



Fannie Mae®

---

# Multifamily Selling and Servicing Guide

Effective as of August 29, 2025

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.



**TABLE OF CONTENTS**

---

Part III Section 1402.04 Tier Dropping ..... 3

    1402.04A Designating ..... 3

    1402.04B Eligibility ..... 3

    1402.04C Ineligible Mortgage Loans ..... 4

GLOSSARY ..... 5



## 1402.04 Tier Dropping

### 1402.04A 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.

### 1402.04B Eligibility

#### Requirements

Tier Dropping Eligibility	
If the Pre-Existing Mortgage Loan is...	It is eligible for a Tier Dropping Supplemental Mortgage Loan if...
Cash	<p>the combined Pre-Existing Mortgage Loans and Supplemental Mortgage Loan meet the Form 4660</p> <ul style="list-style-type: none"><li>• minimum applicable DSCR for Tier 2 Mortgage Loans, and</li><li>• maximum applicable LTV for Tier 2 Mortgage Loans.</li></ul>



Tier Dropping Eligibility	
If the Pre-Existing Mortgage Loan is...	It is eligible for a Tier Dropping Supplemental Mortgage Loan if...
MBS	<ul style="list-style-type: none"><li>• it was designated as eligible for a Tier Dropping Supplemental Mortgage Loan; and</li><li>• the combined Pre-Existing Mortgage Loans and Supplemental Mortgage Loan meet the Form 4660<ul style="list-style-type: none"><li>- minimum applicable DSCR for Tier 2 Mortgage Loans, and</li><li>- maximum applicable LTV for Tier 2 Mortgage Loans.</li></ul></li></ul>

#### 1402.04C Ineligible Mortgage Loans

##### ☒ Requirements

ARM Loans cannot be Tier Dropping Supplemental Mortgage Loans.



# Glossary

## 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.

### Synonyms

- Committed
- Commitments

## F

**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.

### Synonyms

- Multifamily Underwriting Standards

## M

**MBS** Mortgage-Backed Security

**MBS Mortgage Loan** Mortgage Loan purchased by Fannie Mae in exchange for an issued MBS backed by the Mortgage Loan.

### Synonyms

- MBS Mortgage Loans

## P



## 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.

### Synonyms

- Pre-Existing Mortgage Loans

## 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

## Senior Mortgage Loan

Senior loan purchased by Fannie Mae.

### Synonyms

- 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.

### Synonyms

- Supplemental Mortgage Loans

## T



### Tier Dropping Supplemental Mortgage Loan

A Supplemental Mortgage Loan where

- 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
- 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.

### **Synonyms**

- Tier Dropping Supplemental Mortgage Loans