



Fannie Mae®

Multifamily Selling and Servicing Guide

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TABLE OF CONTENTS

| | |
|--|----|
| Part V Section 418 Asset Management for Credit Enhancement Mortgage | |
| Loans and Multifamily Affordable Housing Properties | 3 |
| 418.01 Bond Transactions and Credit Enhancement Mortgage Loans | 3 |
| 418.02 Compliance Issues Relative to Bond Credit Enhancement | |
| Transactions | 3 |
| 418.03 Monitoring Compliance; Notification of Noncompliance | 3 |
| 418.03A Affordable Regulatory Agreement | 3 |
| 418.03B Default Notice for Failure to Comply with the Bond Documents | 3 |
| 418.04 Multifamily Affordable Housing (MAH) Properties | 4 |
| 418.05 Low-Income Housing Tax Credits | 4 |
| 418.06 Enhanced Resident Services | 5 |
| 418.07 Expanded Housing Choice | 5 |
| 418.08 HAP Contract Approval and Releasing Restabilization Reserve | 9 |
| GLOSSARY | 10 |



Section 418 Credit Enhancement Mortgage Loans and Multifamily Affordable Housing Properties

418.01 Bond Transactions and Credit Enhancement Mortgage Loans

For any Credit Enhancement Mortgage Loan where Fannie Mae is providing credit enhancement for tax-exempt multifamily housing Bonds, the Borrower must provide the Servicer with a copy of the compliance monitoring statement required under the Bond Documents. If the Borrower's statement reflects noncompliance with the low- and moderate-income tenant occupancy requirements set forth in the Affordable Regulatory Agreement, or if the Borrower fails to provide the statement to the Servicer, the Servicer must notify Multifamily Asset Management, and retain the compliance monitoring statement in its Servicing File.

418.02 Compliance Issues Relative to Bond Credit Enhancement Transactions

The Servicer must monitor the Interest Reserve Requirement, if any, under the Bond Trust Indenture with respect to each Credit Enhancement Mortgage Loan.

The Servicer must monitor the rating of the institution in which the accounts under any Cash Management, Security, Pledge, and Assignment Agreement are held, and must require the Borrower to move the accounts if the rating no longer meets Fannie Mae's requirements as provided in [Part V, Chapter 3: Custodial Accounts](#).

418.03 Monitoring Compliance; Notification of Noncompliance

418.03A Affordable Regulatory Agreement

At least once in each calendar year (and more often if directed by Fannie Mae), the Servicer must obtain a Borrower certification that the Property is in full compliance with:

- the rules qualifying the interest on the Bonds for exclusion from gross income for federal income tax purposes pursuant to the Internal Revenue Code; and
- the requirements of the Affordable Regulatory Agreement.

The Servicer must review the Borrower certificate, and if the Property does not comply with all applicable regulatory requirements, the Servicer must immediately notify Multifamily Asset Management. Neither Fannie Mae nor the Servicer is responsible for determining or ensuring the Borrower's compliance under the Affordable Regulatory Agreement.



418.03B Default Notice for Failure to Comply with the Bond Documents

The Servicer must promptly notify Multifamily Asset Management, the Borrower, the Bond Trustee, and the Issuer in writing of any default by a Borrower with any provision of any Loan Document, Reimbursement Agreement, Security Agreement, the Affordable Regulatory Agreement, or other Loan Document, Credit Enhancement Document, or Bond Document.

The Servicer must promptly forward to Multifamily Asset Management copies of any notices received from a Borrower, Bond Trustee, Issuer, or any other party regarding any default by a Borrower, and shall maintain ongoing contact with Fannie Mae regarding the status of the Credit Enhancement Mortgage Loan by submitting a Non-Monetary Default Borrower Request in the MAMP.

418.04 Multifamily Affordable Housing (MAH) Properties

The Servicer must collect annual compliance documentation in the form of:

- for an MAH Property with Sponsor-Initiated Affordability, certifications from the Borrower and Administering Agent of compliance with the Sponsor-Initiated Affordability Agreement; or
- for any other MAH Property, the annual recertification of the Property's compliance with the Affordable Regulatory Agreement from the agency or entity that imposed any applicable rent or occupancy restrictions or, if not available, an explanation of why it is not available.

The Servicer must immediately submit a Non-Monetary Default Borrower Request in the MAMP to notify Multifamily Asset Management if this documentation reveals any event of default or noncompliance with the applicable:

- Sponsor-Initiated Affordability Agreement; or
- Affordable Regulatory Agreement.

The Servicer must retain the annual compliance documentation in its Servicing File.

418.05 Low-Income Housing Tax Credits

If the Property is subject to a Low-Income Housing Tax Credit allocation, the Servicer must obtain, at least once in each calendar year (and more often if directed by Fannie Mae):

- copies of the tax and other compliance forms specified in [Part](#)



III, Chapter 7: Multifamily Affordable Housing Properties; and

- Borrower certifications of the Property's compliance with the requirements of the Internal Revenue Code regarding Low-Income Housing Tax Credits; and
- if the Low-Income Housing Tax Credits have not yet been syndicated, monthly reports from the Borrower detailing the Borrower's progress in syndicating the tax credit allocation until the syndication is completed.

If the Borrower indicated that the Property does not comply with all applicable regulatory requirements, the Servicer must immediately submit a Non-Monetary Default Borrower Request in the MAMP. Neither Fannie Mae nor the Servicer is responsible for determining or ensuring the Borrower's compliance with Low-Income Housing Tax Credit requirements. The Servicer also must comply with the information requirements of [Part III, Chapter 7: Multifamily Affordable Housing Properties](#).

418.06 Enhanced Resident Services

The Borrower must annually recertify the Property and submit each recertification to the Servicer within 75 days following the end of each Loan Year. The Servicer must collect the initial certification and each recertification in the Servicing File. For any recertification failure, the Servicer must promptly notify Fannie Mae through the MAMP, or such other method indicated by Fannie Mae. Additionally, the Servicer must promptly submit a Non-Monetary Default Borrower Request in the MAMP if the Property later achieves recertification. After recertification, the Servicer must then resume annual compliance monitoring at the end of each subsequent Loan Year.

418.07 Expanded Housing Choice

A Mortgage Loan with an Expanded Housing Choice pricing incentive requires additional monitoring.

Fannie Mae:

- may conduct fair housing testing for a Mortgage Loan delivered with an Expanded Housing Choice pricing incentive; and
- will notify the Servicer if the fair housing testing or any other information reveals the Borrower is not complying with [Part III, Chapter 23: Expanded Housing Choice](#); and may, for any noncompliance:
 - require the Borrower's employees to complete fair housing



training;

- require Supplemental Annual Loan Agreement Certification (Expanded Housing Choice) ([Form 6620.Supplemental.Expanded Housing Choice](#)); and/or
- notify the Borrower it is in default.

The Servicer must:

- if not already received by April 15, notify the Borrower a rent roll or rent schedule dated as of December 31st of the previous year is due 120 days after the end of the prior calendar year;
- within 120 days after each December 31:
 - obtain from the Borrower the rent schedule or rent roll dated as of December 31 of the previous year; and
 - submit a Streamlined Rent Roll ([Form 4241](#));
- comply with the following table for any Loan Document defaults; and
- retain in its Servicing File, copies of:
 - [Form 4241](#);
 - any required [Form 6620.Supplemental.Expanded Housing Choice](#); and
 - any Borrower notices, including Reservation of Rights Letters ([Form 4804](#)), required for:
 - fair housing training; or
 - Loan Document defaults.



| If the Borrower... | The Servicer must... |
|--|---|
| <p>Fails to submit the December 31 rent roll or rent schedule for the prior year within 120 days after the end of the calendar year</p> | <ul style="list-style-type: none"> • send the Borrower a Reservation of Rights Letter (Form 4804) specifying: <ul style="list-style-type: none"> - the rent roll must be submitted within 30 days;and - if not submitted, the Expanded Housing Choice Monetary Penalty will be due per the Modification to Multifamily Loan and Security Agreement(Expanded Housing Choice) (Form 6273); and • submit a Non-Monetary Default Borrower Request in the MAMP. |
| <p>Fails to submit the December 31 rent roll or rent schedule for the prior calendar year within the 30-day period after receipt of the Reservation of Rights Letter</p> | <p>collect from the Borrower and remit to Fannie Mae the Expanded Housing Choice Monetary Penalty per Form 6273.</p> |
| <p>Fails to submit any required Expanded Housing Choice Monetary Penalty per Form 6273</p> | <ul style="list-style-type: none"> • send the Borrower a Reservation of Rights Letter (Form 4804) stating the Borrower is in default; and • submit a Non-Monetary Default Borrower Request in the MAMP. |
| <p>Fails a first round of fair housing testing</p> | <p>ensure the Borrower conducts fair housing training for its employees per Fannie Maes requirements.</p> |



| If the Borrower... | The Servicer must... |
|---|--|
| Fails a second round of fair housing testing | <ul style="list-style-type: none"> • ensure the Borrower conducts additional fair housing training for its employees per Fannie Maes requirements; and • require the Borrower to submit Supplemental Annual Loan Agreement Certification (Expanded Housing Choice) (Form 6620.Supplemental.Expanded Housing Choice). |
| Fails to complete any required fair housing training within the required time frame | <ul style="list-style-type: none"> • send the Borrower a Reservation of Rights Letter (Form 4804) stating the Borrower is in default; and • submit a Non-Monetary Default Borrower Request in the MAMP. |
| Fails to provide any required Supplemental Annual Loan Agreement Certification (Expanded Housing Choice) (Form 6620.Supplemental.Expanded Housing Choice) | <ul style="list-style-type: none"> • send the Borrower a Reservation of Rights Letter (Form 4804) stating the Borrower is in default; and • submit a Non-Monetary Default Borrower Request in the MAMP. |
| Fails a third round of fair housing testing | <ul style="list-style-type: none"> • ensure the Borrower enters into a remedial housing plan with Fannie Mae per Form 6273; and • submit a Non-Monetary Default Borrower Request in the MAMP. |



| If the Borrower... | The Servicer must... |
|--|---|
| Is otherwise determined not to be complying with Part III, Chapter 23: Expanded Housing Choice | <ul style="list-style-type: none">• send the Borrower a Reservation of Rights Letter (Form 4804) stating the Borrower is in default; and• submit a Non-Monetary Default Borrower Request in the MAMP . |

418.08 HAP Contract Approval and Releasing Restabilization Reserve

The Servicer is delegated the authority to:

- approve renewal of the HAP Contract during the Mortgage Loan term; and
- waive any Loan Document provision requiring the HAP Contract to be fully funded by HUD through the Mortgage Loan Maturity Date.

The Servicer must submit through the MAMP a copy of the renewed HAP Contract, and retain a copy in the Servicing File, together with any Borrower request for release of the Restabilization Reserve.

Most disbursements from a Restabilization Reserve require Fannie Mae's approval. The Servicer is delegated the authority to approve, without Fannie Mae's consent, a Borrower request for a final disbursement, provided:

- the Servicer has received written evidence that the HAP contract has been extended by HUD through the Maturity Date with no material changes to its terms;
- no default has occurred and is continuing under the Loan Documents; and
- the Loan Documents explicitly allow a final disbursement under these conditions.



Glossary

A

| | |
|---------------------------------|---|
| Administering Agent | Third-party compliance monitoring company. |
| Affordable Regulatory Agreement | Regulatory, land use, extended use, or similar agreement or recorded restriction limiting rents, imposing maximum income restrictions on tenants, or placing other affordability restrictions on the use or occupancy of the Property (whether imposed by a government entity or self-imposed by a Borrower per the Sponsor-Initiated Affordability Agreement (Form 6490)). |

B

| | |
|--------------|---|
| Bond Trustee | Trustee for a Credit Enhancement Instrument. Synonyms <ul style="list-style-type: none">• Bond Trustee's |
| Bonds | Tax-exempt or taxable multifamily revenue bonds, or other tax-exempt or taxable bonds, issued to finance 1 or more Credit Enhancement Mortgage Loan Properties. Synonyms <ul style="list-style-type: none">• Bond |

| | |
|----------|---|
| Borrower | Person who is the obligor per the Note. Synonyms <ul style="list-style-type: none">• Borrowers• Borrower's |
|----------|---|

C



Credit Enhancement Mortgage Loan

Mortgage Loan financed by a Bond issuance where Fannie Mae provides credit enhancement by

- a Credit Enhancement Instrument, or
- an MBS for Bonds.

Synonyms

- Credit Enhancement Mortgage Loans

H

HAP

HUD project-based Section 8 rental subsidy in the form of a Housing Assistance Payment contract.

Synonyms

- Housing Assistance Payment

HUD

U.S. Department of Housing and Urban Development

Synonyms

- HUD's

I

Indenture

Bond issuer trust indenture or resolution listing Bond terms.

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



Loan Documents

All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.

Synonyms

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

Loan Year

Period beginning on the date of the Note and ending on the last day of the month that is 12 full months after the date of the Note, and each successive 12-month period thereafter.

Synonyms

- Loan Years

Low-Income Housing Tax Credit

Federal program offering tax credits to owners of eligible properties that contain low-income occupants and rent restrictions.

Synonyms

- Low-Income Housing Tax Credits
- Low Income Housing Tax Credits
- LIHTC
- LIHTCs

M

MAMP

Multifamily Asset Management Portal used to submit

- Property inspections,
- operating statements,
- requested modifications,
- asset management reports, and
- data corrections for loan or property attributes.

Synonyms

- Multifamily Asset Management Portal
- MAMP's



Maturity Date Date all Mortgage Loan amounts become fully due and payable per the Loan Documents.

Synonyms

- Maturity Dates

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
- Mortgage Loan's

Multifamily Asset Management Team that can be contacted at drawer_am@fanniemae.com.

P

Property Multifamily residential real estate securing the Mortgage Loan, including the

- fee simple or Leasehold interest,
- Improvements, and
- personal property (per the Uniform Commercial Code).

Synonyms

- Properties
- Property's

S

Security MBS, PFP MBS, or REMIC.

Synonyms

- Securities



Servicer Primary Person servicing the Mortgage Loan, including

- the originator,
- seller, or
- a third party.

Synonyms

- Servicers
- Servicer's

Servicing File Your file for each Mortgage Loan serviced.

Synonyms

- Servicing Files

Sponsor-Initiated Affordability Voluntary rent and income restrictions recorded against the Property by the Borrower to preserve or create multifamily affordable housing.