



Multifamily Selling and Servicing Guide

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304.04 Letters of Credit

The Lender may allow the Borrower to fund all or a portion of the Good Faith Deposit by delivery of a letter of credit to the Lender. Should the Lender elect to accept a letter of credit:

1. the Lender remains solely liable and responsible to Fannie Mae for the Good Faith Deposit, and hereby indemnifies Fannie Mae for any loss or damages that may be incurred relating to a failed delivery; and
2. for Lender-Arranged Sales, the Lender should confirm whether the letter of credit is acceptable to the Third Party MBS Investor.

If the Lender accepts delivery of a letter of credit for all or a portion of the Good Faith Deposit, it is recommended that (a) the expiration date of the letter of credit extend 15 days beyond the later of the Settlement Date or the Commitment Expiration Date and (b) the letter of credit expiration date be extended if the Settlement Date or the Commitment Expiration Date is extended.



Glossary

B

Borrower Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

C

Commitment Expiration Date Date when a Commitment expires.

G

Good Faith Deposit As defined in Part IV A, Chapter 3: Committing, Section 304: Good Faith Deposits.

Synonyms

- Good Faith Deposits

L

Lender Person approved by Fannie Mae to sell or service Mortgage Loans.

Synonyms

- Lenders
- Lender's

T

Third Party MBS Investor MBS Investor for an MBS Mortgage Loan that is not the Multifamily Trading Desk.