



Multifamily Selling and Servicing Guide

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Summary of Changes

HIGHLIGHTS

Effective for all Mortgage Loans as of January 19, 2023, Fannie Mae has made changes to the Guide to clarify your obligations under fair lending laws.

Key Points

You must:

- Comply with all fair lending laws prohibiting discrimination based on any prohibited bases.
- Assess risks associated with the Borrower, Guarantor, Key Principals, and Principals that:
 - are based solely on credit standards; and
 - do not consider or comment on any:
 - prohibited bases per any fair lending laws;
 - unsupported assumptions; or
 - personal opinions.

Questions

Please contact the Fannie Mae Deal Team with any questions.



Chapter 1 Overview

Section 101 Using the Guide

101.01 Organization

Requirements

The [Guide](#) is divided into 3 categories:

- Requirements are mandatory conditions that must be satisfied for all [Lender-delegated Mortgage Loans](#) and activities. You must obtain Fannie Mae's prior approval to [Deliver a Mortgage Loan](#) or perform an activity that does not comply with any requirement.
- Guidance are best practices to inform and support a [Lender's](#) delegated analysis and decision-making. Fannie Mae expects you to exercise your delegated authority in a prudent manner, and will review your analysis and delegated decisions.
- Operating Procedures are required steps or processes that must be followed.

The [Lender Contract](#) provides Fannie Mae with certain rights, remedies, and corrective actions if you fail to satisfy requirements, follow the operating procedures, or exercise delegated authority in a prudent manner.

If the [Guide](#) does not specify a category, then the information is a requirement.

101.02 References

Requirements

The following rules apply:

- a reference to the [Guide](#) includes any:
 - update, amendment, restatement, modification, or supplement; and
 - referenced exhibits, appendices, or other forms;
- a reference to any [Person](#) also includes the [Person's](#) successors and assigns;
- a reference to any [Loan Document](#), statute, regulation, or standard,



also includes all amendments, modifications, or restatements made from time to time; and

- whenever you make a representation “to your knowledge” or “to the best of your knowledge,” you mean the actual state of knowledge of your officers and employees responsible for the underwriting, origination, servicing, or sale of the [Mortgage Loan](#) regarding the matters expressly set forth in the representation, in each case without having conducted any independent inquiry into such matters, and without any obligation to do so (except as expressly set forth herein). All information contained in documents which are part of or required to be part of your [Servicing File](#) is deemed to be within your knowledge.

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Section 102 Delegation and Underwriting

Requirements

You must comply with the [Guide](#) in its entirety. Your [Lender Contract](#) describes your delegated authority to underwrite and [Deliver Mortgage Loans](#).

For underwriting and [Delivery](#) to be fully delegated to you, you must underwrite the [Mortgage Loan](#) to meet the requirements provided in

- the Multifamily Underwriting Standards ([Form 4660](#)),
- Part I,
- Part II, and
- the applicable chapters of Part III based on the specific products and features of the [Mortgage Loan](#).

If the [Mortgage Loan](#) does not comply with the applicable requirements, it is a [Pre-Review Mortgage Loan](#) (see [Part I, Chapter 2: Mortgage Loan, Section 203: Pre-Review Mortgage Loans](#)).

Section 103 Transaction Approval Memo

Requirements



Your Transaction Approval Memo must:

- document your analysis of all reasonably identifiable strengths and weaknesses of the proposed [Mortgage Loan](#) transaction; and
- address and mitigate the following:
 - [Property's](#) financial performance, trends, and value;
 - [Property's](#) current physical condition and expected condition over the term of the [Mortgage Loan](#);
 - environmental conditions and seismic risk impacting the [Property](#);
 - ability of the [Property](#) to be refinanced at the [Maturity Date](#);
 - [Borrower's](#), [Key Principals'](#), and [Guarantors'](#) financial capacity and experience;
 - [Property](#) market's performance and trends;
 - any other factors that could impact the transaction during the [Mortgage Loan](#) term or at the [Maturity Date](#); and
 - analysis and support for your decisions on any matters covered by requirements or guidance in Parts I, II, and III.

➔ Guidance

Fannie Mae will consider the quality and thoroughness of your analysis, and the appropriateness and quantity of adjustments made

- in the underwriting,
- during the monitoring process, and
- when exercising the remedies or corrective actions provided in the [Lender Contract](#).

Section 104

Representations

Requirements

When you [Deliver a Mortgage Loan](#) to Fannie Mae you represent that:

- At all times during the origination and underwriting of the [Mortgage Loan](#), you were authorized to transact business in the [Property's](#) jurisdiction. If you were not authorized, then none of



your activities related to the [Mortgage Loan](#) requires authorization to transact business in the [Property's](#) jurisdiction.

- If the laws of the [Property's](#) jurisdiction do not require you to be authorized to do business, then this lack of authorization will not adversely affect the mortgagee's ability to enforce the [Mortgage Loan](#).
- You are the sole owner and holder of the [Mortgage Loan](#) and have full right and authority to sell the [Mortgage Loan](#) to Fannie Mae.
- Your right to sell the [Mortgage Loan](#) to Fannie Mae is not subject to any other party's interest or [Lien](#), or to any agreement with any other party.
- You complied with all applicable federal or state laws, regulations, or other requirements regarding
 - fair lending,
 - fair housing,
 - consumer credit,
 - equal credit opportunity,
 - truth-in-lending, and
 - the prohibition of redlining and other forms of [disparate treatment discrimination](#).
- Unless modified by Fannie Mae's [Pre-Review](#) approval, the [Mortgage Loan](#) meets
 - the requirements of the [Guide](#),
 - the [Form 4660](#), and
 - all applicable requirements of your [Lender Contract](#).
- The [Mortgage Loan](#) either meets or is exempt from any usury laws or regulations.
- The [Loan Documents](#) you deliver to Fannie Mae are the appropriate and correct forms for the particular transaction under the [Guide](#) and contain the same provisions as those provided to you by Fannie Mae (except for completion of blanks, deletion of bracketed information which is not applicable, and other changes approved by Fannie Mae).
- The [Borrower](#) is not in default under any of the terms of the [Loan Documents](#) and would not be in default under any of the terms of the [Loan Documents](#) with the passage of time, the giving of notice, or



both.

- The terms and conditions of the [Mortgage Loan](#) (as reflected in the [Loan Documents](#)) have not been amended, modified, or supplemented by
 - any other agreement or understanding of the parties, or
 - waiver of any of the material provisions of those [Loan Documents](#).
- All documents that evidence, secure, or otherwise relate to the [Mortgage Loan](#) have been delivered to Fannie Mae. If you are not the actual party assigning the [Mortgage Loan](#) to Fannie Mae because of the financing structure (e.g., a variable rate bond transaction), you make this representation only to the best of your knowledge.
- The [Mortgage Loan](#) has not been satisfied, cancelled, released, or subordinated, and Fannie Mae has approved in writing any material modification to the [Mortgage Loan](#) occurring after the [Mortgage Loan Origination Date](#), including any change in the:
 - [Mortgage Loan](#) amount, [Gross Note Rate](#), [Maturity Date](#), amortization period, or timing of payments;
 - [Collateral](#) or [Lien](#) priority;
 - reserve types required per the [Loan Documents](#) or their release provisions;
 - [Mortgage Loan](#) recourse provisions, including the addition of new non-recourse carveouts;
 - [Borrower's](#) organization type; or
 - [Persons](#) personally liable for the [Mortgage Loan](#), including any [Payment Guaranty](#) or additional credit enhancement.
- The [Lien](#) on the [Collateral](#) identified in the Transaction Approval Memo is valid.
- The [Borrower](#) has properly signed the [Loan Documents](#); they are valid and enforceable obligations of the [Borrower](#), subject to bankruptcy, reorganization, or insolvency laws, or other general principles of equity.
- To the best of your knowledge, as of the [Delivery](#) of the [Mortgage Loan](#):
 - the [Property](#) does not have any subordinate loans that have not been pre-approved by Fannie Mae;



- the **Property** has not been damaged by any **Catastrophic Event**;
- the **Property** has not been condemned or been a part of any proceeding that would impair
 - the value of the **Mortgage Loan**,
 - the value of the **Property**, or
 - the usefulness of the **Property** for the contemplated purpose; and
- there are no proceedings – pending or contemplated – to partially or totally condemn the **Property**.
- To the best of your knowledge:
 - the credit reports and financial statements relating to the **Borrower(s)** (and to any other person or entity required by the **Guide**) correctly reflect the financial condition of these person(s) without material exception; and
 - as of the **Delivery** of the **Mortgage Loan**, none of the following is the subject of an existing or contemplated bankruptcy, reorganization, insolvency, or comparable proceeding
 - any **Borrower**,
 - any general partner of a **Borrower**,
 - any **Key Principal**,
 - any **Guarantor**, or
 - any other party whose bankruptcy could negatively impact one of these parties.
- If the **Mortgage Loan** is insured or guaranteed by any **Person**, including any governmental authority
 - you have ensured that insurance or **Guaranty** is in effect, and
 - you have complied with all applicable provisions of the insurance or **Guaranty** that covers the **Mortgage Loan**.
- The **Property** is free of all mechanics', materialmen's, or similar **Liens**, and there are no rights outstanding that could cause such liens. (The only exceptions are mechanics' or materialmen's **Liens** which attach automatically under the laws of any governmental authority when work is started or materials are delivered to the **Property** and the **Borrower** is not delinquent in the payment for this



work or materials).

- You have not made or knowingly received from others, any advance of funds (directly or indirectly) on behalf of the **Borrower** connected with the **Mortgage Loan** transaction, except for funds permitted in the **Guide** or related to interest paid from the earliest of the:
 - date of the **Note**;
 - date the **Mortgage Loan** proceeds were disbursed to the **Borrower**; or
 - date 1 month before the first installment of **P&I** on the **Mortgage Loan** is due.
- To the best of your knowledge, based solely on the survey and the title insurance policy connected with the origination of the **Mortgage Loan** (except for encroachments that do not materially and adversely affect the current marketability or principal use of the **Property**, or that are insured against by the title insurance policy):
 - all material improvements used to determine the appraised value of the **Property** when the **Mortgage Loan** was originated are within the boundaries of the **Property**;
 - no material improvements on adjoining parcels encroach onto the **Property**; and
 - no material improvements encroach onto any easements.
- To the best of your knowledge, nothing involving the **Mortgage Loan**, the **Property**, or the **Borrower** can reasonably be expected to:
 - cause private institutional investors to regard the **Mortgage Loan** as an unacceptable investment;
 - cause the **Mortgage Loan** to become delinquent; or
 - adversely affect the **Mortgage Loan's** value or marketability.
- If the **Mortgage Loan** provides that the interest rate or principal balance may be adjusted, Fannie Mae may enforce the terms of the **Mortgage Loan**, and these adjustments will not affect the priority of the **Lien**.
- All **Mortgage Loan** proceeds were funded on the **Mortgage Loan Origination Date**
 - directly to or for the benefit of the **Borrower**, or



- to fund reserves or escrows per the [Loan Documents](#).
- All electronic data you submit is accurate and complete.
- If Fannie Mae's interest in the [Mortgage Loan](#) is a [Participation Interest](#), all of the information and statements in any participation certificate that you deliver are complete, correct, and true.

➔ Guidance

Redlining is illegal and occurs when a lender provides unequal access to credit, or offers unequal credit terms, because of the race, color, national origin, or other prohibited characteristics of the residents of the area in which the mortgaged property is located.

You may consider locational factors when appraising and underwriting if your risk analysis applies Fannie Mae's guidelines in a consistent, equitable, and legal manner.

- is based only on valid credit factors that reliably predict risk, and
- applies Fannie Mae's guidelines in a consistent, equitable, and legal manner.



Chapter 3

Borrower, Guarantor, Key Principals, and Principals

Section 301

Generally

Operating Procedures Requirements

You must perform an overall Your risk assessment of the Borrower, Guarantor, Key Principals, and Principals considering the specifics of the transaction must be based solely on objective credit standards.

Prohibited practices include:

- basing the risk assessment on any characteristic protected by any fair housing or fair lending law, including
 - race,
 - color,
 - religion,
 - sex,
 - handicap,
 - familial status, or
 - national origin of the prospective
 - Borrowers,
 - Guarantors,
 - Key Principals,
 - Principals,
 - Property occupants, or
 - residents of the Property's neighborhood; or
- using
 - unsupported assumptions,
 - personal opinions, or
 - unsupported perceptions.

Guidance

You should:



- Complete a credit review by analyzing information about their
 - organizational structure,
 - multifamily business experience and qualifications,
 - general credit history, and
 - current and prospective financial condition.
- Ensure that the financial strength, experience, qualifications, character, and credit history of the **Borrower**, **Guarantor**, **Key Principals**, and **Principals** support the size, complexity, structure, and risk of the transaction.

Section 302 Borrower Organizational Structure

302.01 Single-Asset Entity

Requirements

You must ensure that

- the **Borrower** is a domestic single-asset entity, and
- if the **Borrower** is ultimately owned by foreign persons or entities, it has at least 1 domestic tier of ownership.

Guidance

As you analyze the **Borrower** and its organizational documents to confirm that it is a single-asset entity, consider the following questions:

- Can the **Borrower** acquire any additional real property, personal property, or assets?
- Can the **Borrower** participate in any business other than managing and operating the **Property**?
- Are the **Borrower**'s assets or funds commingled with anyone else's? If so, can these assets or funds be separated and identified?
- Are the **Borrower**'s financial statements, accounting records, and other organizational documents maintained with anyone else's?
- Except for the **Mortgage Loan**, has the **Borrower** assumed, guaranteed, or obligated itself to cover anyone else's liabilities?



Requirements

If the **Borrower** owns more than a single asset, the **Borrower** may still qualify as a single asset entity if you:

- Obtain an operating statement for each real property owned.
- Obtain proof that the **Borrower** has no existing debt secured by a **Lien** on any of the **Borrower's** real property, other than a **Mortgage Loan** purchased by Fannie Mae.
- Obtain proof that the **Borrower** does not have any direct or indirect equity interest subject to mezzanine financing.
- Ensure that the **Loan Documents** prohibit the **Borrower** from
 - acquiring any additional debt (except for supplemental debt on existing Fannie Mae loans),
 - increasing any existing debt, or
 - acquiring any additional real property.

Guidance

As you analyze the **Borrower** that owns more than a single asset, you should consider whether its other real estate assets are only

- multifamily properties, or
- other types of real estate that do not pose an environmental risk to the **Borrower**.

302.02 Co-Tenant Borrowers

Requirements

You must ensure that any **Co-Tenant Borrower** meets these eligibility requirements:

- the **Borrower** has no more than 10 co-tenants;
- no co-tenant is an individual;
- each co-tenant is a single-asset entity complying with Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.01: Single-Asset Entity; and
- each co-tenant has jointly and severally executed the **Loan**



Documents.

302.02A Tenancy-in-Common Agreement

Requirements

You must ensure that a validly executed Tenancy-in-Common Agreement is in place prior to or at the [Mortgage Loan](#) closing.

You must review the agreement to ensure that:

- Each co-tenant is bound by the terms of the agreement.
- The [Property](#) has a manager of its day-to-day business and affairs, which can be
 - a single co-tenant (or the [Key Principal](#) of such co-tenant) known as the “co-tenant representative”, or
 - a validly-appointed property manager.
- Distributions to the co-tenant representative are subordinate to
 - all payments under any [Mortgage Loan](#) secured by a [Lien](#) on the [Property](#), and
 - the terms and conditions of any such [Mortgage Loan](#).

Guidance

As you analyze the Tenancy-in-Common Agreement, consider the following questions. The term “co-tenant” also includes any [Key Principal](#) who has the rights of the co-tenant.

Representation

- Have the [Co-Tenant Borrowers](#) given the co-tenant representative the power to deal with the [Lender](#) through the Tenancy-in-Common Agreement or an irrevocable power-of-attorney?
- Has each [Co-Tenant Borrower](#) waived its right to reside in the [Property](#)?

Buy outs

- Does each [Co-Tenant Borrower](#) have buy out rights to any other co-tenant?
- Is each [Co-Tenant Borrower](#) financially able to buy out any other co-



tenant?

Communication

- Does each **Co-Tenant Borrower** have a name, address, telephone number, and percentage of ownership interest listed?
- Has each **Co-Tenant Borrower** agreed to promptly notify all other **Co-Tenant Borrowers** and you if their address or telephone number changes?
- Has a single **Key Principal** of the co-tenant representative agreed to receive any communication from you on behalf of all **Co-Tenant Borrowers**?

302.02B Key Principal Execution of Guaranty

Requirements

You must ensure that:

- each **Co-Tenant Borrower** names at least 1 **Key Principal**; and
- if a **Guaranty** is required, each **Key Principal** must become a **Guarantor** and execute either a **Non-Recourse Guaranty** or **Payment Guaranty**.

302.03 Joint and Several Borrowers with Multiple Properties

Requirements

If a **Mortgage Loan** not in a **Credit Facility** is secured by multiple **Properties** and any **Property** is owned by a different **Borrower**, you must require each **Borrower** to:

- execute a single set of **Loan Documents** with joint and several liability for the **Mortgage Loan**;
- comply with the “single purpose entity” requirements per **Modifications to Multifamily Loan and Security Agreement (Co-Borrowers) (Form 6274)**;
- be owned by the same **Persons** having the same percentage ownership interests (whether direct or indirect);
- be **Controlled** by the same **Sponsor** or **Key Principal**;
- execute **Form 6274**, restricting **Property Transfer/Assumption** or



release during the [Mortgage Loan](#) term;

- execute an acceptable Contribution Agreement complying with [Form 6274](#); and
- if separate [Security Instruments](#) are recorded to encumber [Properties](#) in different counties, execute separate Modifications to Security Instrument (Co-Borrowers) ([Form 6322](#)) for each [Security Instrument](#).

Each [Property](#) securing the [Mortgage Loan](#) must:

- be in the same State; and
- comply with [Part II, Chapter 1: Attributes and Characteristics, Section 102.01: Single Borrower Ownership](#).

Section 303

Key Principals, Principals, and Guarantors

Requirements

For every [Mortgage Loan](#), you must:

- Identify and underwrite any [Guarantor](#) and all [Key Principals](#) and [Principals](#) of the [Borrower](#).
- Ensure the [Guarantor](#)
 - is not a foreign person or a foreign entity, and
 - either has an ownership interest in the [Borrower](#) or ensure that the [Guarantor](#) has adequate consideration to enter into the [Guaranty](#).

You must identify the [Principals](#) based on the aggregate of all direct and indirect ownership interests in the [Borrower](#) held per the following table.

If the Borrower is a...	Then a Principal is...
General Partnership or Joint Venture	any general partner or joint venturer.
Limited Partnership	all general partners and any Person who owns a 25% or more limited partnership interest.
Privately-Held Corporation	any Person who owns 25% or more of the voting stock.



If the Borrower is a...	Then a Principal is...
Limited Liability Company	all non-member managers, member-managers, and any Person who owns a 25% or more membership interest.
Trust (other than a Land Trust)	the grantor (if the trust is a revocable trust or if the grantor or settlor has retained powers), any Person who has a 25% or more beneficial interest in the trust, and any trustee.
Land Trust	any Person who owns a 25% or more beneficial interest in the land trust.

303.01 Entity Review

Guidance

When you review an entity, consider the following questions:

- Is it an existing entity (e.g., a corporation, limited liability company, limited liability partnership, or other acceptable structure) that is not newly formed?
- Is it a well-capitalized, stable, on-going business that would be expected to:
 - Remain financially healthy?
 - Support the **Property**?
 - Meet all **Guarantor** requirements and obligations under the **Guaranty**?
 - Have assets and net worth that are significantly greater than what would be minimally acceptable for an individual **Key Principal**?

303.02 Fund

Guidance

When you review a fund, consider the following questions:

- What is the experience and performance history of the fund manager with similar funds?
- Can the fund raise equity from financially substantial investors?



- What is the performance of the fund?
- What is the leverage level of the fund?
- What is the net worth and liquidity of the fund?
- What is the type and quality of
 - the Property and market,
 - other existing properties and markets, and
 - any potential additional properties and markets targeted by the fund pursuant to its agreements?

Additionally, you should review the organizational documents and private placement memorandum (if applicable) for the following information:

- the fund's expiration date;
- any extension to the fund's existence and conditions to approve that extension; and
- the process for winding up the business affairs of the fund, including whether the fund is organized in a state that requires the orderly dissolution of investment funds, such as Delaware or Illinois.

Section 304

Financial Statements

Requirements

You must obtain signed financial statements from all parties relevant to the [Mortgage Loan](#).

If these statements...	Then...
Are dated less than 12 months before the Commitment Date	You do not need a signed "no material adverse change" certification.
Are dated 12 – 24 months before the Commitment Date	You must include a signed certification dated within 30 days before loan application that states they have experienced no material adverse change to their financial condition.



If these statements...	Then...
Are dated more than 24 months old	You cannot use them.

For all financial statements, you must collect:

- A schedule of real estate owned by the party providing the financial statement, including the loan information (such as lender, [DSCR](#), and maturity date) for all assets on the schedule.
- A listing of all other assets, including
 - notes receivable from related entities, and
 - an estimate of the market value of each asset and the basis for calculating value estimates.
- All liabilities and contingent liabilities, including
 - debts under lines or letters of credit,
 - personal guaranties,
 - unmet obligations to partnerships or other entities, and
 - other future obligations (describe the amount and timing of these).
- Any other factors that may impact the party's financial position immediately or during the term of the [Mortgage Loan](#) (including any known threat of potential lawsuits that may arise from the parties' business operations).

Section 305

Multifamily Underwriting Certificate

Requirements

You must obtain the appropriate [Multifamily Underwriting Certificate \(Form 6460\)](#) from the [Borrower](#) and each [Key Principal](#).

You must ensure that the [Form 6460](#) is

- signed and certified as true, correct, and complete, and
- dated within 90 days before the [Commitment](#) date.

If the 90-day limit is exceeded, the [Borrower](#) and [Key Principals](#) must certify that there has been no material adverse change to the financial condition shown in the [Form 6460](#).



You must keep a copy of the [Form 6460](#) in your [Servicing File](#).

Section 306 Fraudulent Conveyance

Requirements

You must not obtain a [Commitment](#) for any [Mortgage Loan](#) if you believe that the [Borrower](#), [Key Principals](#), [Principals](#), or [Guarantors](#) intend to delay, hinder, or defraud creditors.

Guidance

To show that you have made the [Mortgage Loan](#) in good faith, consider the following questions:

- Have you carefully reviewed the facts so that you have a clear defense to potential fraudulent conveyance or fraudulent transfer claims?
- Have you obtained a [Form 6460](#) that confirms the [Borrower's](#) good faith?

Section 307 Applicant Experience Check

Requirements

For both initial applications, [Supplemental Mortgage Loans](#), and any [Transfer/Assumption](#), you must perform an [ACheck™](#) and receive a "Continue Processing" response for

- the [Borrower](#),
- each [Key Principal](#) of the [Borrower](#),
- each [Principal](#) of the [Borrower](#),
- each [Guarantor](#), and
- any person who owns or controls an entity [Key Principal](#).

Operating Procedures

Where can you find ACheck?

You can find the [ACheck](#) application at <https://multifamily.fanniemae.com/applications-technology/acheck>.



When do you use the ACheck application?

As soon as you receive an application request and the necessary tax identification numbers and/or social security numbers, enter the information into [ACheck](#).

- If you have not yet identified all parties at this stage, you must enter all [Key Principals](#), [Principals](#), and [Guarantors](#) of the [Borrower](#) into [ACheck](#) as soon as you identify them.
- If more than 90 days pass between the initial [ACheck](#) and [Commitment Date](#), you must repeat an [ACheck](#).

How do you view ACheck results?

The [ACheck](#) application will provide either a “Continue Processing” or “Do Not Process” electronic response instantaneously.

■ “Continue Processing” Response

You must receive a “Continue Processing” response in order to proceed with the application.

This does not mean that the [Borrower](#), [Key Principal](#), [Principal](#), [Guarantor](#), or [Principal](#) is approved; you are still required to complete full [Mortgage Loan](#) credit underwriting.

■ “Do Not Process” Response

If you receive a response stating “do not continue processing an application for a Fannie Mae loan that involves this applicant” (or similar wording), then:

- Do not proceed with the application, and do not omit any [Key Principal](#), [Principal](#), or [Guarantor](#) for which a “Do Not Process” response was given.
- Use the “Do Not Process” response to indicate that you need to have direct communication with Fannie Mae.
- Follow the instructions provided by the [ACheck](#) application and contact Fannie Mae before proceeding to underwrite the [Mortgage Loan](#).
- Never use the “Do Not Process” response as the sole reason for rejecting or denying credit in any cases not involving Fannie Mae.

You will not be provided any information as to why a particular



Borrower, Key Principal, Principal, or Guarantor received a “Do Not Process” response.

What about confidentiality?

You must establish procedures to ensure that all ACheck responses obtained for Borrowers, Key Principals, Principals, and Guarantors are kept confidential.

How do you maintain ACheck results?

You must print dated copies of your ACheck inquiries and responses for the Mortgage Loan and include these copies in your Servicing File.

Section 308

Compliance

Requirements

You must confirm that the Borrower, Key Principal, Guarantor, and Principals:

- Are not sanctioned or blocked by OFAC.
- Do not exhibit “red flags” that indicate a high risk of money laundering.
- Are not on the
 - FHFA SCP List,
 - HUD "Limited Denial of Participation, Funding Disqualifications and Voluntary Abstentions List," or
 - GSA "System for Award Management (SAM)" Exclusion List.

Fannie Mae will not purchase any Mortgage Loan with a Borrower, Key Principal, Principal, or Guarantor that:

- is sanctioned or blocked by OFAC;
- exhibits "red flags" that indicate a high risk of money laundering; or
- is on the
 - FHFA SCP List,
 - HUD "Limited Denial of Participation, Funding Disqualifications and Voluntary Abstentions List," or
 - GSA "System for Award Management (SAM)" Exclusion List.



Operating Procedures

If you find a “red flag” for money laundering:

1. Do not inform the Borrower, any Borrower Affiliate, Key Principal, Principal, or Guarantor.
2. Report all information that triggered the “red flag” to Fannie Mae to:
 - <https://fims.secure.force.com/MortgageFraudReport> or (800) 232-6643, and
 - Lender Risk Management.
3. Obtain Fannie Mae’s written approval to Deliver the Mortgage Loan.
4. Do not provide any information to Fannie Mae that would indicate whether you have filed a Suspicious Activity Report (SAR) with the Financial Crimes Enforcement Network (FinCEN).

Section 309 Execution of Non-Recourse Guaranty

Requirements

You must obtain a Non-Recourse Guaranty from a Key Principal (the Guarantor) for any Mortgage Loan that has

- an Underwritten DSCR less than
 - 1.35 for fixed rate or
 - 1.10 for variable rate, or
- an LTV greater than 65%.

You do not need to obtain a Non-Recourse Guaranty if the Borrower is a Cooperative Organization or if the Key Principal (who would otherwise be the Guarantor) is a publicly traded entity.

Section 310 Conflict Mortgage Loans

310.01 Description

Requirements



Conflict Mortgage Loan Type	
Conflict Mortgage Loan	<ul style="list-style-type: none"> • Any Mortgage Loan in which: <ul style="list-style-type: none"> - a Lender, any Lender Affiliate, or any Lender Senior Executive <ul style="list-style-type: none"> ▪ owns (or will own) any direct or indirect equity interest in the Borrower, or ▪ directly or indirectly controls the Borrower; or - any Lender employee, or group of employees, owns (or will own) more than a 5% direct or indirect equity interest in the Borrower. • Any Mortgage Loan with DLA Mezzanine Financing. <p>Any equity interest you acquire in the Borrower relating solely to obtaining the associated LIHTCs is not considered when determining if the Mortgage Loan is a Conflict Mortgage Loan (see Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 709: LIHTC Properties – Lender Equity Interest).</p>
Prohibited Conflict Mortgage Loan	<p>Any Mortgage Loan in which</p> <ul style="list-style-type: none"> • the Lender or any single Lender Senior Executive owns more than a 5% direct or indirect equity interest in the Borrower, • any group of Lender Senior Executives together owns more than a 10% direct or indirect equity interest in the Borrower, or • the Lender or any Lender Affiliate is the Property manager.



Conflict Mortgage Loan Type	
Controlling Conflict Mortgage Loan	<p>Any Conflict Mortgage Loan where:</p> <ul style="list-style-type: none">• the Lender<ul style="list-style-type: none">- can (other than through the exercise of a lender's rights and remedies under the Loan Documents) require changes to the management, operations, or decision-making of the Borrower, the Key Principal, any Person holding a Controlling Interest in the Borrower or Key Principal, or any Principal or Guarantor, or- owns any Preferred Equity in the Borrower;• any Lender Affiliate or employee or group of employees of the Lender or any Lender Affiliate<ul style="list-style-type: none">- can require changes to the management, operations, or decision-making of the Borrower, the Key Principal, any Person holding a Controlling Interest in the Borrower or Key Principal, or any Principal or Guarantor,- individually or together own a 25% direct or indirect equity interest in the Borrower or in any Person holding a Controlling Interest in the Borrower at or after loan origination (including any interest acquired as part of a Transfer/Assumption),- own any Preferred Equity in the Borrower, or- exercises rights under DLA Mezzanine Financing that results in a Controlling Conflict Mortgage Loan under these requirements; or• any Lender Senior Executive owns any direct or indirect equity interest in the Borrower.

You must not



- Deliver a Prohibited Conflict Mortgage Loan, or
- cause any Portfolio Mortgage Loan to become a Prohibited Conflict Mortgage Loan.

310.02 Restrictions

310.02A Underwriting

Requirements

You must ensure that no Lender employee or other person involved in Conflict Mortgage Loan underwriting and approval owns any direct or indirect equity interest in the Borrower.

You must include the following in your Transaction Approval Memo:

- the amount of any direct or indirect equity interest in the Borrower owned by any Lender Senior Executive, other Lender employee or group of employees; and
- answers to the following questions, including an explanation if your answer to a question is yes:
 - Does any Lender Senior Executive, other Lender employee or group of employees, or any person who participated in the underwriting or approval of the Mortgage Loan, own any direct or indirect equity interest in the Borrower?
 - Can any Lender Senior Executive, other Lender employee or group of employees, or any person who participated in the underwriting or approval of the Mortgage Loan, require changes to the management, operations, or decision-making of the Borrower?

In addition, your underwriting submission must include:

- copies of the Borrower's organizational documents and financial statements;
- copies of all organizational documents and financial statements for any Lender Affiliate that holds a direct or indirect equity ownership interest in the Borrower; and
- an organizational chart or diagram showing
 - the complete ownership structure of the Borrower,
 - the relationship among the Lender, Borrower, and applicable



Lender Affiliate, and

- the percentage ownership of each entity.

Operating Procedures

You must designate the **Mortgage Loan** as a Conflict Mortgage Loan in C&D.

310.02B Servicing

Requirements

As **Servicer** of a Controlling Conflict Mortgage Loan, you must not

- participate in loss mitigation or special asset management decisions if it becomes a **Non-Performing Mortgage Loan**, or
- be notified of, or participate in, any negotiations or communications between Fannie Mae and the **Borrower**, **Key Principal**, or **Principal** (or any **Affiliate** of any of them).

Fannie Mae will make reasonable efforts to provide copies of written communications between Fannie Mae and other parties.

These servicing restrictions apply as long as the **Mortgage Loan** is considered a Controlling Conflict Mortgage Loan.

Operating Procedures

1. Fannie Mae has sole discretion to decide what action, if any, to take regarding any Controlling Conflict Mortgage Loan, any **Property** securing a Controlling Conflict Mortgage Loan, or any **Borrower** or **Guarantor**.
2. If Fannie Mae decides that a Controlling Conflict Mortgage Loan has a material risk of default or other characteristics of increased risk, it can
 - designate a substitute servicer or subservicer, or
 - terminate (with or without cause) your right to service the **Mortgage Loan**.
3. Fannie Mae will comply with the **Program Rules** Part 3 Sections B and C relating to Fannie Mae initiated servicing transfers. After



servicing is transferred, you will retain your loss sharing obligation.

310.02C No First Right of Refusal

Requirements

You will not have any First Right of Refusal to purchase a [Property](#) that secured a Conflict Mortgage Loan, even if the Loss Sharing Addendum to the [MSSA](#) grants you this right.

310.02D Additional Disclosure

Operating Procedures

For an [MBS](#) backed by a Conflict Mortgage Loan, you must indicate in [C&D](#)

- that additional disclosure is required, and
- whether it is the [Lender](#), a [Lender Affiliate](#), a [Lender Senior Executive](#), a [Lender](#) employee, or group of employees who has a [Controlling Interest](#) or a [non-Controlling Interest](#).

310.02E Notifications

Requirements

If, after delivering a [Mortgage Loan](#), it becomes a Conflict Mortgage Loan, you must deliver all materials described in this Section to [Multifamily Asset Management](#) within 30 days after acquiring each equity interest.