



Multifamily Selling and Servicing Guide

Effective as of August 1, 2019

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Section 106 Administrative Duties Relating to Letters of Credit

106.01 Retention in Servicing File

The Servicer must retain a copy of the executed Letter of Credit, and the associated Achievement Agreement or other Collateral Agreement in its Servicing File. Fannie Mae will hold the original Letter of Credit and any amendments thereto.

106.02 Submission of Certification

The Servicer must submit a Letter of Credit Authorization and Certification Form ([Form 4664](#)) with any new or replacement Letter of Credit, and must otherwise comply with the provisions of [Part I, Chapter 2: Mortgage Loan, Section 204: Letters of Credit](#).

106.03 Forwarding New, Replacement or Amended Letters of Credit

Any new, replacement, or amended Letter of Credit sent to the Servicer rather than to Fannie Mae must be forwarded to Fannie Mae immediately.

106.04 Verification of Issuer Rating

While the Letter of Credit is outstanding, the Servicer must monitor the rating of the Letter of Credit issuer as required in [Part I, Chapter 2: Mortgage Loan, Section 204.03: Verifying Issuer Ratings](#), and notify Multifamily Business Operations whenever the issuer ceases to meet the required rating, regardless of whether the Achievement Agreement or other Collateral Agreement provides issuer rating acceptability or gives Fannie Mae the right to take any action in the event of a rating drop.

106.05 Documenting Rating in Servicing File

Each time the issuer's rating is verified, the Servicer must document the current rating in its Servicing File.

106.06 When Issuer Rating Fails to Meet Standard

If the Letter of Credit issuer fails to meet the rating standards prescribed by the Achievement Agreement, other Collateral Agreement, or the Guide (if not specified in the Achievement Agreement or other Collateral Agreement), the Servicer must:



- immediately notify Multifamily Business Operations; and
- send written notification to the Borrower to furnish a replacement or confirming Letter of Credit from an acceptably rated institution by the replacement deadline specified in the applicable Achievement Agreement or Collateral Agreement, or if not specified, by the earlier of 30 days after the date of such notice, or 5 Business Days prior to the Letter of Credit's expiration date.

106.07 Monitoring Expiration Dates

The Servicer must effectively monitor the expiration date of any Letter of Credit to ensure that Fannie Mae receives an acceptable renewal or replacement Letter of Credit by the deadline specified in the Achievement Agreement or other Collateral Agreement, or if not specified, by at least 5 Business Days prior to the Letter of Credit's expiration date. Failure to provide a substitute or renewal Letter of Credit will result in Fannie Mae's presentment of a sight draft against the expiring Letter of Credit.

106.08 Draws on the Letter of Credit

The Servicer must promptly notify Multifamily Asset Management and Multifamily Business Operations whenever a draw on a Letter of Credit may be warranted. If Fannie Mae determines that a draw should be made, Fannie Mae will present a sight draft, signed by Fannie Mae (as beneficiary) to the issuer and arrange to have the cash proceeds wired to a designated Fannie Mae account.

106.09 Release/Reduction of Letter of Credit or Other Collateral

Unless requested in connection with the Mortgage Loan being repaid in full, the Servicer is responsible for:

- assessing any Borrower request for a full release or partial reduction of the Letter of Credit or other collateral held by Fannie Mae or the Servicer in accordance with the terms and conditions of the applicable Achievement Agreement or other Collateral Agreement;
- sending a recommended course of action to Multifamily Asset Management; and
- providing written notification to the Borrower of the approval or denial of each request.

106.10 Replacement Letters of Credit



Any replacement Letter of Credit must have an expiration date that is at least 30 days past the expiration of the applicable Achievement Agreement or other Collateral Agreement.



Glossary

A

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.

Synonyms

- Achievement Agreements

B

Borrower

Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

C

Collateral Agreement

Agreement under which collateral (other than the Property) may be pledged, transferred, or otherwise provided to secure the Borrower's obligations under a Mortgage Loan.

Synonyms

- Collateral Agreements

G



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

Issuer

Entity that:

- issues Bonds for a Credit Enhancement Mortgage Loan;
 - packages mortgages for sale as a Security for an MBS;
- or
- issues a Letter of Credit.

Synonyms

- Issuers

L

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
- LOC
- LOCs

M



Mortgage Loan

Mortgage debt obligation evidenced, or when made will be evidenced, by the Loan Documents or a mortgage debt obligation with a Fannie Mae credit enhancement.

Synonyms

- Mortgage Loans

Multifamily Asset Management

Team that can be contacted at drawer_am@fanniemae.com.

Multifamily Business Operations

Team that can be contacted at multifamily_bizops@fanniemae.com.

S

Servicer

Primary Person responsible for servicing the Mortgage Loan (e.g., the originator, the selling Lender, or a third-party servicer).

Synonyms

- Servicers

Servicing File

File for each Mortgage Loan serviced by the Lender.

Synonyms

- Servicing Files