing a

- Payment Guaranty,
- Non-Recourse Guaranty, or
- any other Mortgage Loan guaranty.

#### **Synonyms**

- Guarantors

### Guaranty

Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.

### 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



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

**Synonyms**

- DUS Guide

## H

HAP HUD project-based Section 8 rental subsidy in the form of a Housing Assistance Payment contract.

**Synonyms**

- Housing Assistance Payment

Housing Choice Voucher Any rental assistance payment or voucher to an eligible tenant under Section 8 of the United States Housing Act of 1938, 42 U.S.C. § 1437f, as amended.

**Synonyms**

- Housing Choice Vouchers

HUD U.S. Department of Housing and Urban Development

**Synonyms**

- HUD's

## I

Improvements Buildings, structures, improvements, and alterations, including the multifamily housing dwellings, now or hereafter constructed or placed on the Property, including all fixtures (as defined in the UCC).

Indenture Bond issuer trust indenture or resolution listing Bond terms.



## Independent Living

Seniors Housing providing limited programs of assistance for domestic activities (e.g. meals, housekeeping, activities, transportation, etc.), and typically resembles market rate units.

### **Synonyms**

- IL

## 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 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



Investor	MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Investors</li><li>• Investor's</li></ul>
Issue Date	First day of the month a Security is issued.
Issue Date Principal Balance	For any Securitized Mortgage Loan, the UPB of the Note after crediting: <ul style="list-style-type: none"><li>• the principal portion of any scheduled monthly installment due on or before the Security Issue Date, whether or not collected; and</li><li>• any unscheduled principal payment received on or before the Security Issue Date.</li></ul>
Issuer	Entity that: <ul style="list-style-type: none"><li>• issues Bonds for a Credit Enhancement Mortgage Loan;</li><li>• packages mortgages for sale as a Security for an MBS;</li></ul> or <ul style="list-style-type: none"><li>• issues a Letter of Credit.</li></ul> <b>Synonyms</b> <ul style="list-style-type: none"><li>• Issuers</li></ul>

## K

Key Principal	Person who <ul style="list-style-type: none"><li>• controls and/or manages the Borrower or the Property,</li><li>• is critical to the successful operation and management of the Borrower and the Property, and/or</li><li>• may be required to provide a Guaranty.</li></ul> <b>Synonyms</b> <ul style="list-style-type: none"><li>• Key Principals</li><li>• Key Principal's</li></ul>
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## L



Last Paid Installment	Due date of the last payment received.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• LPI</li></ul>
Lease	Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Leases</li></ul>
Leasehold	Property held under a long-term lease or Ground Lease.
Lender	Person Fannie Mae approved to sell or service Mortgage Loans.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Lenders</li><li>• Lender's</li></ul>
Lender Assessment Oversight	Team that can be contacted at <a href="mailto:lenderassessment_oversightteam@fanniemae.com">lenderassessment_oversightteam@fanniemae.com</a> .
Lender Contract	Program Documents per the Multifamily Selling and Servicing Agreement.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Lender's Contract</li><li>• Lender Contracts</li><li>• Contract</li><li>• Multifamily Selling and Servicing Agreement</li><li>• MSSA</li></ul>





## 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

## Lien

Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.

### **Synonyms**

- Liens

## Limited Power of Attorney

Legal document authorizing a Servicer to execute certain Loan Documents related to the asset management of a Mortgage Loan as attorney-in-fact on behalf of Fannie Mae.

## Loan Documents

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

### **Synonyms**

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

## Loan Number

10-digit number assigned by Fannie Mae to each Mortgage Loan.

## Loan Year

Period beginning on the date of the Note and ending on the last day of the month that is 12 full months after the date of the Note, and each successive 12-month period thereafter.

### **Synonyms**

- Loan Years



## Low-Income Housing Tax Credit

Federal program offering tax credits to owners of eligible properties that contain low-income occupants and rent restrictions.

### **Synonyms**

- Low-Income Housing Tax Credits
- Low Income Housing Tax Credits
- LIHTC
- LIHTCs

## **M**

## MAMP

Multifamily Asset Management Portal used to submit

- Property inspections,
- operating statements,
- requested modifications,
- asset management reports, and
- data corrections for loan or property attributes.

### **Synonyms**

- Multifamily Asset Management Portal
- MAMP's

## Master Credit Facility Agreement

Agreement evidencing the terms and conditions of a Credit Facility.

## Maturity Date

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

### **Synonyms**

- Maturity Dates

## MBA

Mortgage Bankers Association

### **Synonyms**

- MBA's

## 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 Investor

For MBS Mortgage Loans, either a Third Party MBS Investor for Lender-Arranged Sales, or the Multifamily Trading Desk.

## MBS Mortgage Loan

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

### **Synonyms**

- MBS Mortgage Loans

## MBS Pool

MBS Security backed by MBS Mortgage Loans.

### **Synonyms**

- MBS Pools
- MBS Pool's

## Minimum 1% Prepayment Premium

For a prepayment, an amount equal to 1% of the UPB.

## 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

MSFMS

Multifamily Structured Facilities Management System performing collateral delivery and securitization functions for Structured Transactions.

Multifamily Affordable  
Housing Property

Property encumbered by a regulatory agreement, land use restriction agreement, extended use agreement, or similar restriction that limits rents that can be charged to tenants, or imposes income limits on tenants.

**Synonyms**

- MAH
- Multifamily Affordable Housing
- MAH Property

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).



## Multifamily Certification and Custody

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

- [multifamcert\\_team@fanniemae.com](mailto: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

## Multifamily Inspections

Team that can be contacted at [mf\\_inspections@fanniemae.com](mailto:mf_inspections@fanniemae.com).

## Multifamily Insurance

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

## Multifamily Loan Agreement

Agreement evidencing Mortgage Loan terms using

- [Form 6001 series](#) Loan Documents, or
- another Fannie Mae-approved form.

### **Synonyms**

- Multifamily Loan Agreements

## Multifamily Loss Mitigation

Team that can be contacted at [lm\\_watch@fanniemae.com](mailto:lm_watch@fanniemae.com).

## Multifamily Master Servicing

Team that can be contacted at [multifamily\\_ops\\_servicing@fanniemae.com](mailto:multifamily_ops_servicing@fanniemae.com).

## Multifamily Maturity Management

Team that can be contacted at [Maturity\\_Management\\_Group@fanniemae.com](mailto:Maturity_Management_Group@fanniemae.com).



Multifamily Seniors  
Housing Property Asset  
Management

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

Multifamily Structured  
Acquisitions

Team that can be contacted at  
[mf\\_spot@fanniemae.com](mailto:mf_spot@fanniemae.com).

Multifamily Structured  
Asset Management

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

## N

National Flood  
Insurance Program

Program of flood insurance coverage and floodplain management administered under the National Flood Insurance Act.

### **Synonyms**

- NFIP

NCUSIF

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

Net Cash Flow

On an annual basis or any specified period, the total Net Operating Income, minus the full amount underwritten for Replacement Reserve expense, regardless of whether deposits will be made (per Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis and the applicable products and features in Part III).

### **Synonyms**

- NCF

New Construction

Property recently developed/constructed with any certificates of occupancy received within 12 months before the Commitment Date.



## Non-Contiguous Parcels

Multiple parcels of land securing a Mortgage Loan that do not share common boundaries or that are separated by dedicated or private streets that are major arterials.

### **Synonyms**

- Non-Contiguous Parcel

## Non-Performing Mortgage Loan

Mortgage Loan with an uncured default.

### **Synonyms**

- Non-Performing Mortgage Loans
- Non-Performing Mortgage Loan's
- Non-Performing

## Non-Recourse Guaranty

Guaranty executed by a Key Principal on Form 4501 series or [Form 6015 series](#), or approved by Fannie Mae.

### **Synonyms**

- Guaranty of Non-Recourse Obligations

## 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**

## OFAC

U.S. Treasury Department, Office of Foreign Assets Control.

## **P**



P&I	Principal and interest
P&I Custodial Account	Custodial Account for principal and interest deposits.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• P&amp;I Custodial Accounts</li></ul>
Partial Efficiency Measures	Efficiency Measures installed in a subset of units (e.g., if new ENERGY STAR® refrigerators are only required in 40 of the Property's 100 units).  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Partial Efficiency Measure</li></ul>
Pass-Through Rate	Mortgage Loan Gross Note Rate minus the Guaranty Fee, minus the Servicing Fee.
Payment Guaranty	Guaranty executed by a Key Principal on Form 4502 series or <a href="#">Form 6020 series</a> , or approved by Fannie Mae.
Person	Legal person, including an <ul style="list-style-type: none"><li>• individual,</li><li>• estate,</li><li>• trust,</li><li>• corporation,</li><li>• partnership,</li><li>• limited liability company,</li><li>• financial institution,</li><li>• joint venture,</li><li>• association, or</li><li>• other organization or entity (whether governmental or private).</li></ul> <b>Synonyms</b> <ul style="list-style-type: none"><li>• Persons</li><li>• Person's</li></ul>





Personal Property	Furniture, fixtures, equipment, and other tangible personal property located on or used in connection with the Property.
PFP MBS	MBS backed by a PFP Mortgage Loan.
PFP Mortgage Loan	Mortgage Loan originally purchased as a Cash Mortgage Loan or held in Fannie Mae's portfolio, but subsequently securitized as an MBS.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• PFP Mortgage Loans</li></ul>
Plan Number	Number identifying the applicable loan characteristics for any Mortgage Loan that accrues interest at a variable rate at any time during the loan term.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Plan Numbers</li></ul>
Portfolio Mortgage Loan	Mortgage Loan purchased by Fannie Mae and held as of a certain date regardless of whether it is a Cash Mortgage Loan or an MBS Mortgage Loan.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Portfolio Mortgage Loans</li><li>• Portfolio Mortgage Loan's</li></ul>
Pre-Existing Mortgage Loan	Multifamily residential real estate loan secured by Liens against the Property having higher priority than the Lien securing the Subordinate Loan purchased by Fannie Mae.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Pre-Existing Mortgage Loans</li></ul>



**Prepayment Premium** For a Mortgage Loan prepayment, amount the Borrower must pay in addition to the prepaid principal and accrued interest per the Loan Documents.

**Synonyms**

- Prepayment Premiums

**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

**Property Condition Assessment** Assessment of the Property's physical condition and historical operation.

**Synonyms**

- PCA
- PNA
- Physical Needs Assessment
- PCAs



## 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.
REMIC	Real Estate Mortgage Investment Conduit
Remittance Date	The 18th day of each month (or the preceding Business Day if the 18th is not a Business Day) on which you must submit your remittance to Fannie Mae for the Mortgage Loan.
Replacement Reserve	<p>Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Replacement Reserves</li></ul>
Replacement Reserve Agreement	<p>The 4000 series Replacement Reserve and Security Agreement (Form 4606), or other agreement approved by Fannie Mae, that evidences the:</p> <ul style="list-style-type: none"><li>• Borrower's agreement to replace identified capital items and perform required maintenance;</li><li>• terms for funding the identified capital item replacement and maintenance; and</li><li>• disbursement of Replacement Reserve funds.</li></ul> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Replacement Reserve Agreements</li></ul>



## Replacement Reserve Schedule

The Required Replacement Schedule to the Multifamily Loan Agreement ([Form 6001 series](#)) and the applicable parts of the Multifamily Loan Agreement (or other agreement approved by Fannie Mae), that evidence the:

- Borrower's agreement to replace identified capital items and perform required maintenance;
- terms for funding the identified capital item replacement and maintenance; and
- disbursement of Replacement Reserve funds.

### **Synonyms**

- Replacement Reserve Schedules

## Replacements

Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required.

### **Synonyms**

- Replacement

## S

## Same Month Pooling

Delivery option permitting Mortgage Loans to be pooled and secure an MBS issued in the same month as the Mortgage Loan Origination Date.

## Securitized Mortgage Loan

Mortgage Loan backing an MBS, PFP MBS, or REMIC.

### **Synonyms**

- Securitized Mortgage Loans

## Security

MBS, PFP MBS, or REMIC.

### **Synonyms**

- Securities



## Security Balance

For an MBS Pool, the Issue Date Principal Balance minus any MBS principal distribution amounts included in previous MBS monthly remittances.

### **Synonyms**

- Security Balances

## 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

## Seniors Housing Major Renovation

Physical improvement at a Seniors Housing Property costing more than \$20,000/unit, or \$3 million in total project costs.

### **Synonyms**

- Seniors Housing Major Renovations

## Seniors Housing Minor Renovation

Physical improvement at a Seniors Housing Property that is not a Seniors Housing Major Renovation, but which increases the number of units, or converts one type of unit (e.g., Independent Living, Assisted Living, or Alzheimer's/Dementia Care) into another, unless expressly permitted by the Loan Documents.

### **Synonyms**

- Seniors Housing Minor Renovations

## Seniors Housing Property

Multifamily residential rental property with any combination of Independent Living, Assisted Living, Alzheimer's/Dementia Care, or Skilled Nursing units.

### **Synonyms**

- Seniors Housing



Servicer	<p>Primary Person servicing the Mortgage Loan, including</p> <ul style="list-style-type: none"><li>• the originator,</li><li>• seller, or</li><li>• a third party.</li></ul> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Servicers</li><li>• Servicer's</li></ul>
Servicing Advance	<p>All amounts required to be paid by the Borrower, for</p> <ul style="list-style-type: none"><li>• all taxes and assessments against each Property,</li><li>• all insurance premiums for insurance for each Property to insurance carrier(s) acceptable to Fannie Mae, in accordance with the Guide, and</li><li>• any other payment, as determined by Fannie Mae, necessary to preserve and protect the Property or to exercise any legal or equitable remedies (other than foreclosure) against the Borrower or the Property (including attorney, appraisal, or other professional fees) or any other obligations relating to the Property as set forth in the Loan Documents.</li></ul> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Servicing Advances</li></ul>
Servicing Fee	<p>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.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Servicing Fees</li></ul>
Servicing File	<p>Your file for each Mortgage Loan serviced.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Servicing Files</li></ul>



Small Mortgage Loan	<p>Mortgage Loan with an original loan amount less than or equal to \$9 million.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Small Mortgage Loans</li></ul>
Special Asset Management	<p>Team performing Fannie Mae’s Special Servicing that can be contacted at <a href="mailto:multifamily_sam@fanniemae.com">multifamily_sam@fanniemae.com</a>.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• SAM</li><li>• SAM's</li><li>• Multifamily Special Asset Management</li></ul>
Special Flood Hazard Area	<p>Special Flood Hazard Area designated by FEMA.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• SFHA</li></ul>
Sponsor	<p>Principal equity owner and/or primary decision maker of the Borrower (often the Key Principal or the Person Controlling the Key Principal).</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Sponsors</li><li>• Sponsor's</li></ul>
Sponsor-Initiated Affordability	<p>Voluntary rent and income restrictions recorded against the Property by the Borrower to preserve or create multifamily affordable housing.</p>
Standby	<p>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.</p>



## Subordinate Loan

Multifamily residential real estate loan secured by a Lien against the Property having a lesser priority than the Lien securing another multifamily residential real estate loan on the same Property.

### **Synonyms**

- Subordinate Loans

## 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**

## T&I Custodial Account

Custodial Account for the deposit of T&I and other impound escrow funds.

### **Synonyms**

- T&I Custodial Accounts

## T&I Impositions

Amounts for taxes, insurance, and other charges assessed against or owing on the Property which you deem necessary to protect the Property and/or prevent Liens imposed on it.

### **Synonyms**

- T&I Imposition





## Tenant Site Lease Protections

MH Site Lease with the Homeowner or tenant of a Manufactured Home with:

- a 1-year renewable (at the MH Site Lease tenant's election) lease term, unless good cause for nonrenewal exists;
- a minimum 30-day written notice of rent increases;
- 5-day minimum grace period for non-payment of rent, and the right to cure rent payment defaults within the specified cure period (or 10 days if no cure period is specified);
- the Homeowner's right to:
  - sell the Manufactured Home without first relocating it out of the MH Community;
  - sublease or assign the MH Site Lease (for the remaining unexpired term), if the Manufactured Home purchaser satisfies the MH Community's
    - rules and regulations, and
    - then-applicable credit and background check requirements;
  - post "for sale" signs on the MH Site per the MH Community's rules and regulations; and
  - sell the Manufactured Home in place within 45 days after eviction, while the Manufactured Home remains on site and connected to public and private utilities; and
- at least 60-days notice before any planned MH Community sale or closure.

## Transfer/Assumption

Transaction changing the ownership of the Borrower or Property.

### **Synonyms**

- Transfers/Assumptions

## U

### UCC

Uniform Commercial Code



UPB

Unpaid Principal Balance

**Synonyms**

- UPBs

**W**

Watchlist

The risk rating classification if you or Fannie Mae determine the Mortgage Loan has heightened credit risk.

**Y**

Yield Maintenance  
Period End Date

Last day on which a Borrower owes yield maintenance for a voluntary Mortgage Loan prepayment.

**Synonyms**

- Yield Maintenance Period End Dates