

Multifamily Selling and Servicing Guide

Effective as of November 4, 2025

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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	the combined Pre-Existing Mortgage Loans and Supplemental Mortgage Loan meet the Form 4660
	 minimum applicable DSCR for Tier 2 Mortgage Loans, and 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 the combined Pre-Existing Mortgage Loans and Supplemental Mortgage Loan meet the Form 4660 minimum applicable DSCR for Tier 2 Mortgage Loans, and maximum applicable LTV for Tier 2 Mortgage Loans. 	

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.

Effective: 11/04/2025

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.

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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