



# Multifamily Selling and Servicing Guide

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## TABLE OF CONTENTS

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Part IV A Chapter 2 Pricing, Origination Fees, and Prepayment Premium Incentives .....	3
Section 201 Pricing Memos .....	3
Section 202 Required Fees and Lender Compensation .....	3
202.01 Origination Fee .....	3
202.02 Servicing and Guaranty Fees .....	4
202.03 Other Fees .....	4
Section 203 Choice Refinance Loans – Origination Fees and Prepayment .....	
Premiums .....	4
203.01 General .....	4
203.02 Reduced Origination Fees .....	5
203.03 Reduced Prepayment Premiums on Portfolio Mortgage Loans .....	
Refinanced with Fannie Mae .....	5
203.03A Refinancing Cash Portfolio Mortgage Loans as Choice Refinance Loans .....	5
203.03B Refinancing MBS Portfolio Mortgage Loans as Choice Refinance Loans .....	7
Section 204 Refi Plus Refinance Mortgage Loans .....	8
Section 205 Reduced Prepayment Premiums on Portfolio Mortgage Loans .....	
Refinanced with Fannie Mae .....	8
Section 206 In Place Loan Fees .....	8
206.01 Level 2 Fees .....	8
206.02 Level 3 Fees .....	9
206.03 Pricing Premiums .....	9
GLOSSARY .....	10



## Chapter 2 Pricing, Origination Fees, and Prepayment Premium Incentives

### Section 201 Pricing Memos

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Fannie Mae periodically issues separate Pricing Memos for DUS Lenders and non-DUS Lenders that set forth the parameters of Lender-delegated pricing, including Guaranty Fees and Servicing Fees, for certain Mortgage Loans. The Pricing Memos contain pricing delegated to the Lender for Mortgage Loans that satisfy the requirements set forth in Parts I - III and in Form 4660. The terms of the Pricing Memos, as in effect from time to time, are incorporated by reference into the Guide.

To inquire about non-delegated pricing, the Lender must contact the Fannie Mae Deal Team and submit all requested loan options in DUS Gateway.

### Section 202 Required Fees and Lender Compensation

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The Lender must charge and collect various fees for underwriting, originating, and servicing the Mortgage Loan, as set forth in the Pricing Memo and the Guide. Fannie Mae reserves the right to review periodically the reasonableness of any fees the Lender charges for a Mortgage Loan.

#### 202.01 Origination Fee

The Lender is required to charge the Borrower an origination fee for underwriting and originating the Mortgage Loan (the "Origination Fee"). The Origination Fee may not be less than the amount set forth below (the "Minimum Origination Fee").

Mortgage Loan Amount	Minimum Origination Fee
Less than or equal to \$9 million	1% of the Mortgage Loan amount
Greater than \$9 million and less than or equal to \$20 million	Greater of 0.8% of the Mortgage Loan amount or \$90,000
Greater than \$20 million and less than or equal to \$50 million	Greater of 0.5% of the Mortgage Loan amount or \$160,000
Greater than \$50 million and less than or equal to \$75 million	Greater of 0.375% of the Mortgage Loan amount or \$250,000
Greater than \$75 million	Greater of 0.25% of the Mortgage Loan amount or \$281,250



If, as permitted under the Pricing Memo, the Lender collects a pricing premium for the Mortgage Loan, the Lender may apply its share of the premium to pay some or all of the Minimum Origination Fee.

The Lender must:

- collect the Minimum Origination Fee (less any portion of the pricing premium applied by the Lender as provided in the preceding paragraph); and
- retain at least 50% of the Minimum Origination Fee (the “Retained Portion”).

Any portion of the Origination Fee in excess of the Retained Portion may be used by the Lender to pay correspondent or broker fees for the origination of the Mortgage Loan. No portion of the Origination Fee may be used by the Lender for:

- payment of third-party expenses related to the Mortgage Loan, including but not limited to, costs of the Appraisal, PCA, Environmental Site Assessment, or Lender’s counsel fees, except that the Lender may use the Origination Fee to pay third-party expenses related to a Choice Refinance Loan; or
- rebates to the Borrower or any party related to the Borrower, including payment of any (i) Good Faith Deposit, or (ii) any yield maintenance, Prepayment Premium, or other fee payable by the Borrower in connection with any loan that is being repaid or refinanced with the proceeds of the Mortgage Loan.

## **202.02** Servicing and Guaranty Fees

The Lender must include a Servicing Fee and a Guaranty Fee as part of the interest rate charged to the Borrower on the Mortgage Loan. The amount of the Servicing Fee and the Guaranty Fee is determined under the Pricing Memo or, for any Mortgage Loan not covered by a Pricing Memo, by Fannie Mae, in its discretion.

## **202.03** Other Fees

The Lender may collect and retain other charges or fees as are permitted elsewhere in the Guide or in the Pricing Memo.

# **Section 203** Choice Refinance Loans – Origination Fees and Prepayment Premiums

## **203.01** General

As an incentive for Borrowers to enter into a Choice Refinance



Loan, a reduced Origination Fee and Prepayment Premium are available.

### **203.02** Reduced Origination Fees

The Minimum Origination Fee for Choice Refinance Loans is:

- if the original principal amount is less than or equal to \$50 million, 50 basis points calculated on the original principal amount; and
- if the original principal amount is greater than \$50 million, as provided in the Minimum Origination Fee tables in [Part IV A, Chapter 2: Pricing, Origination Fees, and Prepayment Premium Incentives, Section 202.01: Origination Fee](#).

### **203.03** Reduced Prepayment Premiums on Portfolio Mortgage Loans Refinanced with Fannie Mae

The Loan Documents detail any Prepayment Premium applicable to a Mortgage Loan. The Loan Documents generally require the Borrower to pay a minimum Prepayment Premium equal to 1% of the UPB (the “Minimum 1% Prepayment Premium”) prior to an open period when the Mortgage Loan may be prepaid with no Prepayment Premium. If the Portfolio Mortgage Loan has a Prepayment Premium minimum other than 1%, the Lender should contact the Fannie Mae Deal Team to discuss any Prepayment Premium waivers.

The Minimum 1% Prepayment Premium for a Portfolio Mortgage Loan may be waived only under the circumstances described in this [Part IV A, Chapter 2: Pricing, Origination Fees, and Prepayment Premium Incentives, Section 203: Choice Refinance Loans – Origination Fees and Prepayment Premiums](#). If the Portfolio Mortgage Loan is not refinanced with Fannie Mae, the Prepayment Premium must be paid in full in accordance with the Loan Documents. The Prepayment Premium shall be allocated between the Lender, Fannie Mae, and the Investor in accordance with the terms set forth in [Part V, Chapter 2: Reporting and Remitting, Section 213: Prepayment Premium Sharing](#).

#### **203.03A** Refinancing Cash Portfolio Mortgage Loans as Choice Refinance Loans

##### **1. Refinancing After the Yield Maintenance Period End Date**

The Lender may waive all or any portion of the Minimum 1% Prepayment Premium for any Cash Portfolio Mortgage Loan that is subject to yield maintenance under the Loan Documents but is refinanced after the Yield Maintenance Period End Date.

##### **2. Refinancing During the Yield Maintenance Period**



For a Cash Portfolio Mortgage Loan that is subject to yield maintenance and is refinanced during the yield maintenance period, the Lender must contact the Fannie Mae Deal Team to request that Fannie Mae waive any portion of the Minimum 1% Prepayment Premium that exceeds the amount calculated under the yield maintenance formula, if the Prepayment Premium calculated under the yield maintenance formula in the Loan Documents is less than the Minimum 1% Prepayment Premium. For example, if the Prepayment Premium calculated under the yield maintenance formula in the Loan Documents is 0.25% of the UPB, the Lender may request that Fannie Mae waive up to 75 basis points of the Minimum 1% Prepayment Premium. If the Prepayment Premium calculated under the yield maintenance formula is equal to or greater than 1% of the UPB, the Lender may not request a waiver of any of the Minimum 1% Prepayment Premium.

### **3. Fixed Rate Mortgage Loans subject to a Graduated Prepayment Premium**

For a fixed rate Cash Mortgage Loan subject to a graduated Prepayment Premium under the Loan Documents, the Lender may waive all or any portion of the Minimum 1% Prepayment Premium if the Portfolio Mortgage Loan will be refinanced as a Choice Refinance Loan within 6 months of the Maturity Date of the Portfolio Mortgage Loan.

### **4. ARM Loans and Structured ARM Loans subject to a Graduated Prepayment Premium**

After any lockout period under the Loan Documents, the Lender may waive all or any portion of the Prepayment Premium up to 1% of the UPB for a Cash Portfolio Mortgage Loan:

- that is being refinanced as a fixed rate Choice Refinance Loan with either a 7-year or a 10-year term; and
- where the Portfolio Mortgage Loan was either:
  - an ARM Loan with current Plan Number 2159, 2160, 2254, 2255, 3471, or 3472; or
  - a Structured ARM Loan with current Plan Number 3488 or 3487.

The Lender may waive all or any portion of the Minimum 1% Prepayment Premium for a cash ARM Loan with Plan Number 2159 or 3472 that:

- is subject to a conversion option;
- was originated between October 1 and December 31, 2004; and
- is subject to “Prepayment Option 3” under the Loan Documents



(i.e., a 5-4-3-2-1 Prepayment Premium Schedule).

## **203.03B** Refinancing MBS Portfolio Mortgage Loans as Choice Refinance Loans

### **1. Fixed Rate Mortgage Loans with an MBS Issue Date on or after April 1, 1999 - Refinancing After the Yield Maintenance Period End Date**

The Lender may waive all or any portion of the Minimum 1% Prepayment Premium after the Yield Maintenance Period End Date if the Portfolio Mortgage Loan backs an MBS with an Issue Date on or after April 1, 1999.

### **2. Fixed Rate Mortgage Loans with an MBS Issue Date on or After April 1, 1999 - Refinancing During the Yield Maintenance Period**

The Lender must contact the Fannie Mae Deal Team to request that Fannie Mae waive all or any portion of the Minimum 1% Prepayment Premium that exceeds the amount calculated under the yield maintenance calculation if: (a) the Portfolio Mortgage Loan backs an MBS with an Issue Date on or after April 1, 1999; (b) the Portfolio Mortgage Loan is in the yield maintenance period; and (c) the Prepayment Premium due, as calculated in accordance with the yield maintenance formula set forth in the Loan Documents, is less than the Minimum 1% Prepayment Premium. For example, if the Prepayment Premium calculated under the yield maintenance formula in the Loan Documents is 0.25% of the UPB, the Lender may request that Fannie Mae waive up to 75 basis points of the Minimum 1% Prepayment Premium. If the Prepayment Premium calculated under the yield maintenance formula is equal to or greater than 1% of the UPB, the Lender may not request a waiver of any of the Minimum 1% Prepayment Premium.

### **3. Fixed Rate Mortgage Loans with an MBS Issue Date Prior to April 1, 1999**

If the fixed rate Portfolio Mortgage Loan backs an MBS with an Issue Date prior to April 1, 1999, no portion of the Minimum 1% Prepayment Premium may be waived during or after the yield maintenance period.

### **4. Fixed Rate Mortgage Loans subject to a Graduated Prepayment Premium**

If the fixed rate Portfolio Mortgage Loan backs an MBS and is subject to a graduated Prepayment Premium under the Loan Documents, the Lender may waive all or any portion of the Minimum 1% Prepayment Premium if the Portfolio Mortgage Loan will be refinanced as a Choice Refinance Loan within 6 months of the Maturity Date of the Portfolio Mortgage Loan.

### **5. ARM Loans and Structured ARM Loans backing an MBS – Lockout Period Expired**



After any lockout period under the Loan Documents, the Lender may waive all or any portion of the Prepayment Premium up to 1% of the UPB for an MBS Portfolio Mortgage Loan:

- that is being refinanced as a fixed rate Choice Refinance Loan with either a 7-year or a 10-year term; and
- where the Portfolio Mortgage Loan was either:
  - an ARM Loan with current Plan Number 2159, 2160, 2254, or 2255; or
  - a Structured ARM Loan with current Plan Number 3488 or 3487.

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## **Section 204**      Refi Plus Refinance Mortgage Loans

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For availability of Refi Plus Mortgage Loans, the Lender must contact the Fannie Mae Deal Team.

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## **Section 205**      Origination Fee and Prepayment Premium Waivers for Portfolio Mortgage Loans Not Being Serviced by the Refinance Lender

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If the Lender is refinancing a Portfolio Mortgage Loan that the Lender has serviced for less than 12 months or that is currently being serviced by another Lender:

- the Minimum Origination Fee will be calculated in accordance with the provisions of [Part IV A, Chapter 2: Pricing, Origination Fees, and Prepayment Premium Incentives, Section 202.01: Origination Fee](#); and
- all or any portion of the Minimum 1% Prepayment Premium for the Portfolio Mortgage Loan may be waived only with the consent of Fannie Mae, in its sole discretion.

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## **Section 206**      In Place Loan Fees

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This Section only applies to In Place Loans (see [Part V, Chapter 8: In Place Loans](#) for further information).

### **206.01**    Level 2 Fees

For a Level 2 In Place Loan, the Lender may charge the following Origination Fee.

<b>Mortgage Loan Amount</b>	<b>Maximum Origination Fee</b>
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Less than or equal to \$50 million	Up to 0.5% of the Mortgage Loan amount
Greater than \$50 million, but less than or equal to \$75 million	Up to the greater of 0.375% of the Mortgage Loan amount or \$250,000
Greater than \$75 million	Up to the greater of 0.25% of the Mortgage Loan amount or \$281,250

### 206.02 Level 3 Fees

For a Level 3 In Place Loan, the Lender must not charge an Origination Fee, but may charge the following underwriting and processing fee.

Mortgage Loan Amount	Underwriting and Processing Fee
Less than or equal to \$9 million	Up to \$10,000
Greater than \$9 million, but less than or equal to \$20 million	Up to the greater of 0.1% of the Mortgage Loan amount or \$10,000
Greater than \$20 million, but less than or equal to \$50 million	Up to the greater of 0.075% of the Mortgage Loan amount or \$20,000
Greater than \$50 million	Up to \$37,500

### 206.03 Pricing Premiums

No pricing premiums are allowed in connection with In Place Loans.



# Glossary

## A

**Appraisal** Written statement independently and impartially prepared by a qualified appraiser stating an opinion as to the market value of the Property as of a specific date, supported by the presentation and analysis of relevant market information.

**Synonyms**

- Appraisals

## B

**Borrower** Person who is the obligor under the Note.

**Synonyms**

- Borrowers
- Borrower's

## C

**Cash Mortgage Loan** Mortgage Loan purchased by Fannie Mae in exchange for cash.

**Synonyms**

- Cash Mortgage Loans

**Choice Refinance Loan** Mortgage Loan refinancing a Portfolio Mortgage Loan using the streamlined underwriting requirement per [Part III, Chapter 18: Choice Refinance Loans](#).

**Synonyms**

- Choice Refinance Loans

## D

**DUS** Delegated Underwriting and Servicing



## DUS Gateway

Multifamily pre-acquisition system including deal registration, Pre-Review and/or waiver tracking, decision records, or any successor systems.

## E

### Environmental Site Assessment

Report (either a Phase I ESA or a Phase II ESA) identifying whether a Property is subject to Recognized Environmental Conditions or Business Environmental Risks.

#### **Synonyms**

- ESA

## F

### Fannie Mae Deal Team

Team responsible for reviewing Pre-Review Mortgage Loans, waivers, etc.

#### **Synonyms**

- Deal Team

### Form 4660

Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the minimum underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans.

#### **Synonyms**

- Multifamily Underwriting Standards

## G

### Good Faith Deposit

As defined in Part IV A, Chapter 3: Committing, Section 304: Good Faith Deposits.

#### **Synonyms**

- Good Faith Deposits



## Guaranty Fee

Fee retained by Fannie Mae for credit enhancing a Mortgage Loan or assuming credit risk on a Mortgage Loan.

### **Synonyms**

- Guaranty Fees

## Guide

Multifamily Selling and Servicing Guide and Delegated Underwriting and Servicing Guide, including any exhibits, appendices, or other referenced forms, as updated, amended, restated, modified, or supplemented by any lender memo; provided, however, if a topic is covered in the Multifamily Selling and Servicing Guide, that Guide shall control unless a Lender Contract specifically requires use of another Guide.

### **Synonyms**

- DUS Guide

## **I**

## In Place Loan

Mortgage Loan refinancing a Portfolio Mortgage Loan that does not meet Tier 2 underwriting requirements.

### **Synonyms**

- In Place Loans

## Investor

MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan.

### **Synonyms**

- Investors

## Issue Date

First day of the month of issuance of a Security.

## **L**



**Lender** Person approved by Fannie Mae to sell or service Mortgage Loans.

**Synonyms**

- Lenders
- Lender's

**Loan Documents** All documents evidencing, securing, or guaranteeing the debt obligation executed for a Mortgage Loan and approved by Fannie Mae.

**Synonyms**

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

## **M**

**Maturity Date** Date all amounts due and owing under the Mortgage Loan become fully due and payable per the Loan Documents.

**Synonyms**

- Maturity Dates

**MBS** Mortgage-Backed Security

**Minimum 1% Prepayment Premium** Minimum Prepayment Premium equal to 1% of the UPB that must be paid by the Borrower before an open period when the Mortgage Loan may be prepaid with no Prepayment Premium, as generally required by the Loan Documents.

**Minimum Origination Fee** Amount you are required to charge the Borrower for originating and underwriting a Mortgage Loan.



## 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

## **O**

## Origination Fee

Fee charged by the Lender to the Borrower for underwriting and originating the Mortgage Loan, per [Part IV A, Chapter 2: Pricing, Origination Fees, and Prepayment Premium Incentives, Section 202: Required Fees and Lender Compensation](#).

### **Synonyms**

- Origination Fees

## **P**

## 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.

## Portfolio Mortgage Loan

Mortgage Loan that was purchased by Fannie Mae and is held as of a certain date regardless of whether it is a Cash Mortgage Loan or an MBS Mortgage Loan.

### **Synonyms**

- Portfolio Mortgage Loans

## Prepayment Premium

When a Mortgage Loan prepayment is made, amount required to be paid by the Borrower in addition to the principal amount being prepaid and accrued interest per the related Loan Documents.

### **Synonyms**

- Prepayment Premiums



## Pricing Memo

Applicable DUS Pricing Memo or non-DUS Pricing Memo communicating pricing for various products and features to Lenders.

### **Synonyms**

- Pricing Memos

## **S**

## Servicing Fee

Fee a Servicer receives for collecting payments, managing operational procedures, and assuming Lender's portion of credit risk for a Mortgage Loan.

### **Synonyms**

- Servicing Fees

## **U**

## UPB

Unpaid Principal Balance

## **Y**

## Yield Maintenance Period End Date

The last day on which a Borrower owes yield maintenance for a voluntary prepayment of the Mortgage Loan.

### **Synonyms**

- Yield Maintenance Period End Dates