



# Multifamily Selling and Servicing Guide

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## Section 206 Application of Monthly Payments

### 206.01 Fannie Mae Form Loan Documents

For Mortgage Loans originated using Fannie Mae published Note forms, the Servicer must apply monthly payments received from the Borrower as follows:

Loan Document Version	Application of Payments
Pre-1988 Form Loan Documents using Rider to Multifamily Instrument (Form 4059, 4/88)	<p>Servicer must apply monthly payments received from the Borrower in the following order:</p> <ul style="list-style-type: none"><li>• first, to impositions due under Uniform Covenant 2 of the Security Agreement, including deposits for T&amp;I, and deposits due under a Collateral Agreement (e.g., Replacement Reserve);</li><li>• then, to interest at the Gross Note Rate;</li><li>• then, to principal;</li><li>• then, to interest on any Servicing and Delinquency Advances made by the Servicer;</li><li>• then, to principal on any Servicing and Delinquency Advances made by the Servicer;</li><li>• then, to late charges and other funds due the Servicer; and</li><li>• finally, to interest at the default interest rate.</li></ul> <p>The interest portion of the fixed installment must be determined by computing 30 days interest on the outstanding principal balance as of the last paid installment date. For this calculation, always use the Gross Note Rate for the Mortgage Loan or the default interest rate, as applicable.</p>



<p>Post-1988 and Pre-1998 Loan Documents using Rider to Multifamily Instrument (Form 4058, 6/93 or Form 4059, 5/93) (the "New Document Loans")</p> <p>and</p> <p>Post-1998 Loan Documents, unless otherwise instructed by Fannie Mae</p>	<p>Servicer must apply monthly payments received from the Borrower in the following order:</p> <ul style="list-style-type: none"><li>• first, to any delinquent interest (other than interest attributable to the default interest rate);</li><li>• then, to any delinquent principal;</li><li>• then, to interest for the current month at the Gross Note Rate;</li><li>• then, to principal for the current month;</li><li>• then, to reimburse the Servicer or Fannie Mae for any T&amp;I payments;</li><li>• then, to reimburse the Servicer or Fannie Mae for any delinquency resolution costs, attorney fees, Appraisal fees, environmental assessment costs, or PCA costs;</li><li>• then, to reimburse the Servicer or Fannie Mae for any payments to protect the Property;</li><li>• then, to late charges;</li><li>• then, to default interest;</li><li>• then, to T&amp;I Custodial Account deposits;</li></ul> <p>and</p> <ul style="list-style-type: none"><li>• finally, to Collateral Agreement Custodial Account deposits.</li></ul>
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## **206.02** Non-Fannie Mae Form Loan Documents

For Mortgage Loans not originated using Fannie Mae published Note forms, the Servicer must apply monthly payments received from the Borrower as required by the relevant Loan Documents. If the Loans Documents do not provide for the order of application of monthly payments, then the Servicer must follow the requirements for the Fannie Mae Post-1998 Loan Documents as provided in [Part V, Chapter 2: Reporting and Remitting, Section 206.01: Fannie Mae Form Loan Documents](#).



# Glossary

## A

**Appraisal** Written statement independently and impartially prepared by a qualified appraiser stating an opinion as to the market value of the Property as of a specific date, supported by the presentation and analysis of relevant market information.

**Synonyms**

- Appraisals

## B

**Borrower** Person who is the obligor under the Note.

**Synonyms**

- Borrowers
- Borrower's

## C

**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

**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

## G

**Gross Note Rate** Interest rate stated in the Loan Documents.



## 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

**Note** Current instrument evidencing a Mortgage Loan obligation, including [Form 6010 series](#), any other note approved by Fannie Mae, and all applicable addenda, schedules, and exhibits.

### **Synonyms**

- Notes

## P

**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

## R



**Replacement Reserve** Custodial Account established by the Lender and funded by deposits from the Borrower over the term of the Mortgage Loan to fund the replacement of capital items at the Property.

**Synonyms**

- Replacement Reserves

**S**

**Security** MBS, PFP MBS, or REMIC.

**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