



Multifamily Selling and Servicing Guide

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Section 301 Custodial Accounts

301.01 General

The Servicer must establish and maintain Custodial Accounts to deposit funds collected in connection with Mortgage Loans in accordance with the requirements of the Loan Documents, and must maintain strict control of all such funds in its custody. All Custodial Accounts and related records must be maintained in accordance with sound accounting and cash management practices, and in such a manner as will permit representatives of Fannie Mae, at any time, to examine and audit such accounts and records. The requirements for Custodial Accounts apply to the establishment and maintenance of all Custodial Accounts, including P&I Custodial Accounts, T&I Custodial Accounts, Collateral Agreement Custodial Accounts, and Drafting Accounts. Separate requirements apply for a Clearing Account used by the Servicer as a Custodial Account.

301.02 Custodial Account Types, Investments, and Depositories

301.02A Custodial Account Requirements and Investments

All Custodial Accounts must be either demand deposit accounts or money market accounts established and maintained at an Eligible Depository.

Other than the earnings typically derived from a demand deposit account or money market account (e.g., interest), funds in Custodial Accounts are not permitted to be invested.

301.02B Eligible Depositories

If the Servicer is a depository institution, it can establish the account within its own institution so long as:

- it meets Fannie Mae's criteria for an Eligible Depository; and
- does not use its general ledger or internal operating account for the Custodial Accounts.

If the Servicer does not comply with the above requirements, it must establish the account in an Eligible Depository.

301.02C Verifying Depository Ratings

When determining the eligibility of a depository institution, the Servicer must use the most recent financial ratings issued within the past 3 months, and must confirm these ratings every 3 months thereafter. If the



Servicer learns that a depository institution or its holding company no longer satisfies the rating requirement for an Eligible Depository, the Custodial Account must be transferred to an Eligible Depository within 30 days.

301.02D Fannie Mae's Rights in Custodial Accounts

The Loan Documents grant to Fannie Mae a security interest in all Custodial Accounts associated with a Mortgage Loan. In exercising its rights under the Loan Documents, Fannie Mae, in its sole discretion, reserves the right to require the Servicer at any time to:

- transfer funds out of an institution (even if it is an Eligible Depository) to a Custodial Account in another Eligible Depository;
- move funds to a trust account;
- ensure the funds in a Custodial Account are fully insured by the FDIC or NCUSIF or other governmental insurer or guarantor as may be acceptable to Fannie Mae; and/or
- remit more frequently to Fannie Mae while allowing funds to remain in the existing Custodial Account.

Specific actions may vary depending on the size of the accounts, the risks involved, and other factors as determined by Fannie Mae.

301.03 Required Custodial Accounts

Subject to Custodial Account co-mingling constraints set forth in this Chapter, for all Mortgage Loans, the Servicer must establish and maintain:

- one or more P&I Custodial Accounts for Cash Mortgage Loans and Pooled from Portfolio ("PFP") Mortgage Loans;
- one or more P&I Custodial Accounts for Securitized Mortgage Loans, but excluding PFP Mortgage Loans;
- either:
 - a T&I Custodial Account for the deposit of T&I escrow funds for all Cash Mortgage Loans and Securitized Mortgage Loans; or
 - multiple T&I Custodial Accounts for Cash Mortgage Loans and multiple T&I Custodial Accounts for Securitized Mortgage Loans; and
- Custodial Accounts for the deposit of funds for which the Borrower is required to make deposits to the Servicer pursuant to a Collateral Agreement.



301.04 Servicer Liability

301.04A Responsibility of Servicer

The Servicer is responsible for the safekeeping at all times of the deposits held in Custodial Accounts. The Servicer must establish appropriate methods for monitoring the financial viability of the depositories that hold custodial funds.

301.04B Servicer Liable for Losses

Fannie Mae will hold the Servicer liable for all losses of funds deposited in Custodial Accounts, including any damages Fannie Mae suffers because of delays in obtaining such funds, regardless of whether the Servicer has complied with the requirements of the Guide.

301.04C No Reimbursement for Losses

Any losses incurred by the Servicer will not be reimbursed by Fannie Mae nor permitted to be applied by the Lender in the calculation of any Mortgage Loan loss claim.

301.04D Overdrafts Not Permitted

A Custodial Account must not be overdrawn at any time. If an overdraft occurs, the Servicer must immediately advance the Servicer's own funds to cure the overdraft.



Glossary

B

Borrower Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

C

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 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

Collateral Agreement Custodial Accounts Custodial account established by the Servicer for depositing funds received from the Borrower for Collateral Agreements.



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

E



Eligible Depository

Any Federal Reserve Bank, Federal Home Loan Bank, or other depository institution that:

1. has its accounts insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or such other governmental insurer or guarantor as may be acceptable to Fannie Mae;
2. is rated as “well capitalized” by its applicable federal or state regulator or, if not rated by a federal or state regulator, satisfies the capital requirements that would apply for categorization as “well capitalized” under federal or state regulations; and either
3. for any depository institution with assets of \$20 billion or more, has a financial rating that meets or exceeds only 1 of the following criteria if the institution is rated only by S&P or only by Moody’s, provided that if the institution is rated by both S&P and Moody’s, it must satisfy both subsections (a) and (b) below:
 - a. a short-term issuer rating by S&P of “A-2” and a long-term issuer rating of “BBB” by S&P;
 - b. a short-term bank deposit rating by Moody’s of “P-3” and a long-term bank deposit rating of “Baa2” by Moody’s; or
 - c. satisfies any other standard determined by Fannie Mae, provided that such other standard is comparable to the rating requirements set forth above; or
4. for any depository institution with assets of less than \$20 billion, has a financial rating that meets or exceeds at least 1 of the following criteria:
 - a. a short-term issuer rating by S&P of “A-2” and a long-term issuer rating of “BBB” by S&P;
 - b. a short-term bank deposit rating by Moody’s of “P-3” and a long-term bank deposit rating of “Baa2” by Moody’s;
 - c. a financial rating of 175 by IDC Financial Publishing, Inc., or its successor;
 - d. a financial rating of C+ by Kroll Bond Rating Agency, Inc., or its successor; or
 - e. satisfaction of any other standard determined by Fannie Mae, provided that such other standard is comparable to the rating requirements set forth above.

If a depository institution satisfies the standards in clauses 1 and 2 and has a rating that meets or exceeds at least 1 of the ratings specified in clause 3 or 4, as applicable, that depository institution will be considered an “Eligible Depository” even if another organization rates such depository institution below the minimum level specified in such clause.

F

FDIC

Federal Deposit Insurance Corporation

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

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

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

N



NCUSIF

National Credit Union Share Insurance Fund administered by the National Credit Union Administration.

P

P&I

Principal and interest

S

Servicer

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

Synonyms

- Servicers

T

T&I Custodial Account

Custodial Account for the deposit of T&I and other impound escrow funds.

Synonyms

- T&I Custodial Accounts