



# Multifamily Selling and Servicing Guide

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## **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.



# Glossary

## C

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

## L

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.

## S

### Servicer

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

#### **Synonyms**

- Servicers