



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of January 14, 2026

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

Summary of Changes	7
Part V Chapter 4 Asset Management: Loan Document Administration	8
Section 401 Servicing Requirements	8
401.01 General	8
401.02 Monitoring Compliance with Loan Documents	9
Section 402 Delegation of Decision-Making Authority; Retention of Outside Legal Counsel	9
402.01 Delegation of Decision-Making Authority	9
402.02 Retention of Outside Legal Counsel	10
Section 403 Execution of Documents by Servicer – Limited Power of Attorney	10
Section 404 Execution of Documents by Fannie Mae	11
404.01 Submission of Documents to Fannie Mae	11
404.02 Servicer Certification When Fannie Mae Approval Is Not Required	11
404.03 Servicer Certification When Fannie Mae Approval Is Required	12
Section 405 Fees Due to Fannie Mae	12
Section 406 Follow-Up Actions by the Servicer	13
Section 407 Subordinate Financing	13
407.01 Non-Fannie Mae Subordinate Financing	13
407.02 Prerequisite for Subordinate Financing	14
407.03 Fees for Subordinate Financing	15
407.04 Submitting the Request for Subordinate Financing	15
407.05 Fannie Mae Approval and Execution	16
407.06 Subsequent Servicer Actions	16
Section 408 Administration of Collateral Agreements	17
408.01 General Administrative Requirements	17
408.01 A Administration of Funds	17
408.01 B Funds to be Held in a Custodial Account	17
408.01 C Use of Funds	17
408.01 D Funds as Additional Security for Mortgage Loan	17
408.01 E Servicer's Fees and Costs	18
408.01 F Waiver or Modification of Terms of Collateral Agreement	18
408.02 Achievement Agreement or Other Agreement for Additional Collateral	18
408.02 A General	18
408.02 B Releases or Reductions in Collateral	19
408.02 C Draws on Letters of Credit or Application of Other Collateral	21
408.02 D Releasing Additional Escrows for Principal and Interest, Taxes and Insurance, and Replacement Reserves	23
408.03 Completion/Repairs	23
408.03 A General	23
408.03 B Extensions for Completion/Repairs	24
408.03 C Completion/Repair Loan Document Amendments	25



408.03 D Servicer's Administrative Requirements	26
408.03 E Processing Borrower Requisitions	27
408.03 F Inspections	30
408.03 G Fees	31
408.03 H Completion/Repair Defaults	32
408.03 I Green Rewards Efficiency Measure Verification	32
408.04 Replacement Reserve	35
408.04 A General	35
408.04 B Replacement Reserve Loan Document Amendments	36
408.04 C Servicer's Administrative Requirements	36
408.04 D Modifications to Replacement Reserve Deposits	37
408.04 E New Property Condition Assessments	37
408.04 F When Replacement Reserve Funding Was Partially or Fully Waived	39
408.04 G Interest on Replacement Reserve Funds	39
408.04 H Items Eligible for Funding from the Replacement Reserve	39
408.04 I Items Not Eligible for Funding from the Replacement Reserve	40
408.04 J Processing Borrower Requisitions	40
408.04 K Inspections	42
408.04 L Fees	42
408.04 M Replacement Reserve Defaults	43
408.04 N Return of Replacement Reserve Funds to Borrower	43
408.04 O Alternative Funding of Replacement Reserves for Portfolio Mortgage Loans	43
Section 409 Interest Rate Hedge Requirements	44
409.01 General	44
409.02 Interest Rate Hedge Coverage	44
409.02 A Bond Credit Enhancement Transactions	44
409.02 B Structured Transactions	45
409.02 C Adjusting Interest Rate Hedge Reserves for SARM Loans Using Form 6442 Series with an Effective Date Before May 2024	45
409.02 D Adjusting Interest Rate Hedge Reserves for SARM Loans Using Form 6442 Series with an Effective Date of May 2024 or Later	46
409.03 Interest Rate Hedge Term	46
409.04 Lien Filings and Collateral	46
409.05 Borrower Payments	47
409.05 A Interest Rate Caps	47
409.05 B Interest Rate Swaps	47
409.06 Provider Ratings	48
409.07 Replacement Interest Rate Hedge and Notification	48
409.08 Replacement Interest Rate Hedge Documents and Follow Up	49
Section 410 Ground Leases	50
Section 411 Notice of Lien or Noncompliance with Applicable Laws, Ordinances and Regulations	50
Section 412 Property Forfeitures and Seizures	51
Section 413 Property and Liability Insurance	51



413.01 Property and Liability Insurance	51
413.01 A Generally	51
413.01 B Policy Renewal	52
413.01 C Compliance Review	54
413.01 D Exceptions	55
413.01 E Ratings	55
413.02 No Servicer Financing of Insurance Premiums	55
413.03 Flood Map Changes; Obtaining Flood Insurance	55
413.04 Lender Placed Insurance	56
413.04 A Property and Liability Insurance	56
413.04 B Servicer's Administrative Costs and Expenses	57
Section 414 Casualty Losses – Performing Mortgage Loans	57
414.01 Notice	57
414.02 Filing Proof of Loss	58
414.03 Casualty Loss Assessment	58
414.04 Required Casualty Loss Property Inspection	59
414.05 Documentation for Required Casualty Loss Property Inspections	60
414.06 Endorsement of Insurance Loss Draft or Check When Payable to Fannie Mae	60
414.07 Endorsement of Insurance Loss Draft or Check When Not Payable to Fannie Mae	61
414.08 Insurance Loss Draft or Check Not Payable to Either Fannie Mae or Servicer	61
414.09 Application of Insurance Loss Proceeds	61
414.09 A Fannie Mae Determination Required	61
414.09 B Disposition of Insurance Loss Proceeds	62
414.10 Property Restoration Requirements	62
414.11 Commencement of Repair/Restoration Work	64
414.12 Disbursements	65
414.12 A Prerequisites for Disbursement of Funds	65
414.12 B Disbursing Funds	65
414.12 C Content of Disbursement Request	66
414.12 D Disbursement Amount	67
414.12 E Final Disbursement; Notice to Fannie Mae	67
414.12 F Documentation in Servicing File	68
414.13 Borrower's Failure to Diligently Pursue Repair	68
414.14 Reimbursement of Administrative Costs	68
Section 415 Casualty Losses – Non-Performing Mortgage Loans	68
Section 416 Credit Facilities and Bulk Deliveries	69
416.01 General	69
416.02 Delegation of Decisions	69
416.02 A Decisions and Actions Not Delegated	69
416.02 B Decisions Delegated by the Delegated Transaction Form 4636 series	70
416.02 C Other Delegated Decisions	70
416.03 Approval Requests	71



416.04 Credit Facility Release and Substitution Requests	71
416.05 Credit Facility Future Advance and Conversion Requests	72
416.06 Bulk Delivery Additions, Substitutions, and Releases	73
416.07 Credit Facility Revaluations	73
416.08 Capitalization Rate Derivation	74
416.09 Credit Facility Supplemental Mortgage Loans Not Permitted	75
416.10 Quarterly Monitoring and Re-Underwriting Assessments	75
416.10 A Quarterly Monitoring Reports (QMR)	75
416.10 B Credit Facilities with a Springing Debt Service Reserve Provision	75
416.10 C Monitored Debt Service Coverage Ratio	76
416.10 D Re-Underwriting Assessment Determination	76
416.10 E Re-Underwriting Assessments	76
416.10 F Re-Underwriting Assessment Timing	77
416.11 Springing Debt Service Reserve	77
416.12 Additional Information	79
Section 417 Seniors Housing Properties	79
417.01 General	79
417.02 Decisions and Actions Delegated and Not Delegated	79
417.03 Approval Requests	80
417.04 Seniors Housing Expansion/Conversion Requests	80
417.04 A Permitted Purpose	80
417.04 B Submission Requirements	80
417.04 C Requirements and Monitoring	81
417.04 D Construction Completion Requirements	82
417.04 E Request Changes in Unit Count/Mix in the MAMP	83
Section 418 Asset Management for Credit Enhancement Mortgage Loans and Multifamily Affordable Housing Properties	83
418.01 Bond Transactions and Credit Enhancement Mortgage Loans	83
418.02 Compliance Issues Relative to Bond Credit Enhancement Transactions	83
418.03 Monitoring Compliance; Notification of Noncompliance	84
418.03 A Affordable Regulatory Agreement	84
418.03 B Default Notice for Failure to Comply with the Bond Documents	84
418.04 Multifamily Affordable Housing (MAH) Properties	84
418.05 Low-Income Housing Tax Credits	85
418.06 Expanded Housing Choice	86
418.07 HAP Contract Approval and Releasing Restabilization Reserve	86
Section 419 Sponsor-Dedicated Workforce Housing Properties	87
Section 420 MH Communities with Tenant Site Lease Protections	88
Section 421 Single Asset Entity Conversion	89
Section 422 Loan Document Amendments	90
Section 423 Maturing Mortgage Loans	90
423.01 Written Policy	90
423.02 Refinance Eligibility	91



423.03 Borrower Communications	91
423.04 Fannie Mae Communications	92



Summary of Changes

Primary Audience: Asset Management

HIGHLIGHTS

Effective January 14, 2026, for all Mortgage Loans, clarified your delegated authority to approve certain Restabilization Reserve disbursements.

Primary Change

Updated Part V, Chapter 4, Section 418.07: HAP Contract Approval and Releasing Restabilization Reserve to clarify that Fannie Mae consent is not required for a Restabilization Reserve disbursement if it is explicitly authorized per the Loan Documents, including Borrower requests related to a:

- HAP Contract Delay (such as a Federal Government shutdown); or
- final disbursement, provided:
 - you received written evidence that the HAP contract has been extended by HUD through the Maturity Date with no material changes to its terms; and
 - no default has occurred and is continuing under the Loan Documents.

Note: The Borrower must continue making scheduled Debt Service payments regardless of the

- status of HUD payments per the HAP Contract, or
- availability of Restabilization Reserve funds.

Questions

Please contact Michael Dick at (202) 752-6634, or michael_w_dick@fanniemae.com, with any questions.



Chapter 4 Asset Management: Loan Document Administration

Section 401 Servicing Requirements

401.01 General

This Chapter covers asset management of performing Mortgage Loans. This Chapter does not apply to Non-Performing Mortgage Loans, unless otherwise stated. For asset management of Non-Performing Mortgage Loans, the Servicer must comply with:

- Part VI, Chapter 1: Watchlist Management; and
- either:
 - Part VI, Chapter 3: Non-Performing Primary Risk Mortgage Loans; or
 - Part VI, Chapter 5: Non-Performing Secondary Risk Mortgage Loans.

This Chapter covers the Servicer's:

- administration of Loan Documents, including Collateral Agreements;
- review of a delegated and non-delegated Borrower request;
- approval of a delegated Borrower request;
- management of insurance matters;
- review of Transfer/Assumption requests; and
- administration of specialty product types.

The Servicer must submit all Borrower requests, along with any additional information and required documents, through the MAMP. If submitting through the MAMP is not feasible, overnight mail must be used and sent to:

Fannie Mae
Attention: (Drawer AM, Structured AM, Seniors AM,
or Assumption/Transfer)
Mailstop 8V-21
1100 15th Street, NW
Washington, DC 20005.

Fannie Mae email addresses and contact information for



notices required in this Chapter are located in the Glossary.

401.02 Monitoring Compliance with Loan Documents

For each [Mortgage Loan](#), the Servicer must monitor the Borrower's compliance with the terms and conditions of the [Loan Documents](#), and facilitate compliance or take appropriate actions to address any instance of noncompliance. All [Loan Documents](#) and all other documents required to be retained by the Servicer must be maintained in accordance with the [Program Rules](#).

In the event of any conflict between or among the requirements of the [Guide](#), the [Disclosure Documents](#), the [Lender Contract](#), and the [Loan Documents](#), the governing priority shall be, in order:

- [Loan Documents](#);
- [Disclosure Documents](#);
- [Lender Contract](#); and
- [Guide](#).

Section 402 Delegation of Decision-Making Authority; Retention of Outside Legal Counsel

402.01 Delegation of Decision-Making Authority

Fannie Mae delegates significant decision-making authority and responsibility to the [Servicer](#) to the extent specified in the Multifamily Asset Management Delegated Transaction Forms (Form 4636 series) (each, the "Delegated Transaction Form"), covering the following matters:

- Transfers/Assumptions (Form 4636.TA);
- Commercial Leases (Form 4636.CL);
- Condemnations (Form 4636.C);
- Condominium/Cooperative Property Conversions (Form 4636.CC);
- Easements (Form 4636.E);
- Oil, Gas, or Mineral Rights Leases (Form 4636.OGL);
- Partial Releases of Collateral (Form 4636.PR);



- Property Management Changes (Form 4636.PM); and
- Use Conversions (Form 4636.UC).

The Servicer must follow the instructions in the [Delegated Transaction Form](#), which will specify which matters are delegated and which are non-delegated. All delegated and non-delegated requests must be submitted through the [MAMP](#), with the [Delegated Transaction Form](#) and the required supporting documents.

A transaction memo must be submitted for any unusual matters not covered in the [Guide](#), or matters that could materially affect Fannie Mae's security interests, investment interests, or the interests of [Investors in Securitized Mortgage Loans](#). Decision-making authority is more limited for [Credit Facilities](#), [Bulk Deliveries](#), and certain [Seniors Housing](#) Loan matters. Neither the [Servicer](#) nor Fannie Mae has the authority to waive any local, state, or federal law or regulation.

402.02 Retention of Outside Legal Counsel

Fannie Mae often retains outside legal counsel to review non-delegated matters or other matters that require Fannie Mae's legal review. In such instance, the [Servicer](#) must obtain the [Borrower's](#) written agreement to pay the reasonable legal fees and expenses of Fannie Mae's counsel before any legal work may commence.

If Fannie Mae outside counsel review is required or requested, the [Borrower](#) must pay the applicable legal fee, which will either be a fixed fee or an estimated fee depending on the type of request. For an estimated fee request, the [Servicer](#) must notify the [Borrower](#) that the actual legal fee may be higher or lower than the estimate, depending on the ultimate scope of the request, and the time needed to resolve the issue.

Fannie Mae will:

- apprise the [Servicer](#) of any likely increases in the estimated review fee;
- provide the [Servicer](#) the amount of the fee for any fixed fee request; and
- provide the [Servicer](#) a summary invoice directly from Fannie Mae's outside counsel.

Upon receipt of the invoice, the [Servicer](#) must arrange for payment of Fannie Mae's legal fees. The legal fee must be collected from the [Borrower](#) before engaging Fannie Mae outside counsel.



Section 403

Execution of Documents by Servicer – Limited Power of Attorney

Fannie Mae may provide the Servicer with a [Limited Power of Attorney](#) conferring the right to execute certain documents as attorney-in-fact on behalf of Fannie Mae. If granted, the actions authorized in the [Limited Power of Attorney](#) will be specifically limited, and allow the Servicer to execute only those documents listed in the [Limited Power of Attorney](#). To exercise the [Limited Power of Attorney](#) the Servicer must execute documents as “[Name of Servicer], as Attorney-in-Fact for Fannie Mae”. The [Servicer’s](#) designation as attorney-in-fact will be subject to review and renewal, and the power granted under the [Limited Power of Attorney](#) may be revoked by Fannie Mae at any time. Requests for new and replacement [Limited Power of Attorney](#) should be submitted through the [MAMP](#) or as required by Part V, Chapter 4: [Asset Management: Loan Document Administration](#), Section 401.01: [General](#). As each [Limited Power of Attorney](#) expires on a specified date according to its terms, the Servicer must monitor the expiration date and request a new [Limited Power of Attorney](#) at least 30 days prior to the expiration date.

Section 404

Execution of Documents by Fannie Mae

404.01 Submission of Documents to Fannie Mae

All documents requiring execution by Fannie Mae (clearly identified by Fannie Mae [Loan Number](#)) must be sent to [Multifamily Asset Management](#). Fannie Mae will execute the documents without prior review if the [Servicer](#) provides the certifications described in this Section.

The [Servicer](#) must include directions for returning the documents, including:

- contact name;
- overnight delivery mailing address;
- phone number; and
- email address.

404.02 Servicer Certification When Fannie Mae Approval Is Not Required

For any document submitted to Fannie Mae for execution when the servicing decision has been delegated to the [Servicer](#), the



[Servicer](#) must provide written certification to Fannie Mae that:

- the [Servicer](#) has reviewed the proposed transaction, and approval by the [Servicer](#) is in compliance with the [Guide](#), the [Loan Documents](#), any [Disclosure Documents](#), and the [Lender Contract](#);
- the [Servicer](#) has approved the proposed transaction;
- no approval or waiver is required from Fannie Mae;
- [Servicer's](#) legal counsel has reviewed and approved all relevant documents associated with the transaction, and determined that those documents are sufficient to fully effectuate the transaction; and
- any material changes to Fannie Mae form [Loan Documents](#) have been approved by Fannie Mae.

404.03 Servicer Certification When Fannie Mae Approval Is Required

For any document submitted to Fannie Mae for execution when the servicing decision has not been delegated to the [Servicer](#), the [Servicer](#) must provide written certification to Fannie Mae that:

- the [Servicer](#) has reviewed the proposed transaction, and approval by the [Servicer](#) is not delegated under the [Guide](#);
- the [Servicer](#) recommends approval by Fannie Mae of the proposed transaction;
- any required waivers have been submitted by the [Servicer](#);
- [Servicer's](#) legal counsel has reviewed and approved all relevant documents associated with the transaction, and determined that those documents are sufficient to fully effectuate the transaction; and
- any material changes to Fannie Mae form [Loan Documents](#) have been approved by Fannie Mae.

Section 405

Fees Due to Fannie Mae

Certain fees may be due to Fannie Mae in connection with a [Borrower](#) servicing request. The specified fees are for typical requests; however, higher fees may be required for complicated or non-standard requests, or for other matters not specified in this Chapter. No later than 10 Business Days following receipt of any fee by the [Servicer](#), the



Servicer must remit to Fannie Mae, by wire transfer of immediately available funds, Fannie Mae's portion of the fee. The **Servicer** must submit the wire transfer confirmation number, wire date, and wire amount through the **MAMP** immediately following each funds transfer, as follows:

ABA Number: 021 039 500
Telegraphic Abbreviation: FNMA/NYC
Account Number: 169220242
Note: Type of fee (e.g., Assumption/Transfer),
Fannie Mae Loan Number and Property Name
Attention: Trans code 507 - GL 747669921.

Section 406

Follow-Up Actions by the Servicer

The **Servicer** must take all applicable actions required to fully effectuate the transaction, including:

- amending the recorded **Security Instrument** or filed Uniform Commercial Code (**UCC**) financing statements;
- updating the **Property** survey;
- obtaining an endorsement to the mortgagee's title insurance policy showing no impairment of Fannie Mae's **Lien** position, and dating down title to reflect any recorded amendment to the **Security Instrument**;
- recording all applicable documents, and sending the required documents through the **MAMP**;
- sending an executed original copy of any new or amended **Loan Document** to **Multifamily Certification and Custody** within 15 **Business Days**;
- following the requirements of **Part V, Chapter 3: Custodial Accounts**, **Section 301: Generally** if changes are required to any existing **Collateral Agreement Custodial Account**, or if any new **Collateral Agreement Custodial Account** must be established in connection with the transaction;
- retaining copies of all documents, correspondence, and any internal notes or analysis relating to the transaction in the **Servicing File**; and
- taking any other actions the **Servicer** or its legal counsel determines are necessary.

Section 407

Subordinate Financing



407.01 Non-Fannie Mae Subordinate Financing

A Subordinate Loan is generally not permitted unless it complies with Fannie Mae's requirements. Approval of any Subordinate Loan is not delegated to the Servicer and must be approved in advance by Fannie Mae. Additionally:

- with respect to any Subordinate Loan, the Servicer must abide by the terms and conditions of the Loan Documents, the Guide, and any Disclosure Documents, provided that the Loan Documents will control in the case of any conflict;
- unless the Loan Documents explicitly allow a Subordinate Loan, the Servicer must not permit the Borrower, without prior Fannie Mae approval, to incur the Subordinate Loan or allow a Lien securing the Subordinate Loan to be placed against the Property;
- if the Loan Documents explicitly allow a Subordinate Loan without the approval of the Lender, the consent of the Servicer or Fannie Mae is not required; however, notice of the Subordinate Loan and a copy of any documents must be submitted through the MAMP;
- the Borrower and the subordinate lender must enter into and record the appropriate Subordination Agreement (Form 6414 or Form 6456 for the 6000 series Loan Documents; Form 4503 or Form 4507 for the 4000 Series Loan Documents); and
- the proceeds of the Subordinate Loan must benefit the Property (i.e., cash-out financing is not permitted).

The Servicer must immediately notify Multifamily Asset Management in writing upon learning of any unauthorized additional unsecured debt or indebtedness secured by a Lien on the Property or of any pledge of ownership interests that is not permitted by the Loan Documents, and send the Borrower a Reservation of Rights Letter (Form 4804) with a copy submitted through the MAMP. Fannie Mae will determine whether to approve the Subordinate Loan, or exercise its remedies.

407.02 Prerequisite for Subordinate Financing

Part III, Chapter 13: Supplemental Mortgage Loans, contains the requirements for Supplemental Mortgage Loans, and Part III, Chapter 7: Multifamily Affordable Housing Properties contains additional



requirements for subordinate financing with respect to a **Multifamily Affordable Housing Property**. The **Servicer** must ensure adherence to all applicable requirements.

407.03 Fees for Subordinate Financing

The **Borrower** must pay the **Servicer** a \$2,500 review fee. The **Servicer** may increase or decrease its fee at its discretion. No Fannie Mae review fees are due. The **Servicer** may also seek reimbursement from the **Borrower** for all reasonable out-of-pocket costs, including reasonable legal fees incurred by **Servicer's** counsel.

If Fannie Mae outside counsel is engaged, the **Borrower** must pay its fee, estimated at \$2,500 for Subordinate Financing requests. The actual legal fee may be higher or lower, depending on the ultimate scope of the request and the time necessary to resolve. The **Servicer** will receive a summary invoice directly from Fannie Mae outside counsel and must arrange for payment. The **Servicer** will be apprised of any likely increases in the estimated review fee. The estimated legal fee must be collected from the **Borrower** before engaging Fannie Mae outside counsel.

407.04 Submitting the Request for Subordinate Financing

Any **Borrower** request for approval of a **Subordinate Loan** must be reviewed by the **Servicer**. If acceptable, the request must be submitted for approval through the **MAMP** in accordance with the following:

- the **Servicer** must submit the request to Fannie Mae at least 30 days before the projected closing date of the **Subordinate Loan**; and
- the submission must contain:
 - an **Appraisal** (obtained at the **Borrower's** cost), dated no earlier than 90 days prior to the date of the **Borrower** request for approval of the **Subordinate Loan**, that complies with **Part II, Chapter 2: Valuation and Income, Section 202: Appraisal and Valuation**;
 - **Servicer's** underwriting spreadsheet showing the **Subordinate Loan's** effect on the **Property's** income, expenses, **NCF**, **DSCR**, and **LTV**;
 - a copy of the final, unsigned loan documents evidencing the **Subordinate Loan**, with the loan amount, interest rate, payment schedules, and all other



transaction related information completed;

- the [MBA Standard Inspection Form](#) documenting a physical inspection of the [Property](#), performed at [Borrower's](#) expense, occurring no earlier than 90 days before the date of the [Borrower](#) request for the [Subordinate Loan](#); provided that, if the [Servicer's](#) inspection of the [Property](#) reveals that the [Property](#) is not being properly maintained, the [Borrower](#) request will not be approved by Fannie Mae unless:
 - a [Replacement Reserve](#) is sufficiently funded; and
 - the [Borrower](#) makes any [Immediate Repairs](#) identified by the [Servicer](#) prior to the closing date of the [Subordinate Loan](#); and
- a title policy endorsement for the [Property](#) showing no unauthorized [Liens](#) or encumbrances of any nature against the [Property](#).

For a [Cooperative Property](#), the [Subordinate Loan](#) is unacceptable if the potential increase in the [Cooperative Maintenance Fee](#) necessary to cover [P&I](#) on the [Subordinate Loan](#) exceeds 10% of the current [Cooperative Maintenance Fee](#).

407.05 Fannie Mae Approval and Execution

Fannie Mae will provide the [Servicer](#) with a written decision regarding the [Borrower](#) request, after which the [Servicer](#) must notify the [Borrower](#) in writing and retain the notice in the [Servicing File](#).

407.06 Subsequent Servicer Actions

The [Servicer](#) must:

- not permit any changes to the [form Subordination Agreement](#) ([Form 6414](#) or [Form 6456](#) for the 6000 series [Loan Documents](#); [Form 4503](#) or [Form 4507](#) for the 4000 series [Loan Documents](#)) without the prior written consent of Fannie Mae;
- obtain a satisfactory title policy endorsement effective as of the date of recordation of the subordinate security instrument that:
 - insures the [Lien](#) of the [Security Instrument](#) as senior to



the [Lien](#) of the subordinate security instrument; and

- reflects the recordation of the [Subordination Agreement](#);
- submit a copy of the recorded [Subordination Agreement](#) through the [MAMP](#); and
- send the original executed copy of the recorded [Subordination Agreement](#) and the title policy endorsement to [Multifamily Certification and Custody](#) within [15 Business Days](#), and retain copies of each in the [Servicing File](#).

Section 408

Administration of Collateral Agreements

408.01 General Administrative Requirements

408.01A Administration of Funds

The Servicer must:

- administer and manage funds or collateral under all [Collateral Agreements](#); and
- ensure that any disbursements of funds, or other collateral releases or reductions, are:
 - approved only for valid reasons;
 - appropriately documented; and
 - consistent with the provisions of the [Collateral Agreement](#) and this Section.

408.01B Funds to be Held in a Custodial Account

The Servicer must deposit funds held under a [Collateral Agreement](#) in a [Custodial Account](#) that meets the requirements of Part V, Chapter 3: Custodial Accounts.

408.01C Use of Funds

Funds must be used only for the purposes stated in the [Collateral Agreement](#), and must not supplement a partial [P&I](#) payment or cover any other [Borrower](#) obligation unrelated to the primary purposes of the [Collateral Agreement](#).



408.01D Funds as Additional Security for Mortgage Loan

All funds or other collateral held under a [Collateral Agreement](#) constitute additional security for the [Borrower's](#) obligations under the [Note](#) and the other [Loan Documents](#). In the event of a default under the [Loan Documents](#), Fannie Mae reserves the right to apply (or direct the [Servicer](#) to apply) the funds or other collateral held under any [Collateral Agreement](#) in any manner allowed under the terms of such [Collateral Agreement](#). **Following a default, unless instructed by Fannie Mae, the Servicer must not:**

- [release any funds or other collateral held under a Collateral Agreement;](#)
- [apply any funds or collateral to the repayment of the Mortgage Loan; or](#)
- [reimburse itself from such funds or collateral for any expenses or losses incurred by the Servicer.](#)

408.01E Servicer's Fees and Costs

If the [Collateral Agreement](#) contemplates the payment of fees or costs by the [Borrower](#), the [Servicer](#) may collect and retain such fees or costs for its own account, adhering to any specific billing provisions of the [Collateral Agreement](#). Any fees or costs retained by the [Servicer](#) must be reasonable in relation to the nature and scope of the services provided by or on behalf of the [Servicer](#). The [Servicer](#) must not use any of the funds or other collateral held under the [Collateral Agreement](#) to cover such fees or costs. However, the [Servicer](#) may deduct such fees or costs from any disbursement of funds to the [Borrower](#), provided such disbursements, fees, and costs are permitted under the [Collateral Agreement](#), or if the [Borrower](#) otherwise agrees in writing.

408.01F Waiver or Modification of Terms of Collateral Agreement

Except as noted in this Chapter, the [Servicer](#) must not waive or modify the terms of any [Collateral Agreement](#).

408.02 Achievement Agreement or Other Agreement for Additional Collateral

408.02A General

The provisions of this Section govern [Achievement Agreements](#) and all [Collateral Agreements](#), other than:

- [Multifamily Loan Agreements](#), including the



Completion/Repair Schedule and Replacement Reserve Schedule;

- Security Instruments;
- Replacement Reserve Agreements; and
- Completion/Repair Agreements.

The Servicer must maintain an effective system for monitoring the expiration date of any Achievement Agreement or other Collateral Agreement, and ensure that all actions required to be taken pursuant to any such agreement have been timely performed and, if not timely performed, immediately notify Multifamily Asset Management.

408.02B Releases or Reductions in Collateral

Any request for a release or reduction of collateral must be processed in accordance with this Section, unless these instructions conflict with the terms and conditions of the Achievement Agreement or other Collateral Agreement.

1. General

If the Borrower has not satisfied the requirements for a release or reduction of collateral contained in the Achievement Agreement or other Collateral Agreement, the Servicer must not approve the Borrower request, and may decline the Borrower request without notice to Fannie Mae. If the Servicer determines that the Borrower has satisfied the requirements of the Achievement Agreement or other Collateral Agreement, the Servicer must recommend the release or reduction of collateral through the MAMP, accompanied by the supporting documentation listed below. Upon receipt and review of all pertinent information, Fannie Mae will approve or deny the request and notify the Servicer of its decision.

2. Supporting Documentation and Analysis

The following documentation must be submitted through the MAMP, and maintained in the Servicing File, in connection with each request for a release or reduction of collateral

(a) Income and Expense Statements; Current Rent Roll

Property income and expense statements and a current rent roll must be obtained from, and certified by, the Borrower. The statements must cover the applicable period required by the Achievement Agreement or other



Collateral Agreement. Based on the [Loan Documents](#), Parts I - III, the certified income and expense statements, and the current rent roll, the [Servicer](#) must develop a [Net Cash Flow](#) estimate to determine whether the release or reduction provisions of the applicable [Achievement Agreement](#) or other [Collateral Agreement](#) are satisfied. The income, vacancy, collection loss, and concession information should support the [Effective Gross Income](#) that the [Servicer](#) is relying on in assessing whether a release or reduction is warranted.

In deriving its estimate of [Effective Gross Income](#), the [Servicer](#) must adjust for:

- income that was not allowed or recognized in the original underwriting;
- the effect of a partial year's performance when the shorter period reflects the short-term, positive impact from seasonal variations that do not reflect the [Property's](#) year-round performance; and
- non-monetary concessions, requiring the [Servicer](#) to deduct the pro-rata value of the concession from the monthly rent for the applicable unit.

The [Servicer](#) must ensure that all appropriate types of expenses, including underwritten [Replacement Reserve](#) deposits, are included, and that any inappropriate expenses (e.g., capital improvement costs, repair costs covered by funds set aside for [Completion/Repairs](#), partnership costs, etc.) are excluded. To avoid unwarranted releases or reductions of collateral, the expense figures must reflect stabilized operating conditions, and must not be understated due to efficiencies or savings that could not be replicated by a different owner or manager, or that would not be recognized for underwriting purposes.

The [Servicer](#) must perform a line-by-line expense analysis, including a comparison of the original underwriting estimates with the actual expenses shown on the [Borrower's](#) income and expense statements. The [Servicer](#) must use the greater of the underwritten or the actual expense figure shown for each item on the



Borrower's statement.

(b) Servicer's Analysis

The Servicer must provide an analysis and recommendation regarding the release or reduction of collateral, including any calculations required under the terms of the applicable Achievement Agreement or other Collateral Agreement.

(c) Correspondence

The Servicer must provide any correspondence with the Borrower that pertains to the release or reduction request.

3. Property Inspection

Before approving any request for a release or reduction of collateral, the Servicer must perform a physical inspection of the Property to verify that:

- no deferred maintenance exists;
- necessary capital improvements have been made; and
- the general management and operations are acceptable and characteristic of a stabilized project.

The Servicer's inspection must occur no more than 90 days prior to the date of the submission to Fannie Mae of the release or reduction request. The Servicer must document the results of its inspection by completing the MBA Standard Inspection Form.

408.02C Draws on Letters of Credit or Application of Other Collateral

1. Draws Triggered by Adverse Events

The Servicer must promptly notify Multifamily Asset Management when any of the following events occur, which could result in a draw on a Letter of Credit issued for an Achievement Agreement or other Collateral Agreement:

- a default under the Loan Documents, including the Achievement Agreement or other Collateral Agreement;
- the failure to renew or replace an expiring Letter of Credit at least 30 days prior to its expiration date, or other deadline specified in the Achievement



Agreement or other Collateral Agreement; or

- the failure to replace a Letter of Credit by the replacement deadline when the Issuer is no longer acceptably rated.

The Servicer's notice to Fannie Mae must include a recommended course of action, and be accompanied by a copy of the executed Achievement Agreement or other Collateral Agreement.

2. Draw Resulting from Noncompliance with Issuer Rating Requirements or Expiration of Letter of Credit

If a draw on the Letter of Credit occurs due to noncompliance with the rating requirements for the Issuer or because of an imminent expiration of the Letter of Credit, Fannie Mae will hold the Letter of Credit proceeds in its designated account until the earliest of the following:

- the Borrower presents a replacement Letter of Credit and Fannie Mae agrees, in its sole discretion, to accept the Letter of Credit;
(NOTE: Any agreement by Fannie Mae to accept a replacement Letter of Credit will be conditioned upon the Borrower's payment of all administrative and legal costs incurred by the Servicer and Fannie Mae in connection with the replacement of the Letter of Credit.)
- the release or reduction provisions of the applicable Achievement Agreement or other Collateral Agreement are satisfied; or
- the Borrower pays all amounts due and payable under the Loan Documents, including any required Prepayment Premium, and Fannie Mae releases the Lien of the Security Instrument.

3. Draws Occasioned by Borrower Request

If the Servicer receives a request from the Borrower to draw on the Letter of Credit and have the proceeds applied as a partial prepayment against the UPB, and the Loan Documents allow partial prepayments, the Servicer must immediately forward the request, along with an analysis and recommendation, including an estimate of the applicable Prepayment Premium, to Fannie Mae. If the Loan Documents do not allow partial prepayments, the



Servicer must deny the Borrower request.

Fannie Mae will assess the Borrower request and determine if the proposed use of the [Letter of Credit](#) proceeds or other collateral would be in the best interest of Fannie Mae and/or the [Investor](#) in any [Securitized Mortgage Loan](#). **Any decision to apply Letter of Credit proceeds or apply other collateral to a partial prepayment will be made by Fannie Mae in its sole discretion.** Fannie Mae will notify the [Servicer](#) of its determination and will provide appropriate follow-up instructions.

4. No Interest on Proceeds Held by Fannie Mae

Fannie Mae will not pay interest on the cash proceeds it holds resulting from a draw on a [Letter of Credit](#).

408.02D Releasing Additional Escrows for Principal and Interest, Taxes and Insurance, and Replacement Reserves

Notwithstanding anything contained in this Chapter, if no Event of Default has occurred and is continuing under any of the [Loan Documents](#) (including Forbearance), the [Servicer](#) is delegated the authority to waive any [Loan Document](#) requirement prohibiting the [Servicer](#) from immediately approving a partial or final disbursement request of Additional Escrows for [P&I](#), [T&I](#), and [Replacement Reserves](#) required by:

- [Form 6268](#) – Modifications to Multifamily Loan and Security Agreement (Additional Reserve Escrows);
- [Form 6640](#) – Amendment to Multifamily Loan and Security Agreement (Additional P&I Escrow Agreement); or
- [Form 6641](#) – Additional P&I Escrow Agreement (4000 series Loan Documents).

The [Servicer](#) is delegated the authority to:

- determine whether the waiver requires a [Loan Document](#) amendment; and
- document any amendment in any form the [Servicer](#) determines to be legally enforceable.

[Servicers](#) must document all disbursement requests, including any supporting documentation and analysis, in the [Servicing File](#).

408.03 Completion/Repairs



408.03A General

The [Loan Documents](#) for administering [Completion/Repairs](#) are:

- for [Mortgage Loans](#) documented with the 6000 series [Loan Documents](#), the [Multifamily Loan Agreement](#), plus the:
 - [Completion/Repair Schedule](#);
 - [Multifamily Loan Agreement](#) and [Modifications](#) to [Multifamily Loan](#) and [Security Agreement](#) ([Rehabilitation Reserve - Moderate Rehabilitation/Substantial Rehabilitation](#)); or
 - another approved [Modifications](#) to [Multifamily Loan](#) and [Security Agreement](#); and
- For [Mortgage Loans](#) documented with the 4000 series [Loan Documents](#), the [Completion/Repair Agreement](#).

The [Servicer](#) must administer the [Loan Documents](#) to ensure the timely implementation of all [Completion/Repairs](#). Once the [Completion/Repairs](#) are completed and comply with the [Guide](#), the [Servicer](#) must enter the final completion dates and close out the work items for the [Mortgage Loan](#) in the [Completion/Repair](#) module in the [MAMP](#). Additional information may be required for any [Mortgage Loan](#) assigned to Loss Mitigation. If the [Mortgage Loan](#) does not have work items in the [MAMP](#), no further action in the [MAMP](#) is required.

408.03B Extensions for Completion/Repairs

The [Servicer](#) is delegated the authority to extend the time limits for making [Completion/Repairs](#) if:

- the [Completion/Repairs](#) subject to the extension request do not involve life safety issues; and
- the [Mortgage Loan](#) does not have a Fannie Mae risk rating of Substandard or Doubtful.

Notwithstanding the above, the [Servicer](#) is delegated the authority to grant a one-time extension of 30 days for a life safety issue if the [Borrower](#) is diligently pursuing completion of the related [Completion/Repair](#).

The duration of any permitted non-life safety extension may not exceed:



- 1 year past the original completion date specified in the [Loan Documents](#) for that [Completion/Repair](#), for a [Mortgage Loan](#) without loss sharing; and
- 2 years past the original completion date specified in the [Loan Documents](#) for that [Completion/Repair](#), for any [Mortgage Loan](#) with loss sharing.

The [Servicer](#) must submit a [Non-Monetary Default Borrower Request](#) in the [MAMP](#) if the required [Completion/Repairs](#) are not completed with this timeframe.

The [Servicer](#) is delegated the authority to grant a one-time extension of up to 90 days past the original completion date for any [Completion/Repairs](#) that are [Efficiency Measures](#) which the [Borrower](#) agreed to implement to qualify as a [Green Rewards Mortgage Loan](#). The [Servicer](#) is not delegated the authority to extend the time limit beyond 90 days.

The [Servicer](#) is delegated the authority to:

- determine whether the extension requires an amendment to the [Loan Documents](#); and
- document a required amendment in any form the [Servicer](#) determines to be legally enforceable.

408.03C Completion/Repair Loan Document Amendments

[Servicers](#) are delegated the authority to move required [Completion/Repairs](#) from the [Completion/Repair Schedule](#) to the [Replacement Reserve Schedule](#), or from the [Completion/Repair Agreement](#) to the [Replacement Reserve Agreement](#), and the associated deposit from the [Completion/Repair Escrow](#) into the [Replacement Reserve](#), provided:

- the [Completion/Repair](#) does not involve life safety issues;
- delaying the [Completion/Repair](#) will not materially negatively impact the [Property](#); and
- the total amount of [Completion/Repairs](#) being transferred does not exceed the lesser of (i) 25% of the original [Completion/Repair Escrow](#), or (ii) \$75,000.

Notwithstanding the above, the [Servicer](#) is not delegated the authority to move required [Completion/Repairs](#) to the [Replacement Reserve Schedule](#) for any [Efficiency Measures](#) that the [Borrower](#)



agreed to implement in order to qualify as a [Green Rewards Mortgage Loan](#).

The Servicer must:

- send the executed [Loan Document](#) amendment to [Multifamily Certification and Custody](#) within [15 Business Days](#);
- submit a copy of the [Loan Document](#) amendment through the [MAMP](#) for any [Mortgage Loan](#) with a [Completion/Repair](#) work item in the [MAMP](#); and
- retain a copy in its [Servicing File](#).

408.03D Servicer's Administrative Requirements

For all [Completion/Repairs](#), the Servicer must:

- retain a copy of the executed [Multifamily Loan Agreement](#) and [Completion/Repair Schedule](#) or [Completion/Repair Agreement](#) in its [Servicing File](#);
- hold all [Completion/Repair Escrow](#) funds in an account that meets the [Custodial Account](#) requirements of [Part V, Chapter 3: Custodial Accounts](#);
- ensure that all necessary permits are obtained, and that all required work is satisfactorily completed in a good and workmanlike manner by the completion dates stipulated in the [Loan Documents](#);
- for a [Green Rewards Mortgage Loan](#), ensure all [Efficiency Measures](#) are completed in a timely manner and no later than:
 - 12 months after the [Mortgage Loan Origination Date](#); or
 - any shorter time period per [Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 404: Property Condition Assessment \(PCA\)](#) for capital improvements identified as [Immediate Repairs](#) by the [PCA](#);
- process [Borrower](#) requisitions for funds in accordance with the terms and conditions of the [Loan Documents](#);
- perform required inspections of completed work and, if appropriate, work in progress and, if necessary, arrange



inspections by qualified professionals;

- ensure that the [Completion/Repair](#) work does not result in any mechanics' [Liens](#), materialmen's [Liens](#), or other [Liens](#) that have not been acceptably bonded over;
- promptly submit a Non-Monetary Default Borrower Request in the [MAMP](#) for any [Completion/Repair](#) [Loan Document](#) default;
- take appropriate steps to remedy or address any default under the [Loan Documents](#) for [Completion/Repairs](#); and
- perform all other administrative duties required by the [Loan Documents](#) for [Completion/Repairs](#).

408.03E Processing Borrower Requisitions

1. General

[Completion/Repair](#) [Escrow](#) funds are available to reimburse the [Borrower](#) for costs incurred for [Completion/Repairs](#) that are specifically identified in the [Loan Documents](#). The [Servicer](#) may authorize the release of funds to cover the costs of other reasonable and necessary repairs, replacements, or improvements that are not specified in the [Loan Documents](#) only if the [Loan Documents](#) permit the disbursements, and all conditions are fully satisfied.

2. Required Documentation for Disbursement

To obtain reimbursement, the [Borrower](#) must submit a written requisition specifying the [Completion/Repairs](#) for which reimbursement is being sought, including:

- the specific [Completion/Repairs](#) completed;
- the quantity and price of all materials (grouped by type or category) or specific replacement items (e.g., appliances) purchased in connection with the [Completion/Repairs](#); and
- the cost of all contracted labor or other services involved in completing the [Completion/Repairs](#).

The [Borrower](#) requisition for the specified [Completion/Repairs](#) for which reimbursement is being sought must be accompanied by:

- a [Borrower](#) certification that the specific



Completion/Repairs have been completed:

- in a good and workmanlike manner;
- in accordance with any plans and specifications previously approved by the Servicer; and
- in compliance with all applicable laws, ordinances, rules, and regulations of any governmental authority, agency, or instrumentality having jurisdiction over the Property; and

■ if the invoice exceeds the lesser of \$25,000 or 1% of the UPB:

- a copy of the invoice detailing the covered materials, labor, or services;
- payment evidence; and
- a [Lien](#) release from each contractor, subcontractor, or materialman.

3. Disbursement of Funds (Excluding Final Disbursement)

The Servicer may disburse funds to the Borrower only if it has received all required documentation and determined that all applicable conditions for disbursement have been met, including (but not limited to) the following:

- all [Completion/Repairs](#) covered by the requisition have been completed in a good and workmanlike manner, as evidenced by the [Borrower's](#) submission and, if appropriate, an inspection of the completed work (see guidance on inspections below);
- all related invoices for items and services covered by the requisition have been paid, unless the [Borrower](#) has satisfied any applicable conditions of the [Loan Documents](#) for issuance of a joint check(s), made payable to the [Borrower](#) and the [Person](#) owed funds under such invoices;
- no mechanics' [Liens](#), materialmen's [Liens](#), or other [Liens](#) exist, unless acceptably bonded over;



- no default exists under any [Loan Document](#);
- for each [Green Rewards Efficiency Measure](#) disbursement, the [Efficiency Measure](#) was reported as:
 - compliant on the [Green Rewards Verification Inspection Form \(Form 4221\)](#) per [Part V, Chapter 4: Asset Management: Loan Document Administration, Section 408.03I: Green Rewards Efficiency Measure Verification](#); or
 - noncompliant, and Fannie Mae has approved and closed the remediation in [DUS Property Monitor](#); and
- for a [Green Rewards Mortgage Loan](#) with a [Solar PV System as an Efficiency Measure](#), [Completion/Repair Escrow](#) funds are only released after confirming commercial operation of the [Solar PV System](#).

The amount disbursed to the [Borrower](#) for any requisition, other than the final requisition, may not exceed the actual cost of the [Completion/Repairs](#), and may be less than the actual cost if, after disbursement, the amount of funds remaining in the [Completion/Repair Escrow](#) would be less than the anticipated cost of completing all remaining [Completion/Repairs](#) plus any holdback specified in the [Loan Documents](#).

Notwithstanding the above, once 75% of the total dollar amount of [Completion/Repairs](#) is disbursed, the [Servicer](#) may release funds in the [Completion/Repair Escrow](#), provided:

- funds are only released for [Completion/Repairs](#) that have been fully completed;
- the [Servicer](#) has complied with all other disbursement requirements;
- the [Servicer](#) completes an analysis showing that the remaining amount in the [Completion/Repair Escrow](#) is sufficient to complete all remaining [Completion/Repairs](#);
- the [Borrower](#) affirms in writing its obligation to complete the remaining [Completion/Repairs](#) by



the required completion dates; and

- the Completion/Repair Escrow is not for a Green Rewards Efficiency Measure that must be released per Part V, Chapter 4: Asset Management: Loan Document Administration, Section 408.03I: Green Rewards Efficiency Measure Verification.

For Green Rewards Efficiency Measures included in a Moderate Rehabilitation Mortgage Loan, funds may be periodically disbursed from the applicable Completion/Repair Escrow or Rehabilitation Reserve Escrow as with a non-Green Rewards Mortgage Loan, rather than only after a compliant verification inspection of Efficiency Measures.

4. Final Disbursement of Funds

Before making the final disbursement of funds from the Completion/Repair Escrow, the Servicer must confirm and document the absence of any mechanics' and materialmen's Liens by requiring the Borrower to obtain an updated title report or a title policy endorsement showing that no such Liens exist. The Servicer may waive the updated title report or endorsement when the total scope of work is less than \$75,000. If the Borrower fails to provide the required title documentation, the Servicer must obtain a title report or title policy endorsement, and may charge the Borrower for the cost.

The Servicer may make a final disbursement of all remaining funds upon satisfactory completion of all required Completion/Repairs, and satisfaction of all other applicable release conditions contained in the Loan Documents for Completion/Repairs.

5. Maintenance of Servicing File

The Servicer must document the action taken with respect to each Borrower requisition for funds from the Completion/Repair Escrow in its Servicing File.

408.03F Inspections

1. Use of Third Party

The Servicer may inspect the Property, or have a qualified independent third party inspect the Property, to confirm that the Completion/Repairs covered by the requisition have been satisfactorily completed. The Servicer is responsible for monitoring



the third-party's performance.

2. When Periodic Inspections Are Required

Periodic inspections must be performed as the work progresses if the [Completion/Repairs](#):

- exceed in the aggregate the lesser of:
 - \$500,000, or 20% of the [UPB](#) for any [Mortgage Loan](#) with loss sharing; or
 - \$250,000, or 10% of the [UPB](#) for any [Mortgage Loan](#) without loss sharing; and
- are likely to require more than 6 months to complete.

Inspections must occur at least every 6 months, or more frequently at the [Servicer's](#) discretion.

3. When a Final Inspection Is Required

An inspection must be performed to ensure that all [Completion/Repairs](#) have been satisfactorily completed before approving and disbursing the final requisition when the [Completion/Repairs](#) exceed the lesser of:

- \$500,000, or 20% of the [UPB](#) for any [Mortgage Loan](#) with loss sharing; or
- \$250,000, or 10% of the [UPB](#) for any [Mortgage Loan](#) without loss sharing.

4. Confirming Completion/Repairs if Inspection Is Not Required

Even if an inspection is not required by this Section, the [Borrower](#) must provide evidence to the [Servicer](#) that all [Completion/Repairs](#) covered by the requisition have been satisfactorily completed. If not inspected sooner, the [Servicer](#) must confirm the satisfactory completion of the [Completion/Repairs](#) during the next regularly scheduled [Property](#) inspection.

5. Documenting the Servicing File

In all instances, the [Servicer](#) must document in its [Servicing File](#) whether all work was satisfactorily completed.

408.03G Fees

[Completion/Repair Escrow](#) funds may not be used to cover



any administrative or inspection fees due to the **Servicer** unless expressly permitted **Loan Documents**, or the **Borrower** agrees in writing. If permitted, the **Servicer** may charge the **Borrower** and deduct the following from any disbursement of funds:

- reasonable fees to cover the **Servicer's** costs of administering the **Completion/Repairs**; and
- additional fees to cover any reasonable inspection costs that are not adequately covered by general administrative fees collected from the **Borrower**.

408.03H Completion/Repair Defaults

1. Notification of Default to Fannie Mae

The **Servicer** must immediately submit a Non-Monetary Default Borrower Request in the **MAMP** for any **Completion/Repair Loan Document** default.

2. No Release of Funds to Borrower

No funds may be released to the **Borrower** while the **Borrower** is in default under any of the **Loan Documents**.

408.03I Green Rewards Efficiency Measure Verification

For all **Green Rewards Mortgage Loans**, the **Servicer** must ensure a **Green Rewards Verification** inspection is performed for all **Efficiency Measures** to confirm correct installation, and identify any errors that may hinder the **Property** achieving the expected savings and benefits.

1. Green Rewards Verification Inspection

For a **Green Rewards Verification** inspection, the inspector must use the **Green Rewards Verification Inspection Form (Form 4221)** that is pre-populated with **Property** information and the **Efficiency Measures** identified as **Green Rewards Repairs** in the **Completion/Repair Schedule**. The **Servicer** must submit **Form 4221** within 60 days after the **Green Rewards Verification** inspection date, and timely resolve any issues identified by Fannie Mae.

2. Minimum Inspector Qualifications

Third-party or **Servicer** staff must attend Fannie Mae's **Green Rewards Verification** inspection training on the requirements, processes, and documentation before conducting **Green Rewards Verification** inspections.



The minimum inspector qualifications correspond to the applicable [Efficiency Measure](#) type, and may be held by the inspection project team, rather than by an individual inspector.

Efficiency Measures	Description	Minimum Inspector Qualification
Basic	Simple upgrades such as: <ul style="list-style-type: none">• low-flow water fixtures; or• lighting improvements.	Servicer must ensure the inspector is either a qualified third-party or Servicer staff per Part V, Chapter 5: Surveillance, Section 502.03: Property Inspection Protocol and Part V, Chapter 5: Surveillance, Section 502.05A: Qualifications .
Complex	Upgrades and changes to building systems, such as: <ul style="list-style-type: none">• heat recovery ventilation systems; or• boiler controls.	<ul style="list-style-type: none">• For Solar PV System Efficiency Measures, the Servicer must retain a<ul style="list-style-type: none">- Solar Technical Consultant per Part III, Chapter 4: Green Mortgage Loans, Section 401.03: Technical Solar Report, or- qualified PCA High Performance Building Consultant per the Instructions for Performing a Multifamily Property Condition Assessment (Form 4099).• For other Efficiency Measures, the Servicer must retain a qualified PCA High Performance Building Consultant per Form 4099.

3. Unit Inspection

The inspector must inspect a minimum number of occupied and vacant units as follows:



Total number of units	Minimum number of units to be inspected
Less than 20	3 units
20 - 55	5 units
56 - 99	10% of total units
100 - 200	10 units
201 - 600	5% of total units
More than 600	30 units

Form 4221 calculates the required number of units and tracks the number of completed units based on the user's inputs. When unit inspections are required, the Servicer must:

- Determine the appropriate combination of vacant and occupied units for inspection.
- Determine which vacant and occupied units to inspect.
- Submit at least:
 - 1 representative photograph of each Efficiency Measure listed on Form 4221; and
 - 1 photograph of each non-compliant Efficiency Measure.

For Partial Efficiency Measures, the Servicer must request a rent roll or other documentation identifying the units that received Partial Efficiency Measure installations, and conduct the Green Rewards Verification of those units.

4. Determining Compliance

An Efficiency Measure is compliant when the inspector:

- inspects each Efficiency Measure;
- verifies its proper installation within specifications using product information and field observation;
- confirms the Efficiency Measure installation meets the Multifamily Loan Agreement and Completion/Repair Schedule requirements; and



- documents it on Form 4221.

5. Remediating Noncompliance

When an [Efficiency Measure](#) is noncompliant:

- The [Servicer](#) must:
 - provide a notice of the [Efficiency Measure](#) deficiencies to the [Borrower](#) and determine a course of action;
 - submit a remediation action plan through the DUS Property Monitor system that:
 - addresses the [Property's Efficiency Measure](#) deficiencies; and
 - provides a target date for remediation completion that is no more than 60 days after the [Borrower](#) receives the notice of deficiencies.
- The [Borrower](#) must correct or complete the [Efficiency Measure](#) installation during the remediation period.
- Fannie Mae may require the [Servicer](#) to inspect the remediated [Efficiency Measures](#) based on the severity of noncompliance.

6. Verification Inspection Form Review

The [Servicer](#) must internally review all Green Rewards Verification Inspection Forms ([Form 4221](#)), whether prepared by a third party or by the [Servicer](#) before submission.

408.04 Replacement Reserve

408.04A General

The [Loan Documents](#) for administering [Replacement Reserves](#) are:

- [Multifamily Loan Agreement](#) and [Replacement Reserve Schedule](#), for [Mortgage Loans](#) documented with the 6000 series [Loan Documents](#); and
- [Replacement Reserve Agreement](#), for [Mortgage Loans](#) documented with the 4000 series [Loan Documents](#).

The [Replacement Reserve](#) funds must be held by the [Servicer](#)



in a [Custodial Account](#), and are intended to pay for necessary replacements of capital items or major maintenance work to the [Property](#) over the term of the [Mortgage Loan](#).

408.04B Replacement Reserve Loan Document Amendments

If the [Servicer's Limited Power of Attorney](#) delegates the authority to amend the [Loan Documents](#) to revise the terms governing the [Replacement Reserves](#), only the changes expressly permitted by this Section can be made, and the delegation does not expand the [Servicer's](#) ability to change or modify any other term of the [Loan Documents](#).

The [Servicer](#) must send the executed [Loan Document](#) Amendment to [Multifamily Certification and Custody](#) within 15 [Business Days](#), and retain a copy in its [Servicing File](#).

408.04C Servicer's Administrative Requirements

For all [Replacement Reserves](#), the [Servicer](#) must:

- retain a copy of the executed [Multifamily Loan Agreement](#) and [Replacement Reserve Schedule](#) or [Replacement Reserve Agreement](#) in its [Servicing File](#);
- unless the [Borrower](#) has requested in writing a non-interest bearing account, hold all funds in an interest-bearing [Custodial Account](#) that meets the requirements of Part V, Chapter 3: [Custodial Accounts](#) and the [Loan Documents](#);
- ensure that all required deposits are made to the [Replacement Reserve](#) in accordance with the [Loan Documents](#);
- process [Borrower](#) requisitions for funds in accordance with the terms and conditions of the [Loan Documents](#);
- perform required inspections of completed work and, if appropriate, work in progress, and arrange, if necessary, for inspections by qualified professionals;
- ensure that work funded from the [Replacement Reserve](#) does not result in any [mechanics' Liens](#), [materialmen's Liens](#), or other [Liens](#) that have not been acceptably bonded over;
- promptly submit a Non-Monetary Default Borrower Request in the [MAMP](#) for any [Replacement Reserve Loan Document](#) default;



- take appropriate steps to remedy or address any default under the [Loan Documents for Replacements, Repairs, or Restoration](#); and
- reassess the adequacy of the [Replacement Reserve](#) or the schedule of required deposits; and
- perform all other administrative duties required by the [Loan Documents for the Replacement Reserve](#).

408.04D Modifications to Replacement Reserve Deposits

Based on the results of a [Property](#) inspection or a new [Property Condition Assessment](#) as required below, the [Servicer](#) may determine that the current level of [Replacement Reserve](#) funding and scheduled deposits will be insufficient to meet all projected capital item or major maintenance needs. The [Servicer](#) must then:

- adjust the [Replacement Reserve Schedule](#) or the [Replacement Reserve Agreement](#) and the [Replacement Reserve](#) funding to a sufficient level, if warranted, in accordance with the [Loan Documents](#) and Part III, by requiring the [Borrower](#) to:
 - deposit a lump sum into the [Replacement Reserve](#); and/or
 - increase the monthly [Replacement Reserve](#) deposit; and
- give the [Borrower](#) at least 30 days advance written notice prior to implementing any of the foregoing changes.

Based on the results of the new [Property Condition Assessment](#) obtained during the underwriting and delivery of a [Supplemental Mortgage Loan](#), the [Servicer](#) may:

- adjust the [Replacement Reserve](#) funding, scheduled deposits, and [Completion/Repair Schedule](#) of all [Pre-Existing Mortgage Loans](#) to match the [Supplemental Mortgage Loan](#) underwriting; and
- amend the [Loan Documents](#) accordingly.

408.04E New Property Condition Assessments

1. Timing and Waivers



A new full PCA per Form 4099 is required for:

- all MAH Properties every 5 years; or
- for any other Mortgage Loan with a term greater than 10 years, during the 10th Loan Year, and every 10 years thereafter, while the Mortgage Loan remains outstanding, or per the Loan Documents.

Notwithstanding the above, the Servicer is delegated the authority to waive the new PCA for non-MAH Properties as follows:

Remaining Loan Term	Servicer Delegation
Less than 1 Year	<p>The new PCA may be waived for a Mortgage Loan with a:</p> <ul style="list-style-type: none">• Pass rating;• Property inspection less than 1 year old; and• most recent Property Condition Rating of 1, 2, or 3.
1 Year to 5 Years	<p>The new PCA may be waived for a Mortgage Loan with a:</p> <ul style="list-style-type: none">• Pass rating;• Property inspection report less than 1 year old; and• most recent Property Condition Rating of 1 or 2.
More than 5 Years	<p>The new PCA may be waived for 5 years for a Mortgage Loan with a:</p> <ul style="list-style-type: none">• Pass rating;• Property Inspection report less than 1 year old; and• most recent Property Condition Rating of 1 or 2.

After 5 years, a new PCA is required unless the Mortgage Loan continues to qualify for Servicer waiver delegation. A Property may only receive a PCA waiver twice (i.e., a Mortgage Loan with a 30-year term may obtain a PCA waiver after the 10th loan year and the



15th loan year, but a new **PCA** is required after the 20th loan year).

All **PCA** waivers must be documented in the **Servicing File**, and any **PCA** waiver may be rescinded by Fannie Mae or the **Servicer** at any time if the **Property** condition warrants a new **PCA**.

2. Delivery and Payment of Property Condition Assessment

The **Servicer** must submit any new **PCA** to Fannie Mae through the **MAMP** and retain a copy in its **Servicing File**. Subject to the terms of the **Loan Documents**, the cost of the **PCA** may be paid from funds in the **Replacement Reserve**.

408.04F When Replacement Reserve Funding Was Partially or Fully Waived

If **Replacement Reserve** funding was partially or fully waived at the **Mortgage Loan Origination Date**, the **Servicer** must monitor the condition of the **Property** to ensure the **Borrower** preserves and maintains the **Property** as required by the **Loan Documents**.

If the **Servicer** or Fannie Mae determines that the **Borrower** is not properly preserving and maintaining the **Property**, the **Servicer** must require the **Borrower** to begin making monthly deposits to the **Replacement Reserve** in accordance with either the funding schedule set forth in the **Loan Documents**, or an alternative funding schedule determined by the **Servicer**.

408.04G Interest on Replacement Reserve Funds

If the **Servicer** holds the **Replacement Reserve** funds in an interest-bearing **Custodial Account**, none of the interest earned on the **Replacement Reserve** funds may be retained by the **Servicer**. Unless the **Mortgage Loan** is in default, all interest must be:

- added to the balance of the **Replacement Reserve**; or
- paid to the **Borrower** if applicable law requires or the **Servicer** agrees.

408.04H Items Eligible for Funding from the Replacement Reserve

Replacement Reserve funds are available to reimburse the **Borrower** for costs incurred to replace capital items or maintain major items specifically identified in the **Loan Documents**.

Replacement Reserve funds also may be used for discretionary replacements of capital items or major maintenance items that are not specifically identified in the **Loan Documents**, but which the



Servicer determines are intended to be covered by a [Replacement Reserve Schedule](#), such as those that would:

- correct or forestall a problem that may adversely affect the physical condition, livability, marketability, or value of the [Property](#);
- directly contribute to the maintenance or enhancement of the [Property's](#) physical condition, livability, marketability, or value; or
- likely be noted in an updated [Property Condition Assessment](#).

If [Replacement Reserve](#) funds are used for purposes not originally contemplated in the [Loan Documents](#), the [Servicer](#) must monitor and adjust the monthly reserve deposits to ensure sufficient funds are available to make timely replacements of capital items or major maintenance items in the manner contemplated in the [Loan Documents](#) and/or the [PCA](#).

408.04I Items Not Eligible for Funding from the Replacement Reserve

The [Servicer](#) must not use [Replacement Reserve](#) funds to reimburse the [Borrower](#) for any item specifically identified for reimbursement as a [Completion/Repair](#), or for any routine maintenance item, routine repair, or cosmetic repair that would normally be characterized as an operating expense. [Replacement Reserve](#) funds must never be used for [P&I](#), [T&I](#), or any other purpose not specifically permitted by the [Loan Documents](#), or the [Guide](#).

408.04J Processing Borrower Requisitions

1. General

The [Loan Documents](#) specify the frequency, timing, and size of disbursements from the [Replacement Reserve](#).

2. Required Documentation

Each [Borrower](#) requisition must be in writing and specify, at a minimum:

- the specific capital item replaced or major maintenance items for which reimbursement is being sought, and if any item is not specifically identified in the [Loan Documents](#), an explanation of why the [Replacement Reserve](#) funds should be released for



the item;

- the quantity and price of each type of capital item replaced (e.g., refrigerators);
- the quantity and price of all materials or parts (grouped by type or category) purchased; and
- the cost of all contracted labor or other services.

Each [Borrower](#) requisition submitted to the [Servicer](#) must be accompanied by:

- a [Borrower](#) certification that the capital item replacements or major maintenance items covered by the requisition have been completed in compliance with all applicable laws, ordinances, rules, and regulations of any governmental authority, agency, or instrumentality having jurisdiction over the [Property](#); and
- if the invoice exceeds the lesser of \$25,000 or 1% of the [UPB](#):
 - a copy of the invoice detailing the covered materials, labor, or services;
 - payment evidence;
 - a [Lien](#) release from each contractor, subcontractor, or materialman; and
 - other relevant documentation required by the [Loan Documents](#).

3. Disbursement of Funds

The [Servicer](#) may release funds to the [Borrower](#) only if all required documentation is received, and all applicable release conditions have been met, including, but not limited to:

- all capital item replacements or major maintenance items covered by the requisition have been completed in a good and workmanlike manner;
- all related invoices for capital items and services have been paid, unless the [Borrower](#) has satisfied any applicable conditions of the [Loan Documents](#) for issuance of a joint check, made payable to the [Borrower](#) and the [Person](#) owed funds;



- no mechanics' Liens, materialmen's Liens, or other Liens are outstanding that have not been acceptably bonded over; and
- the Borrower is not in default under any Loan Document.

The amount disbursed to the Borrower must not exceed the actual cost of the capital item replacements or major maintenance items covered by the Borrower's requisition.

4. Maintenance of Servicing File

The Servicer must ensure that the action taken with respect to each Borrower requisition for funds from the Replacement Reserve is appropriately documented in its Servicing File.

408.04K Inspections

The Servicer may use its discretion in deciding whether to conduct an on-site inspection before approving any specific requisition for Replacement Reserve funds. If the Servicer elects not to perform an on-site inspection when a requisition is submitted, the Servicer must inspect all capital item replacements or maintenance items covered by the requisition during its next scheduled Property inspection and confirm the satisfactory completion.

408.04L Fees

If the Loan Documents permit, the Servicer may collect and retain:

- a reasonable fee to cover the Servicer's routine costs of administering the Replacement Reserve; and
- additional fees to cover:
 - reasonable inspection costs, including the fees of any qualified professional used by the Servicer; and
 - any other reasonable costs incurred in connection with collecting, holding, investing, or disbursing Replacement Reserve funds but which are not adequately covered by the general administrative fees collected from the Borrower.

Subject to the Loan Documents, the Servicer may charge the Borrower a reasonable fee for any special inspection services provided



in connection with a [Replacement Reserve](#) requisition; however, no fee may be charged if such inspection is made as part of a regularly scheduled [Property](#) inspection.

[Replacement Reserve](#) funds, including any interest, may not be used to cover fees due to the [Servicer](#) unless:

- the [Loan Document](#) specifically permits the [Servicer](#) to use [Replacement Reserve](#) funds to pay [Servicer](#) inspection fees; or
- the [Borrower](#) otherwise agrees in writing.

408.04M Replacement Reserve Defaults

1. Notification of Default to Fannie Mae

The [Servicer](#) must immediately submit a [Non-Monetary Default Borrower Request](#) in the [MAMP](#) for any [Replacement Reserve](#) [Loan Document](#) default.

2. No Release of Funds to Borrower

No funds may be released to the [Borrower](#) while the [Mortgage Loan](#) is in default.

408.04N Return of Replacement Reserve Funds to Borrower

No later than 30 days after the [Mortgage Loan](#) is paid in full, the [Servicer](#) must refund to the [Borrower](#) all remaining [Replacement Reserve](#) funds.

408.04O Alternative Funding of Replacement Reserves for Portfolio Mortgage Loans

The [Servicer](#) may amend existing the [Schedule 5](#) to [Multifamily Loan Agreement - Replacement Reserve Schedule](#) or [Replacement Reserve Agreement](#) on Fannie Mae's behalf to match the alternative [Replacement Reserve](#) funding available for newly originated [Mortgage Loans](#) if the [Borrower](#) has a history of adequate property maintenance, and no other concerns are present (e.g., declining [Property](#) condition, declining rents, declining [Net Cash Flow](#)). The [Servicer](#) must send the executed [Loan Document](#) amendment revising the [Replacement Reserve Schedule](#) or [Replacement Reserve Agreement](#) to [Multifamily Certification and Custody](#) within 15 Business Days, and retain a copy in its [Servicing File](#).

The [Servicer](#) must ensure the [Property](#) is properly maintained on an ongoing basis. If the [Property](#) is not being properly maintained, the [Servicer](#) must reinstate monthly deposits to the [Replacement](#)



Reserve and the reimbursement requisition process.

Section 409

Interest Rate Hedge Requirements

409.01 General

An acceptable [Interest Rate Hedge](#) must be in place and maintained at all times for:

- variable rate [Credit Enhancement Mortgage Loans](#);
- Structured ARM Loans; and
- any [Mortgage Loan](#) where (i) the [Borrower](#) executed the [Fannie Mae Interest Rate Cap Reserve and Security Agreement \(Form 6442 series\)](#), or a similar agreement, allowing for a “springing” [Interest Rate Cap](#) under certain circumstances, and (ii) the requirement of the [Borrower](#) to acquire and pledge to the [Lender](#) an [Interest Rate Cap](#) has been triggered under the agreement.

The [Interest Rate Hedge](#) may be either an [Interest Rate Cap](#) or [Interest Rate Swap](#), although the prior approval of Fannie Mae is required before the [Borrower](#) may enter into an [Interest Rate Swap](#).

Each [Interest Rate Hedge Agreement](#) and its collateral assignment must meet the requirements of [Part III, Chapter 11: Structured Adjustable Rate Mortgage \(SARM\) Loans](#).

Fannie Mae outside counsel must be engaged, at [Borrower's](#) cost, to review the hedge bid package and documents, and prepare the amended [Loan Documents](#) for each hedge renewal. The [Servicer](#) must submit a completed Counsel Designation Request for Interest Rate Hedge Transactions ([Form 4625.A](#)).

409.02 Interest Rate Hedge Coverage

409.02A Bond Credit Enhancement Transactions

For [Bond Credit Enhancement Mortgage Loans](#), the [Interest Rate Hedge](#) must:

- be in place whenever the variable rate mode is in effect; and
- comply with the requirements of the [Reimbursement Agreement](#) and other [Loan Documents](#).



Per the Interest Rate Cap Reserve and Security Agreement (Form 6442 series), the Servicer must evaluate the Interest Rate Cap reserve and determine if the cost of a replacement Interest Rate Cap has increased or decreased based on market conditions.

- If the estimated cost of a replacement cap has increased, the Servicer must increase the monthly reserve payment to ensure sufficient funds will be available to purchase the replacement cap by the end of the reserve period.
- If the estimated cost of a replacement cap has decreased, the Servicer must not adjust the reserve.

409.02B Structured Transactions

When required for a Structured Transaction, the Servicer must ensure that the Interest Rate Hedge conforms to the applicable Master Credit Facility Agreement, Bulk Delivery Agreement, and/or the other Loan Document requirements.

409.02C Adjusting Interest Rate Hedge Reserves for SARM Loans Using Form 6442 Series with an Effective Date Before May 2024

Per the Interest Rate Cap Reserve and Security Agreement (Form 6442 series), the Servicer must evaluate the Interest Rate Cap reserve and determine if the cost of a replacement Interest Rate Cap has increased or decreased based on market conditions.

- If the estimated cost of a replacement cap has increased, the Servicer must increase the monthly reserve payment to ensure that sufficient funds will be available to purchase the replacement cap by the end of the reserve period.
- If the estimated cost of a replacement cap has decreased, the Servicer may:
 - opt to not adjust the reserve; or
 - calculate and adjust the monthly escrow payments needed to purchase a replacement Interest Rate Cap based on 115% of the cost of an Interest Rate Cap with the term required by the Loan Documents, provided:
 - it is a Portfolio Mortgage Loan Delivered before January 1, 2023;
 - the Interest Rate Cap escrow payments are



recalculated at least every 6 months;

- it is not part of a Variable Rate Bond Credit Enhancement Transaction;
- it does not have an existing Payment Default or Performance Default under the Loan Documents or a Borrower, Key Principal, or Principal on ACheck; and
- no other Portfolio Mortgage Loans in your Fannie Mae portfolio with that Sponsor have an existing Payment Default or Performance Default.

The Servicer may refund to the Borrower any amount left in the reserve account after purchasing the replacement Interest Rate Cap.

409.02D Adjusting Interest Rate Hedge Reserves for SARM Loans Using Form 6442 Series with an Effective Date of May 2024 or Later

Every 6 months the Servicer must adjust the required Interest Rate Cap escrow amount based on 110% of the current cost of the replacement Interest Rate Cap.

409.03 Interest Rate Hedge Term

The Servicer must:

- monitor the term of each Interest Rate Hedge Agreement;
- hold all escrowed funds for an Interest Rate Hedge in an account meeting the Custodial Account requirements of Part V, Chapter 3: Custodial Accounts;
- engage the Borrower prior to expiration of each Interest Rate Hedge to ensure that an acceptable replacement Interest Rate Hedge is in place prior to its expiration; and
- perform any required functions with respect to the Interest Rate Hedge Agreement.

409.04 Lien Filings and Collateral

The Servicer must maintain all UCC filings, and ensure that Fannie Mae's Lien in the Interest Rate Hedge is maintained. The Servicer must not direct the investment, application, or release of the



collateral under any [Interest Rate Hedge Agreement](#), without express written authorization from Fannie Mae.

409.05 Borrower Payments

409.05A Interest Rate Caps

Any payments by the [Interest Rate Cap](#) provider must be made to the [Servicer](#) and not to the [Borrower](#). The disposition of funds depends on whether the [Borrower](#) is current on the [Mortgage Loan](#) and [Reimbursement Agreement](#) payment obligations (principal or [PRF](#) deposit, as applicable, interest, any [Interest Rate Cap](#) escrow, and all other amounts then due) or any default exists under the [Reimbursement Agreement](#) or any other [Loan Document](#).

If no default exists, the [Servicer](#) must remit the [Interest Rate Cap](#) provider's payment to the [Borrower](#). If a default exists, the [Servicer](#) must retain the [Interest Rate Cap](#) provider's payment as additional collateral for the [Borrower](#)'s obligations, to be held in accordance with the applicable agreements, and notify [Multifamily Structured Asset Management](#) of the receipt of the payment.

If the [Bond Trustee](#) or another third party is to receive any payments from the [Interest Rate Cap](#) provider, and the [Borrower](#) is not current on its payments or a default exists, then the [Servicer](#) must:

- notify the payee of the facts; and
- instruct the third party to withhold the payment to the [Borrower](#), and make payment to the [Servicer](#) to be held as additional collateral for the [Borrower](#)'s obligations.

409.05B Interest Rate Swaps

The [Servicer](#) must monitor the [Interest Rate Swap](#) to ensure that all payments are made on a timely basis. All payments under an [Interest Rate Swap](#) must be made directly to the [Servicer](#), which will:

- remit the amount received from the [Borrower](#) to the [Interest Rate Swap](#) provider; or
- remit the amount received from the [Interest Rate Swap](#) provider to the [Borrower](#), but only after the [Borrower](#) has made the required monthly [P&I](#) payment on the [Mortgage Loan](#).

Payments due on the [Interest Rate Swap](#) must match the payment dates on the [Mortgage Loan](#) or the [Bonds](#), as applicable. The



Servicer must advance **Interest Rate Swap** payments and **Interest Rate Swap** credit enhancement fees that are not made by the **Borrower** or the **Interest Rate Swap** provider, as applicable, on a timely basis. These payments and their duration will be treated as **Delinquency Advances**. The Servicer is not required to advance any termination payment due on the **Interest Rate Swap**.

409.06 Provider Ratings

Fannie Mae lists the credit agency rating requirements and the acceptable **Interest Rate Hedge** providers on **Cap/Swap Counterparties for Multifamily Transactions**. If the rating of a provider declines to a level where termination and replacement of the outstanding **Interest Rate Hedges** with that provider is required, Fannie Mae will notify the affected servicers and direct them to contact their **Borrowers** and work with them to effect the termination and replacement. Failure to replace any **Interest Rate Hedge** provider whose rating no longer meets the rating requirements is a default under the **Loan Documents**.

409.07 Replacement Interest Rate Hedge and Notification

If the current **Interest Rate Hedge** expires before the **Mortgage Loan Maturity Date**, at least 90 days before the **Interest Rate Hedge** terminates, the Servicer must obtain the **Borrower's** written intention to:

- purchase a replacement **Interest Rate Hedge**; or
- convert the interest rate on a variable rate;
 - **Credit Enhancement Mortgage Loan** to a **Bond Reset Interest Rate**; or
 - **SARM Loan** to a fixed rate.

If the **Borrower** elects to purchase a replacement **Interest Rate Hedge**, the **Servicer** must:

- confirm that the possible **Interest Rate Hedge** providers are all on the current list of approved **Cap/Swap Counterparties for Multifamily Transactions**;
- review the **Loan Documents** for the replacement **Interest Rate Hedge** timing requirements; and
- for a replacement **Interest Rate Cap**, ensure the:
 - **Borrower** purchases a replacement **Interest Rate Cap** with a term equal to the lesser of the:



- remaining Mortgage Loan term; or
- term specified in the Loan Documents;
- replacement Interest Rate Cap's notional amount:
 - equals the Mortgage Loan's UPB when the replacement Interest Rate Cap becomes effective; and
 - remains at that amount throughout the replacement Interest Rate Cap's term; and
- Cap Strike Rate of the replacement Interest Rate Cap is equal to or less than the Cap Strike Rate required per the Loan Documents.

The Borrower may purchase a replacement Interest Rate Cap in advance if the replacement Interest Rate Cap becomes effective on the initial Interest Rate Cap's Maturity Date.

If the Interest Rate Hedge expires and the Borrower failed to provide evidence of securing the replacement Interest Rate Hedge, the Servicer must notify Multifamily Structured Asset Management immediately. Fannie Mae will instruct the Servicer's action regarding the Borrower's default.

409.08 Replacement Interest Rate Hedge Documents and Follow Up

The Servicer must send to Multifamily Certification and Custody within 15 Business Days the original replacement Interest Rate Hedge documents, including the Interest Rate Cap Agreement or Interest Rate Swap Agreement, the Assignment of Hedge Interest or Supplemental Hedge Security Agreement, and UCC Financing Statements, and retain copies in the Servicing File. The Servicer must submit a copy of the new Interest Rate Cap Agreement or Interest Rate Swap Agreement through the MAMP, and provide the new Interest Rate Hedge information as follows:

- for Credit Enhancement Mortgage Loans – upload Hedge Delivery Information (Form 4643) into CESIR;
- for all Interest Rate Hedges in Credit Facility and Bulk Delivery transactions – update hedge data in MSFMS; or
- for Structured ARM Loans (except in Credit Facility and Bulk Delivery transactions) – submit Form 4643 through the



MAMP.

Section 410

Ground Leases

If the **Borrower** owns a **Leasehold** interest in the **Property**, the **Servicer** must:

- ensure that the **Borrower** complies with all provisions of the **Loan Documents** that relate to the **Ground Lease**;
- if the **Ground Lease** payments are escrowed, collect monthly payments from the **Borrower** to ensure sufficient funds will be available to pay the ground rents and any special payments required by the **Ground Lease**; and
- hold any escrowed ground rent payments with the **Borrower**'s other **T&I** escrow funds in a **T&I Custodial Account** or a separate **Custodial Account** that meets all requirements of **Part V, Chapter 3: Custodial Accounts**.

The **Servicer** is responsible for any losses incurred by Fannie Mae if the **Servicer** fails to make timely ground rent payments. The **Servicer** must immediately submit a **Non-Monetary Default Borrower Request** in the **MAMP** for any **Ground Lease** default.

Section 411

Notice of Lien or Noncompliance with Applicable Laws, Ordinances and Regulations

The **Servicer** is responsible for protecting the **Lien** priority of the **Security Instrument**, and must:

- take all reasonable actions to prevent the filing of any **Lien** that would prime the **Lien** of the **Security Instrument**;
- immediately notify **Multifamily Asset Management**, in writing, upon learning of any such **Lien** filing, including a recommendation for resolving the situation; and
- submit a **Non-Monetary Default Borrower Request** in the **MAMP**, if:
 - the **Servicer** is aware of any material violation by the **Borrower** or **Property manager** of any applicable law, ordinance, regulation, or other legal requirement; or
 - the **Property** is not in compliance with any applicable law, ordinance, regulation, or other legal requirement,



including, without limitation, any relating to:

- Fair Housing Act;
- Americans with Disabilities Act;
- non-discrimination;
- environmental hazards;
- occupancy;
- zoning and land use;
- health, fire, and building codes relating to immediately hazardous conditions; and
- illegal use of the [Property](#).

The [Servicer](#) must also provide to Fannie Mae all information concerning any lawsuit, cause of action, or claim by any third party resulting from or relating to the violation.

Section 412

Property Forfeitures and Seizures

Various federal and state statutes provide for the civil or criminal forfeiture of certain types of property, including real estate that is used, or intended to be used, to commit or facilitate the commission of certain violations of law.

The [Servicer](#) must not provide any information about the [Borrower](#), the [Mortgage Loan](#), the [Property](#), any [Key Principal](#), or any [Principal](#) directly to any federal or state agency unless Fannie Mae specifically authorizes the release of the information. Following any contact from a federal or state official, the [Servicer](#) must immediately contact [Multifamily Asset Management](#) and [Multifamily Special Asset Management](#). The [Servicer](#) should describe in its communication the nature of the contact, the information requested, and any document or papers received by the [Servicer](#) in connection with the contact. The [Servicer](#) must continue to service the [Mortgage Loan](#).

Section 413

Property and Liability Insurance

413.01 Property and Liability Insurance

413.01A Generally

The [Servicer](#) must:



- ensure the [Property](#) is continuously covered by property and liability insurance per [Part II, Chapter 5: Property and Liability Insurance](#);
- ensure all renewal premiums are fully paid on time in:
 - an annual lump sum; or
 - installments;
- collect reserves for the premium allocation obtained from the insurance agent or broker ensuring sufficient reserve funds for the [Servicer](#) to pay the premium due for the applicable policy or policies in:
 - an annual lump sum; or
 - installments;
- pay the premiums for all required insurance when due; and
- ensure any [Borrower](#)- financing of premiums complies with [Part II, Chapter 5: Property and Liability Insurance](#), [Section 501.01G: Payment of Premium](#), and either:
 - the [Modifications to Multifamily Loan and Security Agreement \(Financing of Insurance Premiums\) \(Form 6272\)](#) was executed on the [Mortgage Loan Origination Date](#); or
 - prior to the [Borrower](#) entering into a premium financing agreement, execute and submit through the [MAMP](#) an Amendment to the Multifamily Loan and Security Agreement, substantially in the form of the [Modifications to Multifamily Loan Agreement \(Financing of Insurance Premiums\) \(Form 6272\)](#).

If no insurance escrows are collected, the [Servicer](#) must:

- obtain annual evidence that all policies were fully paid; and
- for [Borrower](#)-financed premiums, retain in the [Servicing File](#):
 - receipts confirming timely payments; and
 - a copy of the financing agreement.

413.01B Policy Renewal



For each policy renewal, the **Servicer** must comply with the following timeline.

Timeline	The Servicer must...
No later than 60 days before the policy expiration date	Contact the Borrower to request acceptable evidence of insurance per Part II, Chapter 5: Property and Liability Insurance, Section 501.01H: Evidence of Insurance . An original or duplicate original of each renewal policy must be obtained within 90 days after the policy renewal.
<p>No later than 15 days after the earlier of:</p> <ul style="list-style-type: none">receipt of permanent evidence or temporary evidence of insurance; orthe insurance renewal date	<ul style="list-style-type: none">Determine if the insurance coverage complies with Part II, Chapter 5: Property and Liability Insurance.If non-compliant, immediately notify the Borrower to resolve all non-compliant items.
No later than 60 days after notifying the Borrower of any noncompliant renewal policy	Resolve all non-compliant items with the Borrower and/or insurance agent (e.g., obtain a compliant renewal policy or endorsement, request a waiver, obtain force place coverage, etc.).



Timeline	The Servicer must...
<p>60 days after notifying the Borrower of noncompliant items, if the Servicer has not obtained either a:</p> <ul style="list-style-type: none">• compliant renewal (permanent evidence or temporary evidence) policy; or• an insurance waiver	<ul style="list-style-type: none">• Submit a Non-Monetary Default Borrower Request in the MAMP.• Immediately send the Borrower a Reservation of Rights Letter (Form 4804).

413.01C Compliance Review

With each renewal, but at least annually, the Servicer must:

- complete an insurance compliance checklist to review the adequacy of the Borrower's insurance coverage and ensure compliance with:
 - [Part II, Chapter 5: Property and Liability Insurance](#);
 - all Fannie Mae-approved modifications; and
 - the [Loan Documents](#);
- confirm the insurance carrier's rating per [Part V, Chapter 4: Asset Management: Loan Document Administration](#), [Section 413.01E: Ratings](#); and
- retain in the [Servicing File](#) the:
 - checklist; and
 - evidence of the insurance carrier's rating.

For an unrated [Risk Retention Group or Captive Insurer](#), the Servicer must also comply with [Part II, Chapter 5: Property and Liability Insurance](#), [Section 501.01D: Risk Retention Groups and Captive](#)



Insurance.

413.01D Exceptions

The Servicer must submit any insurance exception, including a delegated one, through the [MAMP](#), with:

- a Multifamily Exception Request ([Form 4638](#)) for each exception signed by the authorizing person;
- a recommendation explaining why any non-delegated waiver request should be approved;
- all supporting documentation; and
- any previous exception not approved for the life of the [Mortgage Loan](#), on an annual basis.

413.01E Ratings

All property and liability insurance carriers for renewal policies must have the following ratings by A.M. Best Company:

- General Policyholder Rating of A- or better; and
- Financial Size Category of VII or better.

Rating requirements do not apply to policies issued:

- through State-sponsored insurance programs; or
- by insurers participating in [NFIP](#).

Per the [Loan Documents](#), even if the policy has not yet expired, the Servicer must require the Borrower to immediately obtain replacement coverage with a compliant carrier if the carrier is downgraded below B++ by A.M. Best Company.

413.02 No Servicer Financing of Insurance Premiums

The Servicer must not provide financing to the Borrower for the payment of any insurance premiums.

413.03 Flood Map Changes; Obtaining Flood Insurance

The Servicer must monitor all flood map and community status changes, and take appropriate action when changes affecting [Mortgage Loans](#) it services occur. When a [Property](#) is remapped into a [Special Flood Hazard Area](#), the Servicer must require the Borrower to obtain



flood insurance, regardless of whether the community is “participating” in the [National Flood Insurance Program](#).

The flood insurance must:

- comply with [Part II, Chapter 5: Property and Liability Insurance, Section 502.03: Flood Insurance](#), including the minimum mandatory purchase requirements; and
- be in place within 45 days after the date the [Servicer](#) was notified of the remapping.

If the [Borrower](#) refuses to obtain the required coverage or pay a disputed premium, the [Servicer](#) must obtain the required coverage. The [Servicer](#) must contact [Multifamily Insurance](#) if:

- a [Property](#) is mapped into a [Special Flood Hazard Area](#);
- the community in which the [Property](#) is located does not participate in the [National Flood Insurance Program](#); and
- the [Borrower](#) cannot obtain the required flood insurance.

The [Servicer](#) must:

- complete the most recent version of the Standard Flood Hazard Determination Form issued by [FEMA](#);
- include in the [Servicing File](#) a:
 - copy of the form; and
 - signed copy of Notice to Borrower of Special Flood Hazard and Federal Assistance; and
- require the determination firm, and any monitoring company, to notify the [Servicer](#) whenever a flood zone change occurs.

To remove a [Property](#)/building from an [SFHA](#), only an updated [FEMA Standard Flood Hazard Determination Form \(SFHDF\)](#) based on the following is acceptable:

- Letter of Map Amendment (LoMA);
- Letter of Map Revision (LoMR); or
- Letter of Determination Review (LoDR).

413.04 Lender Placed Insurance



413.04A Property and Liability Insurance

The Servicer must immediately:

- obtain the required property and liability insurance, at the Borrower's expense, if:
 - the Borrower fails to obtain acceptable insurance coverage; or
 - per the [Loan Documents](#), even if the policy has not yet expired, the carrier is downgraded below the required ratings per [Part V, Chapter 4: Asset Management: Loan Document Administration, Section 413.01E: Ratings](#); and
- notify Fannie Mae if the Servicer obtains the required property and liability insurance.

The Servicer must:

- have force place vendor, retroactive, and/or automatic coverage for [Mortgage Loans](#) serviced with:
 - deductibles no greater than those required per [Part II, Chapter 5: Property and Liability Insurance](#);
 - coverage provided by carriers complying with [Part II, Chapter 5: Property and Liability Insurance](#);
- provide notice when coverage is force placed, including disclosing the coverage amount and deductibles; and
- adjust the [T&I Custodial Account](#) balance when the Borrower pays the force place insurance premiums.

413.04B Servicer's Administrative Costs and Expenses

The Servicer is permitted to collect from the Borrower any reasonable out-of-pocket costs and expenses incurred by the Servicer to obtain insurance coverage for the [Property](#).

Section 414

Casualty Losses – Performing Mortgage Loans

414.01 Notice

In the event of a casualty loss of \$75,000 or more, the Servicer must submit through the [MAMP](#) a:



- Report of Multifamily Hazard Insurance Loss (Form 178):
 - within 30 days if no serious injury or death occurred; or
 - within 10 days if serious injury or death occurred; and
- final Form 178 indicating that the Property is fully restored, and document its Servicing File when the Property is fully restored.

A revised Form 178 must be submitted if any of the information on the form changes for any casualty loss greater than the lesser of (i) \$500,000, or (ii) 20% of the UPB.

414.02 Filing Proof of Loss

For any casualty loss covered by the Borrower's insurance policy, the Servicer must ensure that the Borrower timely files a proof of loss with the insurance carrier, and effects a prompt and reasonable adjustment of the loss. If the Borrower fails to timely file a proof of loss with the insurance carrier, or take requisite actions to effect a prompt adjustment of the loss claim, the Servicer must independently contact the insurance carrier to adjust the loss claim.

414.03 Casualty Loss Assessment

The Servicer must assess the extent and impact of any damage caused by a casualty, and ensure that the Borrower appropriately addresses the damage.

Within 45 days after learning of a casualty loss, the Servicer must document its Servicing File with the results of its casualty loss assessment. At a minimum, the Servicer must include:

- when the casualty loss occurred and when the Servicer was first informed of the casualty loss;
- the scope of the damage and its effect on the Property (e.g., impact on the habitability of the buildings, safety of the residents, serious injury or loss of life, project occupancy, and project income and expenses);
- the Borrower's plan of action for securing and restoring the damaged portion of the Property, and the status of the Borrower's efforts to implement the plan, including the specific steps to be taken (e.g., temporarily relocating tenants, preparing plans and specifications, awarding contracts, and commencing repair work);



- whether any environmental problems are associated with the damage, and if so, how they will be addressed;
- the projected cost to repair and restore the damaged **Improvements**, including any available information on contractors' bids or awards;
- whether the casualty loss is covered by the **Borrower's** insurance policy, the status of any insurance claim, and an estimate of the amount and timing of the funds to be received from the insurance carrier;
- the estimated amount of additional funds that the **Borrower** will have to provide from its own resources to complete all necessary repair and restoration work, and the current availability of such funds; and
- any other relevant information pertaining to the loss event that is known to the **Servicer** and could have a material bearing on Fannie Mae's interests.

414.04 Required Casualty Loss Property Inspection

The **Servicer** must inspect the **Property**, take photographs of the damage, and complete a Multifamily Catastrophic Loss Inspection (Form 4261) if:

- the casualty loss is expected to exceed the lesser of (i) \$500,000, or (ii) 20% of the **UPB** of the **Mortgage Loan** as of the date of the casualty; or
- any of the following conditions exists:
 - a default has occurred and is continuing under the **Loan Documents**;
 - the combination of insurance proceeds and **Borrower** funds is insufficient to complete the necessary **Property** repairs for restoration to a condition fit for human habitation and meeting all applicable permitting requirements;
 - prior to the commencement of any restoration work, the **Servicer** determines that, upon completion of the repair and restoration work, the **Property** will not be capable of generating sufficient income to cover all operating expenses, required **Replacement Reserve** deposits, **P&I** on the **Mortgage Loan**, and required payments on any subordinate debt secured by the **Property**, or will



not otherwise meet a [DSCR](#) or other test required by the [Loan Documents](#); or

- the repair and restoration work will not be completed by the earlier of (i) the [Maturity Date](#), or (ii) within 1 year from the date of the casualty.

The [Servicer](#) may charge the [Borrower](#) for the cost of the inspection unless expressly prohibited by the [Loan Documents](#).

An inspection by the [Servicer](#) is optional if the casualty loss is expected to be less than (i) \$500,000, or (ii) 20% of the [UPB](#), and none of the above conditions exist. If the [Servicer](#) elects not to inspect the [Property](#), the [Servicer](#) must confirm during the next [Property](#) inspection, and document in its [Servicing File](#), that the repair and restoration work was satisfactorily completed. If the [Servicer](#) determines that the repair or restoration work was not satisfactorily completed, the [Servicer](#) must notify [Multifamily Inspections](#) and [Multifamily Loss Mitigation](#)) in writing, as required by Part V, Chapter 5: Surveillance.

414.05 Documentation for Required Casualty Loss Property Inspections

After inspecting the [Property](#), the [Servicer](#) must:

- retain in its [Servicing File](#) a copy of the completed [Catastrophic Loss Inspection \(Form 4261\)](#), and photographs of the damaged portions of the [Property](#); and
- submit a copy of the [Catastrophic Loss Inspection \(Form 4261\)](#) and the photographs through the [MAMP](#) within 7 days after completing the [Catastrophic Loss Inspection \(Form 4261\)](#).

414.06 Endorsement of Insurance Loss Draft or Check When Payable to Fannie Mae

Any insurance loss draft or check issued by the insurance carrier must be made payable to Fannie Mae in care of the [Servicer](#), or as otherwise required by the mortgagee clause. Provided the [Lender Contract](#) contains nothing to the contrary, the [Servicer](#) is delegated the authority to endorse any insurance loss draft or check on Fannie Mae's behalf, as follows:

Fannie Mae
By: [Name of [Servicer](#)]
By: [Name of [Servicer's Authorized Signer](#)]
[Title of [Servicer's Authorized Signer](#)].



If any insurance loss draft or check made payable to Fannie Mae or the [Servicer](#) is cashed by the [Borrower](#) without proper endorsement by Fannie Mae or the [Servicer](#), the [Servicer](#) must instruct the [Borrower](#) to send the funds to the [Servicer](#) within 5 Business Days. If the [Borrower](#) does not send the funds, the [Servicer](#) must contact [Multifamily Asset Management](#) immediately.

414.07 Endorsement of Insurance Loss Draft or Check When Not Payable to Fannie Mae

If the insurance loss draft or check is payable to the [Servicer](#), the [Servicer](#) is authorized to endorse the draft or check and apply the proceeds in accordance with this Section. The [Servicer](#) must also send the [Insurer](#) an [Insurance Loss Payee Notice Letter \(Form 4803\)](#) so that all future insurance loss drafts and checks will be issued to Fannie Mae in care of the [Servicer](#). The [Servicer](#) must retain a copy of the [Insurance Loss Payee Notice Letter \(Form 4803\)](#) in its [Servicing File](#).

414.08 Insurance Loss Draft or Check Not Payable to Either Fannie Mae or Servicer

If the insurance loss draft or check is not made payable to either Fannie Mae or the [Servicer](#), the [Servicer](#) must return it to the insurance carrier and request the loss draft or check be reissued in the name of Fannie Mae and sent to the [Servicer](#). If the check has already been cashed by the [Borrower](#), the [Servicer](#) must demand those funds be either paid by the [Borrower](#) to the [Servicer](#) and/or deposited in a [Custodial Account](#) meeting the requirements of Part V, Chapter 3: [Custodial Accounts](#).

414.09 Application of Insurance Loss Proceeds

The [Servicer](#) must review the [Loan Documents](#) to confirm no contrary requirements exist regarding the application of insurance loss proceeds (e.g., where the [Loan Documents](#) require the noteholder to “reasonably” approve the application of insurance proceeds, where the noteholder is to apply commercially reasonable standards, or where the noteholder has the power to approve in its sole discretion).

414.09A Fannie Mae Determination Required

If any of the following conditions exist, Fannie Mae will determine, in its sole discretion, whether to require the insurance loss proceeds to be (i) applied to the [UPB](#), or (ii) used to repair and restore the [Property](#):

- a default has occurred and is continuing under the [Loan Documents](#);



- the combination of insurance proceeds and **Borrower** funds is insufficient to complete the necessary **Property** repairs for restoration to a condition fit for human habitation and meeting all applicable permitting requirements;
- prior to the commencement of any restoration work, the **Servicer** determines that, upon completion of the repair and restoration work, the **Property** will not be capable of generating sufficient income to cover all operating expenses, required **Replacement Reserve** deposits, **P&I** on the **Mortgage Loan**, and required payments on any subordinate debt secured by the **Property**, or will otherwise meet a **DSCR** or other test required by the **Loan Documents**; or
- the repair and restoration work will not be completed by the earlier of (i) the **Maturity Date**, or (ii) within 1 year from the date of the casualty loss.

414.09B Disposition of Insurance Loss Proceeds

Based upon the **Borrower's** plan of action and the **Servicer's** overall assessment, and provided none of the conditions listed in **Part V, Chapter 4: Asset Management: Loan Document Administration, Section 414.04: Required Casualty Loss Property Inspection** exist, the **Servicer** has the authority to:

- hold the proceeds to incrementally reimburse the **Borrower** for the cost of repairing the damage and restoring the **Property** to habitable condition; or
- recommend to Fannie Mae that the proceeds be applied to the **UPB** of the **Mortgage Loan** by submitting a request through the **MAMP**.

414.10 Property Restoration Requirements

All insurance loss proceeds will be held to reimburse the **Borrower** in increments for the cost of repairing the damage and restoring the **Property**. If the **Property** will be restored to habitable condition, the **Servicer** must:

- deposit all insurance loss proceeds in a **Custodial Account** meeting the requirements of **Part V, Chapter 3: Custodial Accounts**, to incrementally reimburse the **Borrower** for the cost of repairing the damage;



- require the **Borrower** to deposit, in the same **Custodial Account**, funds equal to the difference between (a) the **Servicer's** estimate of the total cost to repair and restore the **Property** to its pre-casualty condition, and (b) the amount of the insurance proceeds;
- for losses greater than \$75,000, prepare and have the **Borrower** execute the applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (**Form 6615**) for use with the 6000 series **Loan Documents** if documented before the June 2019 **Loan Document** publication, or Insurance Loss Proceeds Collateral Agreement (**Form 6639**) for use with the 4000 series **Loan Documents**, specifying the terms and conditions under which the funds held in the **Custodial Account** will be released to the **Borrower** (**Form 6615**) is not required for **Mortgage Loans** with **Loan Documents** documented after the June 2019 **Loan Document** publication); and
- submit a copy of any applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (**Form 6615**) or Insurance Loss Proceeds Collateral Agreement (**Form 6639**) through the **MAMP**.

The **Servicer** may waive the above requirement that the **Borrower** deposit additional funds into the **Custodial Account** if (i) the **Servicer** deposits all insurance loss proceeds into the **Custodial Account**, and (ii) determines that the **Borrower**, **Key Principals**, and **Principals** have sufficient funds to repair and restore the **Property** when the insurance loss proceeds alone are insufficient.

Within 7 days of execution, the **Servicer** must submit through the **MAMP** copies of:

- any applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (**Form 6615**) or Insurance Loss Proceeds Collateral Agreement (**Form 6639**);
- any Report of Multifamily Hazard Insurance Loss (**Form 178**); and
- if required and completed, a copy of the Multifamily Catastrophic Loss Inspection (**Form 4261**).

The Multifamily Catastrophic Loss Inspection (**Form 4261**) must be submitted through the **MAMP** within 7 days after the later of:



- the execution of any Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639); or
- the completion of the Multifamily Catastrophic Loss Inspection (Form 4261).

The Servicer must send to [Multifamily Certification and Custody](#) within [15 Business Days](#) the original executed copy of any Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639), and retain in its [Servicing File](#) the original:

- Multifamily Catastrophic Loss Inspection (Form 4261); and
- Report of Multifamily Hazard Insurance Loss (Form 178).

414.11 Commencement of Repair/Restoration Work

Before the Servicer disburses any funds to the Borrower for repair or restoration work the Servicer must:

- have any applicable executed Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639);
- have on deposit in a [Custodial Account](#) all insurance loss proceeds and, unless waived as provided above, sufficient [Borrower](#) funds to cover the estimated cost to complete the repair and restoration work;
- except in the case of minor casualties, have copies of all applicable building permits and other permits/authorizations required to carry out the repair and restoration work;
- except in the case of minor casualties, review (or have a qualified professional review) and approve any plans and specifications relating to the repair and restoration work;
- obtain from the [Borrower](#) the identities of each principal contractor, architect, and engineer who will be involved in the repair and restoration work, and be satisfied with their qualifications (including assurance each is appropriately licensed and bonded); and
- obtain evidence of builder's risk insurance, if required, in accordance with [Part II, Chapter 5: Property and Liability](#)



Insurance, Section 501.02G: Builder's Risk Insurance.

Any emergency work required to protect the [Property](#) or correct a condition threatening the health or safety of the tenants must be undertaken immediately by the [Borrower](#), even if the forgoing requirements have not been complied with.

414.12 Disbursements

414.12A Prerequisites for Disbursement of Funds

Before disbursing funds, including the final disbursement, to the [Borrower](#) for each disbursement request, the [Servicer](#) must be satisfied that:

- all repair and restoration work has been completed in a good and workmanlike manner and in accordance with any applicable plans and specifications, as evidenced by submissions from the [Borrower](#) and, if applicable, by the [Servicer](#)'s or a qualified professional's inspection of the completed work;
- all related invoices for items and services have been paid, unless the [Borrower](#) has satisfied any applicable pre-conditions of the Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) ([Form 6615](#)) or Insurance Loss Proceeds Collateral Agreement ([Form 6639](#)) for issuance of a joint check made payable to the [Borrower](#) and the [Person](#) owed funds;
- the necessary release of [Lien](#) or [Lien](#) waivers have been submitted by all contractors, and no mechanics' [Liens](#), materialmen's [Liens](#), or other [Liens](#) are outstanding that have not been acceptably bonded over; and
- the [Borrower](#) is not in default under any [Loan Document](#), including the Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) ([Form 6615](#)) or Insurance Loss Proceeds Collateral Agreement ([Form 6639](#)).

414.12B Disbursing Funds

The [Servicer](#) must approve and disburse funds related to each [Borrower](#) request in accordance with the [Loan Documents](#), including any applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) ([Form 6615](#)) or Insurance Loss Proceeds



Collateral Agreement ([Form 6639](#)). Funds must be disbursed no more frequently than once a month, unless:

- the [Servicer](#) determines that more frequent disbursements of funds are appropriate and can be managed effectively; or
- the disbursement is equal to or greater than \$10,000, or is the final disbursement of proceeds.

414.12C Content of Disbursement Request

Each of the [Borrower's](#) disbursement requests must be in writing and must specify, at a minimum:

- the specific repair and restoration work for which reimbursement is being sought;
- the quantity and price of all materials (grouped by type or category) or specific replacement items (e.g., appliances) purchased; and
- the cost of all contracted labor or other services.

The [Borrower's](#) disbursement requests must be accompanied by:

- a [Borrower](#) certification that the repair and restoration work was completed in a good and workmanlike manner, in accordance with any plans and specifications previously approved by the [Servicer](#), and in compliance with all applicable laws, ordinances, rules, and regulations of any governmental authority, agency, or instrumentality having jurisdiction over the [Property](#);
- if the invoice exceeds the lesser of \$25,000 or 1% of the [UPB](#):
 - a copy of the invoice detailing the covered materials, labor, or services;
 - payment evidence; and
 - a [Lien](#) release from each contractor, subcontractor, or materialman; and
- other relevant documentation required under the [Loan Documents](#), including any applicable Amendment to Multifamily Loan and Security Agreement (Restoration



Reserve) ([Form 6615](#)) or Insurance Loss Proceeds Collateral Agreement ([Form 6639](#)).

414.12D Disbursement Amount

The amount of each disbursement (other than the final disbursement) may not exceed the lesser of:

- (i) an amount equal to:
 - the actual cost of the repair and restoration work covered by the disbursement request, or, if the work was done under a contract or subcontract pursuant to which other work remains to be done, an amount equal to 90% of the actual cost of the repair and restoration work covered by the disbursement request (i.e., a 10% holdback is required if the work under the applicable contract or subcontract has not been completed in full); plus
 - 100% of the cost of any materials used, or to be used, in connection with the repair and restoration work, if at the time of the disbursement request, title to the materials has passed to the **Borrower** and the materials have been installed, or are being properly stored, on the **Property**; or
- (ii) an amount equal to the difference between:
 - the balance of the [Collateral Agreement Custodial Account](#) at the time of the disbursement request; and
 - the estimated cost of all remaining repair and restoration work at that time of the disbursement request.

414.12E Final Disbursement; Notice to Fannie Mae

Upon satisfactory completion of all required repair and restoration work, and satisfaction of all other applicable conditions of the [Loan Documents](#), including any applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) ([Form 6615](#)) or Insurance Loss Proceeds Collateral Agreement ([Form 6639](#)), the [Servicer](#) must:



- disburse all remaining funds to the Borrower; and
- submit through the MAMP a final Report of Multifamily Hazard Insurance Loss (Form 178) to indicate that all work was satisfactorily completed.

414.12F Documentation in Servicing File

The Servicer must ensure that all actions taken with respect to each Borrower disbursement request are appropriately documented in its **Servicing File**.

414.13 Borrower's Failure to Diligently Pursue Repair

The Servicer must notify **Multifamily Asset Management** immediately if the Borrower fails to:

- proceed diligently with any necessary repair and restoration work;
- perform the work satisfactorily; or
- perform in accordance with the terms of the **Loan Documents**, including any applicable Amendment to Multifamily Loan and Security Agreement (Restoration Reserve) (Form 6615) or Insurance Loss Proceeds Collateral Agreement (Form 6639).

The Servicer's notice to **Multifamily Asset Management** must include a description of any steps that the Servicer is taking to resolve the situation.

414.14 Reimbursement of Administrative Costs

If the insurance loss proceeds include funds specifically designated to defray administrative costs incurred by the mortgagee in connection with the casualty loss, the Servicer may reimburse itself from this designated amount for its actual, reasonable administrative costs. If no such provision is made by the insurer, the Servicer may not seek reimbursement for its administrative costs from the proceeds, nor may the Servicer seek reimbursement separately from the Borrower.

Section 415

Casualty Losses – Non-Performing Mortgage Loans

The Servicer must contact **Multifamily Special Asset Management** before performing a casualty loss assessment on a



Property securing a **Non-Performing Mortgage Loan**. Fannie Mae will determine whether the **Servicer** should proceed with the assessment, and direct the **Servicer** accordingly. Any activity or action plans to repair or restore the **Property** must be approved by Fannie Mae. All insurance loss drafts and checks must be forwarded to Fannie Mae for endorsement and disposition.

Section 416

Credit Facilities and Bulk Deliveries

416.01 General

Each **Credit Facility** and **Bulk Delivery** transaction is different, therefore the requirements in this Section may not apply to every transaction. For specific requirements, the **Servicer** must refer to the applicable:

- **Master Credit Facility Agreement;**
- **Bulk Delivery Agreement; and**
- **other Loan Documents.**

416.02 Delegation of Decisions

Credit Facility and **Bulk Delivery** requests are delegated to the **Servicer** as follows.

416.02A Decisions and Actions Not Delegated

Decisions and actions that are not delegated to the **Servicer** for **Mortgage Loans** generally per **Part V, Chapter 4: Asset Management: Loan Document Administration, Section 402.01: Delegation of Decision-Making Authority**, are also not delegated to the **Servicer** for **Mortgage Loans** in a **Credit Facility** or **Bulk Delivery**. Additionally, decisions and actions are not delegated to the **Servicer** if the request involves:

- amendments or changes to the **Master Credit Facility Agreement**, **Bulk Delivery Agreement**, or equivalent agreement, except for the Fannie Mae standard form Amendment for:
 - Completion/Repair extensions; and
 - changes to the monthly **Replacement Reserve** deposits;



- a [Bulk Delivery](#) substitution; or
- a [Credit Facility](#):
 - collateral release or substitution;
 - future advance and conversion;
 - revaluation and determination of the [Allocable Facility Amount](#);
 - [Interest Rate Hedge](#) renewal or modification;
 - [Defeasance](#);
 - payoff/termination;
 - [Ground Lease](#) or operating lease modification;
 - [Transfer/Assumption](#);
 - [Property manager](#) or operator change;
 - re-underwriting assessment; or
 - [Springing Debt Service Reserve](#).

416.02B Decisions Delegated by the Delegated Transaction Form 4636 series

Decisions and actions covered by the [Delegated Transaction Forms](#) ([Form 4636 series](#)) are delegated to the Servicer per the applicable [Form 4636 series](#). For these requests, the Servicer must submit the completed [Delegated Transaction Form](#) ([Form 4636 series](#)) through the [MAMP](#).

416.02C Other Delegated Decisions

Decisions and actions delegated to the Servicer for [Mortgage Loans](#) generally per [Part V, Chapter 4: Asset Management: Loan Document Administration, Section 402.01: Delegation of Decision-Making Authority](#) are also delegated to the Servicer for [Mortgage Loans](#) in a [Credit Facility](#) or a [Bulk Delivery](#). Additionally, decisions and actions not covered by the [Delegated Transaction Forms](#) ([Form 4636 series](#)) are delegated to the Servicer per this Chapter for:

- [Bulk Delivery Additions, Releases, and Supplemental Mortgage Loans](#);
- [Amendment to Multifamily Loan and Security Agreement \(Restoration Reserve\) \(Form 6615\)](#) or [Insurance Loss Proceeds Collateral Agreements \(Form 6639\)](#);



- endorsing insurance checks;
- extensions to complete **Completion/Repairs**;
- changes to the monthly **Replacement Reserve** deposits; and
- administering:
 - escrow accounts; and
 - **Collateral Agreements**.

If the **Servicer** is unsure if a decision is delegated, the **Servicer** must contact **Multifamily Structured Asset Management** before proceeding.

416.03 Approval Requests

If Fannie Mae approval is required, the **Servicer** must submit a request through **DUS Gateway** or the **MAMP** and include:

- the **Servicer's** recommendation;
- any supporting documentation (including references to the relevant sections of the governing documents); and
- the **Servicer's** analysis supporting its recommendation.

416.04 Credit Facility Release and Substitution Requests

If permitted by the **Master Credit Facility Agreement** and other **Loan Documents**, **Borrowers** may be allowed to release or substitute collateral. These requests must follow the provisions of the **Loan Documents**, and approval is not delegated to the **Servicer**.

The **Borrower** must initiate the release/substitution process by submitting a written request to the **Servicer**. Upon receipt, the **Servicer** must submit a release/substitution request package through the **MAMP** that includes:

- the **Servicer's** summary of the **Borrower's** release/substitution request, and its recommendation regarding approval of the requested release/substitution;
- any waiver requests and the **Servicer's** recommendation for approval of each waiver;
- when the **Borrower** expects the release/substitution to



close;

- whether the [Property](#) meets all conditions and compliance tests (e.g., [LTV](#), [DSCR](#), [UPB](#), geographic/asset concentration) per the applicable [Loan Documents](#);
- the release price and calculations (per the terms of the [Master Credit Facility Agreement](#) and other [Loan Documents](#));
- the [Allocable Facility Amount](#) of each [Property](#) after the release;
- the amount of the release/substitution fees to be collected;
- whether a prepayment or advance of funds will occur;
- the Structured Facilities Monitoring Spreadsheet ([Form 4802](#)) showing the [Mortgage Loan](#) level and collateral level data for the Structured Transaction both before and after the release/substitution occurs;
- third-party reports; and
- any other items required by the [Loan Documents](#).

If a [Letter of Credit](#) or cash collateral is required for the request, the [Servicer](#) must enter the [Letter of Credit](#) or cash collateral information in [MSFMS](#). Any [Letter of Credit](#) must comply with [Part I, Chapter 2: Mortgage Loan, Section 204: Letters of Credit](#), and original [Letters of Credit](#) must be sent to [Multifamily Structured Acquisitions](#).

If the request is approved, the [Servicer](#) must:

- submit its payoff calculations to [Multifamily Structured Acquisitions](#);
- release the collateral from the [MSFMS](#) system; and
- if necessary, release, update, and verify any associated interest rate hedges in [MSFMS](#).

416.05 Credit Facility Future Advance and Conversion Requests

If permitted by the [Master Credit Facility Agreement](#) and other [Loan Documents](#), the [Borrower](#) may be allowed to:

- obtain a future advance (addition, borrow up, substitution advance, or tranche refinance); or
- convert a [Mortgage Loan](#) from variable to fixed rate.



The [Borrower](#) must initiate the process by submitting a written request to the [Servicer](#). Upon receipt, the [Servicer](#) must submit a request package through [DUS Gateway](#) including:

- the [Servicer's](#) summary of the [Borrower's](#) request and its recommendation for approval;
- any waiver requests and the [Servicer's](#) recommendation for approval of each waiver;
- the amount of the transaction and the supporting underwriting spreadsheets and calculations (per the terms of the [Master Credit Facility Agreement](#) and other [Loan Documents](#));
- when the [Borrower](#) expects the transaction to close;
- whether the [Property](#) meets all conditions and compliance tests (e.g., [LTV](#), [DSCR](#), [UPB](#), geographic/asset concentration) per the applicable [Loan Documents](#);
- a quote sheet;
- any applicable Sources and Uses statement;
- any applicable [Interest Rate Hedge](#) requirements;
- the [Allocable Facility Amount](#) of each [Property](#) after the transaction;
- itemized fees associated with the transaction;
- the Structured Facilities Monitoring Spreadsheet ([Form 4802](#)) showing the [Mortgage Loan](#) level and collateral level data for the Structured Transaction both before and after the transaction occurs;
- any applicable third-party reports; and
- any other items required by the [Loan Documents](#).

416.06 Bulk Delivery Additions, Substitutions, and Releases

The [Borrower](#) may obtain additions, substitutions, and releases if permitted per:

- the [Bulk Delivery Agreement](#);
- the other [Loan Documents](#); and
- [Part III, Chapter 16: Structured Transactions](#).



416.07 Credit Facility Revaluations

Credit Facility revaluations may occur per the Master Credit Facility Agreement.

The Lender must retain an Appraiser to obtain a Capitalization Rate Derivation per Section 106 of the Instructions for Appraisers (Form 4827) if:

- the Properties are being revalued with the intent to fund a new Mortgage Loan; or
- no new Mortgage Loan is being funded, but:
 - the previous valuation is more than 3 years old;
 - the Lender's recommended capitalization rate is more than 50 bps less than the previously approved cap rate; or
 - required by Fannie Mae.

After Fannie Mae notifies the Servicer of the final capitalization rate determination and valuation, the Servicer must:

- promptly notify the Borrower of the:
 - revised capitalization rates;
 - Property values;
 - Allocable Facility Amounts;
 - LTV; and
 - any failure to meet compliance tests, if applicable; and
- retain a copy of the Borrower notification in the Servicing File.

416.08 Capitalization Rate Derivation

For any required Capitalization Rate Derivation, the Servicer must:

- comply with Part II, Chapter 2: Valuation and Income, Section 202.02A: Appraiser Selection; and
- ensure the Capitalization Rate Derivation:
 - includes:



- a capitalization rate derivation;
- market analysis;
- sales comparables; and
- an analysis of property-specific characteristics;
- describes capitalization rate pressures;
- evaluates factors applying upward or downward pressure on capitalization rates, including:
 - market volatility;
 - investor demand;
 - property supply; and
 - rental growth projections;
- is signed by the [Appraiser](#);
- includes the [Appraiser's](#) qualifications; and
- is certified by the [Appraiser](#) to conform with current [USPAP](#) requirements.

416.09 Credit Facility Supplemental Mortgage Loans Not Permitted

[Supplemental Mortgage Loans on Properties within a Credit Facility](#) are not permitted unless expressly authorized under the [Master Credit Facility Agreement](#) and other [Loan Documents](#). The [Servicer](#) must contact [Multifamily Structured Asset Management](#) before underwriting a [Supplemental Mortgage Loan](#).

416.10 Quarterly Monitoring and Re-Underwriting Assessments

416.10A Quarterly Monitoring Reports (QMR)

All [Credit Facilities](#) must submit [Quarterly Monitoring Reports](#) through [DUS 360](#) per [Part V, Chapter 5: Surveillance, Section 503.02: Quarterly Financial Analysis of Operations](#).

416.10B Credit Facilities with a Springing Debt Service Reserve Provision

A [Credit Facility with a Springing Debt Service Reserve provision in the Master Credit Facility Agreement](#):

- is subject to additional quarterly monitoring in Section



416.10C; and

- may require a re-underwriting assessment.

416.10C Monitored Debt Service Coverage Ratio

When required per Part V, Chapter 5: Surveillance, Section 503.02: [Quarterly Financial Analysis of Operations](#), the Servicer must determine the [Monitored Debt Service Coverage Ratio](#) on an aggregate basis for all [Mortgage Loans](#) in the Collateral Pool, calculated as:

- the total for all [Properties](#) of:
 - trailing 3-month annualized net rental income; plus
 - trailing 3-month annualized other allowable income, if any; minus
 - trailing 12-month operating expenses; minus
 - annual [Replacement Reserves](#);
- divided by the annual [Actual Pay Debt Service Amounts](#) for all [Mortgage Loans](#).

416.10D Re-Underwriting Assessment Determination

A [Credit Facility](#) re-underwriting assessment is required if:

- the [Monitored DSCR](#) is below 1.10; or
- any other [Trigger Event](#) exists per the [Master Credit Facility Agreement](#).

416.10E Re-Underwriting Assessments

For any [Trigger Event](#), the [Servicer](#) must:

- immediately notify:
 - [Fannie Mae](#) in writing at:
 - [Multifamily Structured Asset Management](#); and
 - mf_structured_transactions@fanniemae.com; and
 - the [Borrower](#) that all items required for re-underwriting per the [Master Credit Facility Agreement](#) and other [Loan Documents](#) are due within 10 days;



- facilitate a meeting between the [Servicer](#), [Fannie Mae](#), and [Borrower](#);
- per the [Master Credit Facility Agreement](#), the [other Loan Documents](#), and the [Guide](#):
 - conduct the re-underwriting assessment; and
 - remit the underwriting assessment results and supporting documents in the [MAMP](#) per Part V, Chapter 4: [Asset Management: Loan Document Administration](#), Section 416.10F: [Re-Underwriting Assessment Timing](#);
- retain copies of:
 - the re-underwriting assessment; and
 - all supporting documents in the [Servicing File](#); and
- submit a [Non-Monetary Default Borrower Request](#) in the [MAMP](#) if the [Borrower](#) fails to provide any required documents.

416.10F Re-Underwriting Assessment Timing

Initial re-underwriting assessments occur as follows:

For a Credit Facility with...	Timing
Monitored DSCR below 1.10	45 days after Quarterly Monitoring forms are due per Part V, Chapter 5: Surveillance , Section 503.02: Quarterly Financial Analysis of Operations .
Any other Trigger Event	45 days after the event.

416.11 Springing Debt Service Reserve

If a [Master Credit Facility Agreement](#) includes a [Springing Debt Service Reserve](#) provision, the [Borrower](#) may be required to fund a [Debt Service Reserve Account](#).

[Fannie Mae](#) will:



- review all re-underwriting assessments and supporting documents; and
- notify the Servicer of the following additional requirements.

For a Credit Facility...	Requirements
Without an existing Debt Service Reserve Account	<ul style="list-style-type: none">• No further Borrower action is required if the Aggregate Debt Service Coverage Ratio and re-underwriting submission comply with the:<ul style="list-style-type: none">- Master Credit Facility Agreement; and- other Loan Documents.• The Borrower must fund a Debt Service Reserve Account with an initial DSCR Shortfall Amount in the event of a Springing Trigger.
With an existing Debt Service Reserve Account	<ul style="list-style-type: none">• The Borrower must fund any additional DSCR Shortfall Amount.• The Debt Service Reserve Account funds may be released if the Debt Service Reserve Release Test is met.

The Servicer must:

- notify the Borrower immediately of any Debt Service Reserve Account funding requirements;
- ensure the Borrower funds any Debt Service Reserve Account within 30 days;
- confirm all Debt Service Reserve Account deposits and notify Fannie Mae in writing at:
 - Multifamily Structured Asset Management; and
 - mf_structured_transactions@fanniemae.com;
- submit a Borrower Request in the MAMP to obtain Fannie Mae approval before releasing any Debt Service Reserve Account funds;
- notify the Borrower that re-underwriting assessment requirements supersede all activities in Part V, Chapter 5: Surveillance, Section 503: Financial Analysis of Operations; and
- submit a Monetary Default Borrower Request in the MAMP



if the **Borrower** fails to meet any **Debt Service Reserve Account** funding obligations.

416.12 Additional Information

For any issue not covered in this Section, or if the **Servicer** requires a more detailed explanation, contact **Multifamily Structured Asset Management**.

Section 417 Seniors Housing Properties

417.01 General

The requirements in this Section may not apply to every **Seniors Housing Mortgage Loan**. The **Servicer** must refer to the **Loan Documents** for specific requirements.

417.02 Decisions and Actions Delegated and Not Delegated

Decisions and actions covered by the **Delegated Transaction Form** (**Form 4636 series**) are delegated to the **Servicer** as set forth in the applicable **Form 4636 series** or the **Guide**. For these requests, the **Servicer** must submit the completed applicable **Form 4636 series** through the **MAMP**. Decisions and actions for **Seniors Housing Mortgage Loans** regarding the following are not delegated to the **Servicer**:

- **Seniors Housing** expansions/conversions, including constructing additional units, substantial alterations, **Seniors Housing Major Renovations**, and **Seniors Housing Minor Renovations**;
- changes in the **Seniors Housing** operator;
- changes in **Property management** or management agreements;
- changes in licensing (**Note**: All licensing changes require an **Opinion of Borrower's Counsel on Origination of Mortgage Loan (Seniors Housing Licensing)** (**Form 6450.SRS**) confirming that all licensing requirements have been met);
- **Seniors Housing** operator **Leases**; and
- master leases.



If the Servicer has any questions regarding the need for Fannie Mae approval, the Servicer must contact Multifamily Seniors Housing Property Asset Management before proceeding.

417.03 Approval Requests

The Servicer must refer to the [Loan Documents](#) and this Section to determine whether Fannie Mae approval is required for a particular request. If Fannie Mae approval is required, the Servicer must submit a request through the [MAMP](#). Any approval request must include the Servicer's recommendation, any supporting documentation (including references to the relevant sections of the governing documents), and the Servicer's analysis supporting its recommendation.

417.04 Seniors Housing Expansion/Conversion Requests

Unless expressly permitted by the [Loan Documents](#), requests by the [Borrower](#) for the construction of additional units, renovation, or expansion of a [Seniors Housing Property](#), or a change in the overall percentage of one [Seniors Housing](#) type of unit (e.g., [Independent Living](#), [Assisted Living](#), or [Alzheimer's/Dementia Care](#)) into another are not delegated to the [Servicer](#). The [Borrower](#) must request approval from the [Servicer](#) and Fannie Mae before proceeding, and Fannie Mae will consider these requests under the following parameters, conditions, and requirements:

417.04A Permitted Purpose

To allow for the construction of additional units on existing land, or the renovation and/or repositioning of existing units:

- a “[Seniors Housing Major Renovation](#)” is any physical improvement costing in excess of (i) \$20,000/unit, or (ii) \$3 million in total project costs; and
- a “[Seniors Housing Minor Renovation](#)” is any physical improvement that is not a [Seniors Housing Major Renovation](#), but which increases the number of units, or converts one type of unit into another, unless expressly permitted by the [Loan Documents](#).

417.04B Submission Requirements

Upon receipt of a [Borrower Seniors Housing Expansion/Conversion Request](#), the [Servicer](#) must submit a written



request through the [MAMP](#), and include the following:

- Sponsor name and experience in operating seniors housing properties;
- Mortgage Loan performance;
- financial performance (including [NCF](#) and [UPB](#) history, and [DSCR](#) and [LTV](#) trends);
- pro forma financial statements;
- sources/uses of funds statement;
- project budget, scope, and plans;
- market study;
- construction contract and timeline;
- Servicer's monitoring plan;
- licensure issues;
- insurance; and
- general contractor and major subcontractors.

Fannie Mae will review the completed request, and approve or decline the request in its sole discretion.

417.04C Requirements and Monitoring

For a Seniors Housing Expansion/Conversion Request approved by Fannie Mae, the following requirements will apply:

- Escrow:
 - the [Borrower](#) must escrow 25% of the estimated construction costs with the [Servicer](#), who will administer the funds through a standard construction draw process; and
 - the [Borrower](#) must demonstrate to the [Servicer](#)'s satisfaction that it has sufficient liquid assets to complete the construction;
- Minimum [DSCR](#) during the expansion/conversion period cannot fall below 1.15x;
- Completion of construction must occur no later than 18 months from the date of commencement;



- Construction monitoring requirements will be set forth in the approval letter;
- Fannie Mae will charge a construction monitoring fee which does not cover the expenses associated with third-party inspections;
- Completion Guaranty ([Form 6018](#), [Form 6632](#), or [Form 6633](#)) and, if determined applicable by Fannie Mae, an Agreement and Assignment Regarding General Contractor's Contract ([Form 6473](#)), and an Omnibus Assignment of Contracts, Plans, Permits, and Approvals ([Form 6473](#)), will be required;
- Fannie Mae will charge a change in use fee, and the [Servicer](#) may charge additional fees at its discretion, subject to approval by Fannie Mae;
- The [Borrower](#) must reimburse all legal costs incurred by Fannie Mae; and
- A fixed-price general construction contract provided by a general contractor, together with a payment and performance bond issued by an acceptable surety, will be required.

417.04D Construction Completion Requirements

Within 60 days of completing any [Seniors Housing Major Renovation](#) or [Seniors Housing Minor Renovation](#), the Borrower must deliver to the [Servicer](#), and the [Servicer](#) must provide to Fannie Mae, the following:

- title endorsement to the existing mortgagee title policy, confirming that no mechanics' [Liens](#), materialmen's [Liens](#), or other [Liens](#) exist that have not been acceptably bonded over;
- final lien waivers from all contractors, architects, subcontractors, and material suppliers;
- copies of updated or newly issued certificates of occupancy;
- renewed licenses;
- confirmation in the form of an [Opinion of Borrower's Counsel on Origination of Mortgage Loan \(Seniors Housing Licensing\)](#) ([Form 6450.SRS](#)) that all licensing requirements



have been met;

- certificate from the **Borrower**, architect, and contractor certifying to the **Servicer**, for the benefit of Fannie Mae, that the improvements:
 - are completed in accordance with the plans and specifications approved by Fannie Mae; and
 - meet the local zoning and planning restrictions, and all other governmental requirements;
- final inspection of completed **Improvements**;
- updated certified operating statement and rent roll for the **Seniors Housing Property**; and
- a survey showing any new **Improvements** on the **Seniors Housing Property**.

417.04E Request Changes in Unit Count/Mix in the MAMP

Within 60 days of completion of any **Seniors Housing Major Renovation** or **Seniors Housing Minor Renovation**, the **Servicer** must request any applicable change in unit count and/or unit mix (**IL**, **AL**, **ALZ**) in the **MAMP** resulting from the renovation.

Section 418 Credit Enhancement Mortgage Loans and Multifamily Affordable Housing Properties

418.01 Bond Transactions and Credit Enhancement Mortgage Loans

For any **Credit Enhancement Mortgage Loan** where Fannie Mae is providing credit enhancement for tax-exempt multifamily housing **Bonds**, the **Borrower** must provide the **Servicer** with a copy of the compliance monitoring statement required under the **Bond Documents**. If the **Borrower's** statement reflects noncompliance with the low- and moderate-income tenant occupancy requirements set forth in the **Affordable Regulatory Agreement**, or if the **Borrower** fails to provide the statement to the **Servicer**, the **Servicer** must notify **Multifamily Asset Management**, and retain the compliance monitoring statement in its **Servicing File**.

418.02 Compliance Issues Relative to Bond Credit Enhancement Transactions

The **Servicer** must monitor the **Interest Reserve Requirement**, if any, under the **Bond Trust Indenture** with respect to each **Credit**



Enhancement Mortgage Loan.

The Servicer must monitor the rating of the institution in which the accounts under any Cash Management, Security, Pledge, and Assignment Agreement are held, and must require the Borrower to move the accounts if the rating no longer meets Fannie Mae's requirements as provided in Part V, Chapter 3: Custodial Accounts.

418.03 Monitoring Compliance; Notification of Noncompliance

418.03A Affordable Regulatory Agreement

At least once in each calendar year (and more often if directed by Fannie Mae), the Servicer must obtain a Borrower certification that the Property is in full compliance with:

- the rules qualifying the interest on the Bonds for exclusion from gross income for federal income tax purposes pursuant to the Internal Revenue Code; and
- the requirements of the Affordable Regulatory Agreement.

The Servicer must review the Borrower certificate, and if the Property does not comply with all applicable regulatory requirements, the Servicer must immediately notify Multifamily Asset Management. Neither Fannie Mae nor the Servicer is responsible for determining or ensuring the Borrower's compliance under the Affordable Regulatory Agreement.

418.03B Default Notice for Failure to Comply with the Bond Documents

The Servicer must promptly notify Multifamily Asset Management, the Borrower, the Bond Trustee, and the Issuer in writing of any default by a Borrower with any provision of any Loan Document, Reimbursement Agreement, Security Agreement, the Affordable Regulatory Agreement, or other Loan Document, Credit Enhancement Document, or Bond Document.

The Servicer must promptly forward to Multifamily Asset Management copies of any notices received from a Borrower, Bond Trustee, Issuer, or any other party regarding any default by a Borrower, and shall maintain ongoing contact with Fannie Mae regarding the status of the Credit Enhancement Mortgage Loan by submitting a Non-Monetary Default Borrower Request in the MAMP.

418.04 Multifamily Affordable Housing (MAH) Properties

The Servicer must collect annual compliance documentation in



the form of:

- for an **MAH Property** with **Sponsor-Initiated Affordability**, certifications from the **Borrower** and **Administering Agent** of compliance with the **Sponsor-Initiated Affordability Agreement**; or
- for any other **MAH Property**, the annual recertification of the **Property's** compliance with the **Affordable Regulatory Agreement** from the agency or entity that imposed any applicable rent or occupancy restrictions or, if not available, an explanation of why it is not available.

The **Servicer** must immediately submit a **Non-Monetary Default Borrower Request** in the **MAMP** to notify **Multifamily Asset Management** if this documentation reveals any event of default or noncompliance with the applicable:

- **Sponsor-Initiated Affordability Agreement**; or
- **Affordable Regulatory Agreement**.

The **Servicer** must retain the annual compliance documentation in its **Servicing File**.

418.05 Low-Income Housing Tax Credits

If the **Property** is subject to a **Low-Income Housing Tax Credit** allocation, the **Servicer** must obtain, at least once in each calendar year (and more often if directed by Fannie Mae):

- copies of the tax and other compliance forms specified in **Part III, Chapter 7: Multifamily Affordable Housing Properties**; and
- **Borrower** certifications of the **Property's** compliance with the requirements of the Internal Revenue Code regarding **Low-Income Housing Tax Credits**; and
- if the **Low-Income Housing Tax Credits** have not yet been syndicated, monthly reports from the **Borrower** detailing the **Borrower's** progress in syndicating the tax credit allocation until the syndication is completed.

If the **Borrower** indicated that the **Property** does not comply with all applicable regulatory requirements, the **Servicer** must immediately submit a **Non-Monetary Default Borrower Request** in the **MAMP**. Neither Fannie Mae nor the **Servicer** is responsible for



determining or ensuring the Borrower's compliance with Low-Income Housing Tax Credit requirements. The Servicer also must comply with the information requirements of Part III, Chapter 7: Multifamily Affordable Housing Properties.

418.06 Expanded Housing Choice

A Mortgage Loan with an Expanded Housing Choice pricing incentive requires additional annual monitoring. The Servicer must:

- receive a Supplemental Annual Loan Agreement Certification (Expanded Housing Choice) (Form 6620.Supplemental.Expanded Housing Choice) from the Borrower;
- retain Form 6620.Supplemental.Expanded Housing Choice in its Servicing File; and
- submit a Non-Monetary Default Borrower Request in the MAMP, with a copy of any Borrower notice, for failure to submit Form 6620.Supplemental.Expanded Housing Choice.

418.07 HAP Contract Approval and Releasing Restabilization Reserve

The Servicer is delegated the authority to:

- approve renewal of the HAP Contract during the Mortgage Loan term; and
- waive any Loan Document provision requiring the HAP Contract to be fully funded by HUD through the Mortgage Loan Maturity Date.

The Servicer must submit through the MAMP a copy of the renewed HAP Contract, and retain a copy in the Servicing File, together with any Borrower request for release of the Restabilization Reserve.

~~Most disbursements from a Restabilization Reserve require Fannie Mae's approval. The Servicer is delegated the authority to approve, without Fannie Mae's consent, a Borrower request for a final disbursement, provided:~~

~~Provided the Loan Documents explicitly allow the disbursement, Fannie Mae consent is not required for the Servicer to~~



approve disbursements from the Restabilization Reserve, including a:

- ~~the Servicer has received written evidence that the HAP contract has been extended by HUD through the Maturity Date with no material changes to its terms;~~
- ~~no default has occurred and is continuing under the Loan Documents; and~~
- ~~the Loan Documents explicitly allow a final disbursement under these conditions.~~
- disbursement due to a HAP Contract Delay; or
- Borrower-requested final disbursement, provided:
 - the Servicer has received written evidence that the HAP contract has been extended by HUD through the Maturity Date with no material changes to its terms; and
 - no default has occurred and is continuing under the Loan Documents.

Section 419

Sponsor-Dedicated Workforce Housing Properties

Per the Loan Documents, to monitor an SDW Housing Property, the Servicer must:

- annually review the rent roll and sufficient lease files to determine Borrower compliance with the required rent restrictions;
- receive an annual Supplemental Annual Loan Agreement Certification (Sponsor-Dedicated Workforce Housing) (Form 6620.Supplemental.SDW) from the Borrower, and:
 - attest to the Form 6620.Supplemental.SDW that the Servicer has audited the rent roll for Borrower compliance with the required rent restrictions; or
 - for any noncompliance:
 - notify the Borrower of the default; and
 - submit a Non-Monetary Default Borrower Request in the MAMP;
- retain in the Servicing File, copies of:



- Modifications to Multifamily Loan and Security Agreement (Sponsor-Dedicated Workforce Housing) (Form 6271.SDW);
- Modifications to Security Instrument (Sponsor-Dedicated Workforce Housing) (Form 6325);
- **Property rent restrictions;**
- annual rent roll and compliance results; and
- any **Loan Document default Borrower notices;** and

■ per the **Sponsor-Dedicated Workforce (SDW) Housing Job Aid**, annually submit copies of the:

- Form 6620.Supplemental.SDW and Servicer attestation; and
- **Property rent roll.**

Section 420

MH Communities with Tenant Site Lease Protections

A Mortgage Loan secured by an **MH Community with Tenant Site Lease Protections** requires additional monitoring. The **Loan Documents** require the **Borrower** to annually provide:

- a certified copy of the current residential **MH Site Lease** form;
- a certified copy of the notice sent to all **MH Site Lease** tenants if the **Tenant Site Lease Protections** were implemented by the Rules and Regulations;
- copies of any actual **MH Site Lease** requested by Lender; and
- a certification of the actual percentage of **MH Site Leases** that include all required **Tenant Site Lease Protections**, and that no material changes have been made to the **MH Community's** rules and regulations or to the **MH Site Lease** form.

The **Servicer** must:

- confirm the **Borrower's** ongoing compliance with the **Loan Documents**;
- if the **Tenant Site Lease Protections** were implemented



within the **MH Community's** rules and regulations, confirm:

- the rules and regulations contain all **Tenant Site Lease Protections** and are publicly posted in the **MH Community**; and
- each **MH Site Lease** tenant received written notice of all **Tenant Site Lease Protections** added to the rules and regulations;
- if the **Tenant Site Lease Protections** were implemented within the **MH Site Lease**:
 - confirm the **MH Site Lease** form includes:
 - all **Tenant Site Lease Protections**; and
 - the required percentage of **MH Site Leases** (i.e., 25%, 50%, or 100%) are covered by the **Tenant Site Lease Protections**; and
 - annually audit at least 25% of the minimum percentage of **MH Site Leases** required per the **Loan Documents** (i.e., 25%, 50%, or 100%) to ensure all **Tenant Site Lease Protections** are included;
- determine whether the **Borrower** complied with all terms of the **Tenant Site Lease Protections** (e.g., the **Borrower** only raised **MH Site Lease** rents after required notice);
- retain the review of the **Borrower's** certification and audit results in the **Servicing File**; and
- notify **Multifamily Loss Mitigation** if the **Borrower** fails to certify compliance, or the **MH Site Lease** audit discloses potential noncompliance.

Section 421

Single Asset Entity Conversion

If the **Loan Documents** require the **Borrower** to convert into a single asset entity that complies with **Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.01: Single-Asset Entity** by a certain date, the **Servicer** is delegated the authority to:

- grant a one-time extension of the date by up to 90 days;
- determine whether the extension requires an amendment to the **Multifamily Loan Agreement**; and



- document it in any form that the **Servicer** deems legally enforceable.

Section 422

Loan Document Amendments

Provided the change does not violate the **Disclosure Documents** or the Fannie Mae Master Trust Agreement, the **Servicer** is delegated the authority to modify the **Loan Documents** for a **Portfolio Mortgage Loan** to:

- align with the approved terms for a **Supplemental Mortgage Loan**; or
- cross-default and/or cross-collateralize the **Portfolio Mortgage Loan** with a subsequent **Mortgage Loan**.

This delegated authority includes executing all **Loan Document** amendments related to:

- a subordinate lien, including any **Mortgage Loan** modification for a **Supplemental Mortgage Loan** with a confirmed **Commitment**;
- cross-collateralizing and/or cross-defaulting a **Pre-Existing Mortgage Loan** with a **Supplemental Mortgage Loan** with a confirmed **Commitment**; and
- cross-collateralizing and/or cross-defaulting a first **Lien Mortgage Loan** with another first **Lien Mortgage Loan** (e.g., for a phased property), provided that cross-collateralization and cross-default were contemplated in the **Loan Documents** for the **Portfolio Mortgage Loan** and there is a confirmed **Commitment** for the second first **Lien Mortgage Loan**.

Section 423

Maturing Mortgage Loans

423.01 Written Policy

The **Servicer** must establish a written policy for maturing **Mortgage Loans**, including:

- overall monitoring responsibilities;
- criteria for handoffs between functional groups (e.g., **Special Asset Management**, **Special Credits**, etc.);



- Fannie Mae reporting;
- sending **Borrower** maturity notification letters; and
- determining the **Mortgage Loan**'s refinance eligibility.

423.02 Refinance Eligibility

On a monthly basis, beginning at least 24 months before each **Mortgage Loan's Maturity Date**, the **Servicer** must evaluate the **Property's** operating performance to determine the likelihood that the **Mortgage Loan UPB** can be refinanced based on the current cap rate, and the **DSCR** and **NCF** from the **Property's** most recent annual financial statement.

Participants from the **Servicer's** underwriting, asset management, portfolio management, and finance teams must coordinate to categorize each **Mortgage Loan** as either:

- "Meets Criteria" = the **Mortgage Loan** qualifies for refinancing based on the currently published underwriting criteria of Fannie Mae or a third party; or
- "Does Not Meet Criteria" = the **Mortgage Loan** does not qualify for refinancing based on the currently published underwriting criteria of Fannie Mae or a third party.

For each **Mortgage Loan** categorized as "Does Not Meet Criteria", the **Servicer** must:

- review the **Property's** quarterly operating statements and analyze the operating expenses (especially repairs & maintenance and capital expenses) to assess whether the **Borrower** is prudently managing the **Property**; and
- work with the **Borrower** and Fannie Mae to ensure the **Borrower** has a reasonable payoff plan.

423.03 Borrower Communications

The **Servicer** must send the following maturity notification letters to the **Borrower**:

- 18 months before the **Mortgage Loan Maturity Date**, send the first maturity notification letter notifying the **Borrower** of the upcoming **Maturity Date** (18 Month Notice to Borrower – Choice Refinance Loans (Form 4217)).



- 12 months before the [Mortgage Loan Maturity Date](#), send the applicable second maturity notification letter (12 Month Notice to Borrower Marketing Oriented – Choice Refinance Loans ([Form 4218](#)) or 12 Month Notice to Borrower – In Place Loans ([Form 4219](#))):
 - notifying the [Borrower](#) of the upcoming [Maturity Date](#);
 - providing [Servicer](#) contact information; and
 - requesting a detailed payoff plan.
- 6 months before the [Mortgage Loan Maturity Date](#), send the 6 Month Notice to Borrower – In Place Loans ([Form 4220](#)):
 - notifying the [Borrower](#) of the upcoming [Maturity Date](#);
 - requesting proof of a payoff plan (e.g., a commitment letter from another lender or sale contract); and
 - advising the [Borrower](#) that the [Mortgage Loan](#) will be in default if not paid off or refinanced.

Within 6 months of the [Maturity Date](#), the [Servicer](#) must aggressively pursue a maturity solution for any [Mortgage Loan](#) that “Does Not Meet Criteria” until the [Borrower](#) provides written proof of a payoff plan, which may include a certified escrow letter, contact information for the new lender with appropriate follow-up by the [Servicer](#), or other reasonable evidence.

423.04 Fannie Mae Communications

On the first [Business Day](#) of each month, the [Servicer](#) must submit a [Maturing Loan Report](#) using the mandated template to [Multifamily Maturity Management](#) with information on each [Mortgage Loan](#) maturing within the next 24 months (or advising that no [Mortgage Loans](#) are maturing within the next 24 months), and categorizing each as “Meets Criteria” or “Does Not Meet Criteria” in the Performance Rating column. The [Servicer](#) must also update the [Maturing Loan Report](#) as new information becomes available with each monthly submission.

The comments section of the [Maturing Loan Report](#) must include, at a minimum:

- a report of discussions with the [Borrower](#) (e.g., potential new lender, term of new loan, proof of payoff plan



received);

- the anticipated payoff date; and
- whether the Mortgage Loan is likely or not to refinance, and the rationale.

All other Fannie Mae notices related to maturing Mortgage Loans, including default notices, must be sent to [Multifamily Maturity Management](#).