



Multifamily Selling and Servicing Guide

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Section 208 Delinquency and Servicing Advances

208.01 Generally

208.01A Applicability

This Section 208 shall apply to all loans purchased by Fannie Mae (i) under the DUS product line and (ii) under any contracts entered into after June 1, 2012, unless any such contract provides that this Section 208 shall not apply to such contract.

208.01B Delinquency Advances on a Mortgage Loan other than a Credit Enhancement Mortgage Loan

Whether or not the Borrower pays to the Lender the full amount due under a Mortgage Loan (other than a Credit Enhancement Mortgage Loan), the Lender will remit to Fannie Mae Delinquency Advances in an amount equal to all monthly P&I installments then owed under each Mortgage Loan, net of Servicing Fees, in the manner and at the time the Lender is required to make remittances under the Guide or the Lender's Contract. The Lender's agreement to make Delinquency Advances in respect of a Mortgage Loan constitutes a separate contractual obligation of the Lender to Fannie Mae and is not a guaranty or surety of any obligation of the related Borrower. The Lender's obligation to fund Delinquency Advances, except in the case of Secondary Risk Mortgage Loans, is not intended to require advances of the principal balance due on the scheduled or accelerated maturity date for payment in full of a Mortgage Loan. The Lender's obligation to fund Delinquency Advances with respect to Secondary Risk Mortgage Loans shall include the obligation to fund the principal balance due on the scheduled or accelerated maturity date for payment in full of a Mortgage Loan.

208.01C Delinquency Advances on a Credit Enhancement Mortgage Loan

Whether or not the Borrower pays to the Lender the full amount due on a Credit Enhancement Mortgage Loan, and whether such amounts are payable under the Financing Agreement, the Note, the Reimbursement Agreement or other transaction documents, the Lender shall make Delinquency Advances in amounts as follows, each in the amount as required to be made under the Financing Agreement, the Note, the Reimbursement Agreement or other applicable transaction document, net of any Servicing Fee otherwise payable to the Lender:

- interest payments as required by the definition of Delinquency Advances, net of Servicing Fees;
- monthly installments of principal owed on the Credit



Enhancement Mortgage Loan, or, if the transaction documents of the Credit Enhancement Mortgage Loan require the Borrower to make deposits to a PRF in lieu of amortizing the principal of the Credit Enhancement Mortgage Loan in whole or in part, deposit in a special custodial account meeting the requirements of the Guide (“Special Custodial Account”) any amounts that the Borrower was obligated under the Note, the Reimbursement Agreement or other applicable transaction document to pay as deposits to the PRF and transfer such funds in the Special Custodial Account to the applicable Bond Trustee at such time as the funds are required for a mandatory payment of P&I under the Bonds;

- the annual or other periodic fee of the Issuer as a continuing fee for the issuance of the Bonds and the provision of the financing for the Property;
- the annual or other periodic continuing trust administration fee of the Bond Trustee;
- the annual or other periodic continuing fee of the rebate analyst, if any, for its rebate calculation services;
- the annual or other periodic continuing fee of the remarketing agent, if any, for its remarketing services;
- the Credit Enhancement Fee;
- if the transaction documents of the Credit Enhancement Mortgage Loan require the Borrower to make deposits to a PRF in lieu of amortizing the principal of the Credit Enhancement Mortgage Loan in whole or in part, the PRF Fee; and
- if the Credit Enhancement Instrument contains a liquidity facility for the Bonds, the Liquidity Fee.

The Lender shall make such advances to the party, in the manner and at the time the Lender is required to make such remittances under the Guide. The Lender’s agreement to make Delinquency Advances in respect of a Credit Enhancement Mortgage Loan constitutes a separate contractual obligation of the Lender to Fannie Mae and is not a guaranty or surety of any obligation of the related Borrower.

208.01D Servicing Advances on a Mortgage Loan other than a Credit Enhancement Mortgage Loan

Whether or not Borrower makes payments to the Lender, the Lender shall make Servicing Advances as and when such amounts constituting Servicing Advances are required to be paid.

208.01E Servicing Advances on a Credit Enhancement Mortgage Loan



Whether or not the Borrower makes payments to the Lender, the Lender shall make Servicing Advances on a Credit Enhancement Mortgage Loan as and when such amounts constituting Servicing Advances are required to be paid. For each Credit Enhancement Mortgage Loan, Servicing Advances shall include, in addition to those items set out in the definition of Servicing Advances, all fees, costs and expenses, whether recurring or non-periodic, not covered by a Delinquency Advance but necessary, as determined by Fannie Mae, to preserve or protect the Bonds or to exercise any legal or equitable remedies under the Bond Indenture, the Bonds or any of the other transaction documents (other than the Loan Documents).

208.02 Duration of Payment of Delinquency Advances or Servicing Advances

208.02A Obligation to Make Delinquency Advances

Unless the Lender's Contract expressly provides otherwise, the Lender must make Delinquency Advances until the earliest of:

- the Lender's purchase of the Mortgage Loan from Fannie Mae;
- the date on which Borrower cures the Mortgage Loan default;
- the date on which the Lender makes the fourth of four continuous months of Delinquency Advances;
- the Asset Valuation Date established in accordance with Section 6.02 of the Loss Sharing Addendum; or
- the date on which the Borrower pays off the Mortgage Loan.

Notwithstanding the foregoing, (i) for Securitized Mortgage Loans, the Lender must make Delinquency Advances to Fannie Mae as long as the Mortgage Loan is held by the trust established in connection with such securitization, and (ii) for Credit Enhancement Mortgage Loans, the Lender must make Delinquency Advances to Fannie Mae as long as the Bonds are outstanding. However, in either case, Lender will receive reimbursement for such Delinquency Advances upon request as required by [Part V, Chapter 2: Reporting and Remitting, Section 208.02C: Reimbursement for Delinquency and Servicing Advances](#) following the date on which Lender makes the fourth of four consecutive months of Delinquency Advances or, if earlier, immediately following the Maturity Date of the Mortgage Loan and, thereafter, the Lender will receive reimbursement for each Delinquency Advance upon request. If the Lender believes that Delinquency Advances with respect to a Mortgage Loan are no longer required to be made pursuant to this Section 208.02, the Lender shall notify Fannie Mae, in writing, and upon written confirmation by Fannie Mae that it concurs that no further Delinquency Advances are required, the Lender shall cease making Delinquency Advances with respect to such Mortgage Loan.



208.02B Obligation to Make Servicing Advances

Unless the Lender's Contract expressly provides otherwise, the Lender must make Servicing Advances until the earliest of:

- the Lender's purchase of the Mortgage Loan from Fannie Mae;
- the date on which the Borrower cures the Mortgage Loan default;
- the Asset Valuation Date related to a Foreclosure Event, a sale of the Property directed by a court of competent jurisdiction, a Discounted Loan Payoff, or Note Sale; or
- the date on which the Borrower pays off the Mortgage Loan.

The Lender shall not be required to make Servicing Advances to fund escrows or custodial accounts for taxes, assessments, and insurance premiums or to make payments to the accounts established for the Mortgage Loan; provided, however, that the Lender must apply any partial payments (including any Net Cash Flow from the Property that, under applicable state law, is then available for use by Fannie Mae) in the manner specified in the Loan Documents and the Guide.

208.02C Reimbursement for Delinquency and Servicing Advances

Upon the expiration of the Lender's obligation to make Delinquency Advances as provided above or, with respect to any Securitized Mortgage Loan, following the date on which the Lender makes the fourth of four consecutive months of Delinquency Advances, the Lender may, by written notice to Fannie Mae submitted on Fannie Mae [Form 4828](#), together with any supporting documentation required by Fannie Mae, request reimbursement for any and all Delinquency Advances made by the Lender with respect to the Mortgage Loan.

Upon making a Servicing Advance with respect to a Mortgage Loan, Lender may, by written notice to Fannie Mae submitted on Fannie Mae [Form 4829](#), together with any supporting documentation required by Fannie Mae, request reimbursement for such Servicing Advance.

Fannie Mae shall reimburse the Lender for such Delinquency Advances and Servicing Advances within 60 days following Fannie Mae's receipt and approval of the Lender's written request.

This Section 208.02.C shall not apply to Delinquency Advances or Servicing Advances made by the Lender with respect to any Non-Performing Mortgage Loan with a Last Paid Installment prior to March 1, 2012.

208.03 Repayment of Servicing Advances from Borrower

Unless otherwise directed in writing by Fannie Mae, the Lender



must seek restitution of any Servicing Advances from the Borrower. For this repayment, the Lender may require the Borrower to make full restitution on the next occurring Mortgage Loan payment due date or may permit the Borrower to make restitution payments over several months. Amounts due from the Borrower for which a Servicing Advance was made may include default interest on the Servicing Advances as permitted in the Loan Documents. Interest must be calculated from and including the date the Servicing Advance is made to but excluding the date the repayment is received. If the Lender permits restitution over several months, such restitution payments will not be included in any required calculation of DSCR.

If the Lender has been reimbursed by Fannie Mae for any Servicing Advances and receives restitution of such Servicing Advances from the Borrower, the Lender shall promptly remit such amounts to Fannie Mae.

208.04 No Capitalization of Servicing Advances for Securitized Mortgage Loans

For the purpose of calculating monthly distributions to the Security certificate holders or other investors, Servicing Advances will not be added to the scheduled principal balance of the related Mortgage Loan, even though the terms of the Mortgage Loan may permit increases to the outstanding principal balance of the Mortgage Loan for such advances and may permit Fannie Mae or the Lender, as applicable, to pursue recovery of those advances from the Borrower. Servicing Advances do not reduce or modify the Borrower's obligation under the Loan Documents.

208.05 Entitlement to Default Interest

Between Fannie Mae and the Lender, unless the Lender's Contract expressly provides otherwise, so long as the Lender is obligated to make or has made Delinquency Advances as provided in [Part V, Chapter 2: Reporting and Remitting, Section 208.02A: Obligation to Make Delinquency Advances](#), the Lender is entitled to retain 50 percent of the default interest collected from or on behalf of the Borrower. The other 50 percent of such default interest, to the extent collected from or on behalf of the Borrower, is remitted to and retained by Fannie Mae. Notwithstanding anything in this Section 208.05 to the contrary, with respect to any Non-Performing Mortgage Loan with a Last Paid Installment prior to March 1, 2012, if the Lender is obligated to make Delinquency Advances then the Lender is entitled to all default interest collected from or on behalf of the Borrower with respect to such Mortgage Loan. If the Lender is not obligated to make any Delinquency Advances on a Non-Performing Mortgage Loan, all default interest shall be remitted to and retained by Fannie Mae. Without regard to whether the Lender is making Delinquency Advances, Fannie Mae is always entitled to the interest that accrues at the stated interest rate on the Mortgage Loan net of the Lender's Servicing Fee.



Glossary

A

Asset Valuation Date As defined in the Loss Sharing Addendum.

B

Bond Trustee Trustee for a Credit Enhancement Instrument.

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

- Bond

Borrower Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

C

Credit Enhancement Fee Fee due to Fannie Mae for a Credit Enhancement Instrument.

Credit Enhancement Instrument Agreement between Fannie Mae and a Bond Trustee where Fannie Mae provides credit enhancement of a Credit Enhancement Mortgage Loan, Bonds issued to finance a Credit Enhancement Mortgage Loan, or an Interest Rate Hedge Agreement; and if applicable, a Bond liquidity facility.

Synonyms

- Credit Enhancement Instruments



Credit Enhancement Mortgage Loan

Mortgage Loan underwritten and serviced by the Lender and financed by the issuance of Bonds where Fannie Mae is providing a Credit Enhancement Instrument.

Synonyms

- Credit Enhancement Mortgage Loans

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

D

Delinquency Advance

For Primary Risk Mortgage Loans and Secondary Risk Mortgage Loans, an amount advanced by a primary servicer in respect of regularly scheduled monthly interest or principal due on 1 or more Mortgage Loans, to the extent required under its Lender Contract. For Secondary Risk Mortgage Loans only, in addition to the above, any amount advanced by a primary servicer in respect of all accrued but unpaid interest and principal due on 1 or more Mortgage Loans at the applicable Maturity Date of each relevant Mortgage Loan.

Synonyms

- Delinquency Advances

DUS

Delegated Underwriting and Servicing

F



Foreclosure Event

Any of the following:

- Foreclosure under the Security Instrument;
- any other exercise by the Lender of rights and remedies (whether under the Security Instrument or under applicable law, including Insolvency Laws) as holder of the Mortgage Loan and/or the Security Instrument, as a result of which the Lender (or its designee or nominee) or a third-party purchaser becomes owner of the Property;
- delivery by the Borrower to the Lender (or its designee or nominee) of a deed or other conveyance of the Borrower's interest in the Property in lieu of any of the foregoing; or
- in Louisiana, any dation en paiement.

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

I

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



Last Paid Installment

Due date of the last payment received.

Synonyms

- LPI

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

Maturity Date

Date all amounts due and owing under the Mortgage Loan 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

N



Net Cash Flow

On an annual basis or any specified period, the total Net Operating Income, minus the full amount underwritten for Replacement Reserve expense, regardless of whether deposits will be made (per Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis and the applicable products and features in Part III).

Synonyms

- NCF

Non-Performing Mortgage Loan

Mortgage Loan that is subject to an uncured default.

Synonyms

- Non-Performing Mortgage Loans
- Non-Performing

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

P&I

Principal and interest

PRF

Principal Reserve Fund for Bond Credit Enhancements, see Part XIV of the DUS Guide.

Synonyms

- Principal Reserve Fund



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

Reimbursement Agreement For Bond Credit Enhancements, see Part XIV of the DUS Guide.

S

Securitized Mortgage Loan Mortgage Loan backing an MBS, PFP MBS, or REMIC.

Synonyms

- Securitized Mortgage Loans

Security MBS, PFP MBS, or REMIC.

Servicing Advance All amounts required to be paid by the Borrower, for

- all taxes and assessments against each Property,
- all insurance premiums for insurance for each Property to insurance carrier(s) acceptable to Fannie Mae, in accordance with the Guide, and
- any other payment, as determined by Fannie Mae, necessary to preserve and protect the Property or to exercise any legal or equitable remedies (other than foreclosure) against the Borrower or the Property (including attorney, appraisal, or other professional fees) or any other obligations relating to the Property as set forth in the Loan Documents.

Synonyms

- Servicing Advances



Servicing Fee

Fee a Servicer receives for collecting payments, managing operational procedures, and assuming Lender's portion of credit risk for a Mortgage Loan.

Synonyms

- Servicing Fees