



Multifamily Selling and Servicing Guide

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Section 711 FHA Risk Sharing

711.01 Description

Guidance

Fannie Mae and the HUD have a risk sharing agreement to share risk on Mortgage Loans for certain MAH transactions. HUD's risk sharing is in the form of mortgage insurance from FHA. HUD takes 50% of the risk of loss, and the remaining 50% of the loss is shared by you and Fannie Mae.

711.02 Eligibility

711.02A Borrowers, Key Principals, Guarantors, and Principals

Requirements

You must ensure that the Borrower (and each Key Principal, Guarantor, and Principal) is not on the most current "List of Parties Excluded from Federal Procurement or Nonprocurement Programs".

711.02B Generally

Requirements

You must ensure that:

- All FHA Risk Sharing Mortgage Loans are fixed rate with no interest-only period.
- The minimum Mortgage Loan term is 15 years.
- The Property qualifies as an MAH Property.
- Rent, income, and/or occupancy restrictions are in effect for at least the term of the Mortgage Loan. For MAH Properties with remaining affordability restrictions of less than 18 years, the affordability restrictions will be considered senior to the Lien of the Mortgage Loan when enforcing restrictions.

711.02C Cash Out

Guidance

There is no limit on the amount of cash out in an FHA Risk Sharing transaction.



711.03 Mortgage Insurance Premium

Requirements

Your pricing for a FHA Risk Sharing Mortgage Loan must include a sufficient amount to pay the mortgage insurance premium due to FHA.

Guidance

Fannie Mae will make this FHA premium payment on or before its due date.

711.04 Reserving FHA Units

Operating Procedures

Before the Commitment Date you must perform the following steps to reserve units for each Property to be financed with an FHA Risk Sharing Mortgage Loan.

Step 1: You must send the Deal Team a written request to reserve units that includes

- a cover letter, and
- the Fannie Mae/FHA Pre-Application for a Reservation of Risk Sharing Units ([Form 4670](#)).

Step 2: You must obtain Fannie Mae's written confirmation of the reservation of units and the proposed Mortgage Loan amount.

The unit reservation will be valid for 120 days (except for FHA Risk Sharing with a Forward Commitment where the unit reservation is valid for the period specified in the Forward Commitment).

Step 3: Before the Commitment Date, you must obtain Fannie Mae's written approval, including any

- variance in the number of units, or
- change in the Mortgage Loan amount referenced in the initial reservation letter.

711.05 Subsidy Layering Review

Requirements

If there is a possibility that more than 1 source of federal, state, or local governmental assistance may fund the transaction, you must submit the subsidy layering information per the FHA Risk Sharing Subsidy Layering



Information (Form 4672).

711.06 Lender FHA Risk Sharing Reserve and Loss Sharing Modifications

Operating Procedures

If a Mortgage Loan has been approved for FHA Risk Sharing, your reserve and loss sharing obligations may be reduced per the Mortgage Loan Certificate (Form 6505).



Glossary

B

Borrower Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

C

Commitment Date Date a Commitment is confirmed by Fannie Mae as described in [Part IV A, Chapter 3: Committing](#).

F

FHA Federal Housing Administration

FHA Risk Sharing MAH Mortgage Loan with mortgage insurance from FHA.

Forward Commitment Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property per Part XV of the DUS Guide, subject to certain conditions.

Synonyms

- Forward Commitments

G

Guarantor Key Principal or other Person who executes a Payment Guaranty, a Non-Recourse Guaranty, or any other guaranty in connection with the Mortgage Loan.

Synonyms

- Guarantors

H

HUD U.S. Department of Housing and Urban Development



K

Key Principal

Person(s) who control and/or manage the Borrower or the Property, are critical to the successful operation and management of the Borrower and the Property, and who may be required to provide a Guaranty.

Synonyms

- Key Principals

L

Lien

Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.

Synonyms

- Liens

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

P

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 property securing the Mortgage Loan and including the land (or Leasehold interest in land), Improvements, and personal property (as defined in the Uniform Commercial Code).

Synonyms

- Properties
- Property's