Fannie Mae®

# Multifamily Selling and Servicing Guide

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## 1302.04 Tier Dropping

### 1302.04A Designating

#### Requirements

If you designated a Senior Mortgage Loan as eligible for a Tier Dropping Supplemental Mortgage Loan, then you must also designate all Supplemental Mortgage Loans secured by that Property as eligible for Tier Dropping Supplemental Mortgage Loans.

#### Operating Procedures

- For an MBS Mortgage Loan originated before September 1, 2007, you must have designated it as eligible for a Tier Dropping Supplemental Mortgage Loan at the time of Commitment of each Pre-Existing Mortgage Loan.
- For Pools issued on or after August 1, 2001, the designation for Tier Dropping Supplemental Mortgage Loans eligibility must be disclosed on Annex A to the Prospectus.

### 1302.04B Eligibility

#### Requirements

| Tier Dropping Eligibility | |
|---|---|
| If the Pre-Existing Mortgage Loan is... | It is eligible for a Tier Dropping Supplemental Mortgage Loan if... |
| Cash | the combined Pre-Existing Mortgage Loans and Supplemental Mortgage Loan meet the Form 4660<br><br>• minimum applicable DSCR for Tier 2 Mortgage Loans, and<br>• maximum applicable LTV for Tier 2 Mortgage Loans. |

| Tier Dropping Eligibility | |
|---|---|
| If the Pre-Existing Mortgage Loan is... | It is eligible for a Tier Dropping Supplemental Mortgage Loan if... |
| MBS | • it was designated as eligible for a Tier Dropping Supplemental Mortgage Loan; and<br>• the combined Pre-Existing Mortgage Loans and Supplemental Mortgage Loan meet the Form 4660<br>- minimum applicable DSCR for Tier 2 Mortgage Loans, and<br>- maximum applicable LTV for Tier 2 Mortgage Loans. |

## 1302.04C Ineligible Mortgage Loans

☑ Requirements

ARM Loans cannot be Tier Dropping Supplemental Mortgage Loans.

# Glossary

## A

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|---|---|
| Adjustable Rate Mortgage Loan | Mortgage Loan with an interest rate that periodically adjusts based on an Index per the Note or Loan Documents.<br><br>**Synonyms**<br>• ARM Loan<br>• Adjustable Rate Mortgage Loans<br>• ARM Loans |

## C

| | |
|---|---|
| Commitment | Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan.<br><br>**Synonyms**<br>• Committed<br>• Commitments |

## D

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|---|---|
| Debt Service Coverage Ratio | On an annual basis or any specified period, the ratio of Net Cash Flow to the total of: principal, interest, and required Mezzanine Financing or Hard Pay Preferred Equity payments.<br><br>**Synonyms**<br>• DSCR |

## F

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| | |
|---|---|
| Form 4660 | Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans.<br><br>**Synonyms**<br>• Multifamily Underwriting Standards |

# L

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|---|---|
| Loan-to-Value Ratio | Ratio of the actual aggregate UPB of the Mortgage Loan, plus any Pre-Existing Mortgage Loans, plus any Hard Pay Preferred Equity, plus any Mezzanine Financing, to the value of the Property, expressed as a percentage.<br><br>**Synonyms**<br>• LTV<br>• LTV Ratio |

# M

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|---|---|
| MBS | Mortgage-Backed Security |
| MBS Mortgage Loan | Mortgage Loan purchased by Fannie Mae in exchange for an issued MBS backed by the Mortgage Loan.<br><br>**Synonyms**<br>• MBS Mortgage Loans |
| Mortgage Loan | Mortgage debt obligation evidenced, or when made will be evidenced, by<br>• the Loan Documents, or<br>• a mortgage debt obligation with a Fannie Mae credit enhancement.<br><br>**Synonyms**<br>• Mortgage Loans<br>• Mortgage Loan's |

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# P

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|---|---|
| Pre-Existing Mortgage Loan | Multifamily residential real estate loan secured by Liens against the Property having higher priority than the Lien securing the Subordinate Loan purchased by Fannie Mae.<br><br>**Synonyms**<br>• Pre-Existing Mortgage Loans |
| Pricing and Underwriting Tier | Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660).<br><br>**Synonyms**<br>• Tier |
| Property | Multifamily residential real estate securing the Mortgage Loan, including the<br>• fee simple or Leasehold interest,<br>• Improvements, and<br>• personal property (per the Uniform Commercial Code).<br><br>**Synonyms**<br>• Properties<br>• Property's |

# S

| | |
|---|---|
| Senior Mortgage Loan | Senior loan purchased by Fannie Mae.<br><br>**Synonyms**<br>• Senior Mortgage Loans |
| Supplemental Mortgage Loan | Mortgage Loan purchased by Fannie Mae that is subordinated to, and has a Mortgage Loan Origination Date after, the Senior Mortgage Loan that is also owned by Fannie Mae.<br><br>**Synonyms**<br>• Supplemental Mortgage Loans |

# T

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|---|---|
| Tier Dropping Supplemental Mortgage Loan | A Supplemental Mortgage Loan where<br>• the combined Underwritten DSCR of the Supplemental Mortgage Loan and all Pre-Existing Mortgage Loans is below the minimum Underwritten DSCR of the original underwriting Tier of the Senior Mortgage Loan, or<br>• the combined LTV of the Supplemental Mortgage Loan and all Pre-Existing Mortgage Loans is above the maximum LTV of the original underwriting Tier of the Senior Mortgage Loan.<br><br>**Synonyms**<br>• Tier Dropping Supplemental Mortgage Loans |