



# Multifamily Selling and Servicing Guide

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

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### **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.



## Glossary

### 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

### F

**Fannie Mae Deal Team** Team responsible for reviewing Pre-Review Mortgage Loans, waivers, etc.

**Synonyms**

- Deal Team

### I

**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

## 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