



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of June 12, 2023

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Summary of Changes

HIGHLIGHTS
Effective as of June 12, 2023 , updated minimum Letter of Credit issuer ratings requirements.

Primary Changes

In Part I, Chapter 2: Mortgage Loan, Section 204.02: Issuers and Ratings, ratings criteria were updated for financial institutions issuing or confirming a Letter of Credit. A financial institution is eligible to issue or confirm a Letter of Credit if it satisfies the following ratings criteria:

- a Standard and Poor's long-term issuer rating of "A" or better; or
- a Moody's long-term issuer rating of "A2" or better.

Questions

Please contact Lender Risk Management at lender_risk_management@fanniemae.com with any questions.



Chapter 2

Mortgage Loan

Section 201

Registration and Multifamily Affordability Estimator

Requirements

You must:

- register each [Mortgage Loan](#) in [DUS Gateway](#); and
- submit the Multifamily Affordability Estimator (MAE), and all other required affordability data, in [DUS Gateway](#) at the earlier of when you:
 - request a pricing quote, if it will incorporate the [Property's](#) affordability; and
 - place the transaction under application.

Operating Procedures

You must submit:

- the MAE;
- all required data fields, including the following based on the completed MAE:
 - “% Mission Driven” in the “Deal Overview” section;
 - percent of AMI in the “Property Detail” section:
 - “% of Units <= 80% of AMI”;
 - “% of Units <= 60% of AMI”; and
 - “% of Units <= 50% of AMI”; and
 - loan options based on the proposed transaction structure.

Section 202

Delegated Mortgage Loans

Requirements

If your [Lender Contract](#) provides you with the delegated authority, you may underwrite, commit, and [Deliver](#) any fully-delegated [Mortgage Loan](#) (see [Part I, Chapter 1: Overview, Section 102: Delegation and](#)



Underwriting).

Section 203

Pre-Review Mortgage Loans

Requirements

You must obtain Fannie Mae's [Pre-Review](#) approval before requesting a [Commitment](#) for any [Pre-Review Mortgage Loan](#) and any [Mortgage Loan](#) that is not fully delegated to you.

You must ensure that your Chief Underwriter, or a delegated employee directly supervised by your Chief Underwriter, reviews and approves all material supporting the [Pre-Review](#) approval request before submitting it.

Operating Procedures

The [Pre-Review](#) approval process must follow these steps:

Step 1: You submit a [Pre-Review](#) request to the [Fannie Mae Deal Team](#) via [DUS Gateway](#) that includes, at a minimum:

- a loan-sizing spreadsheet with the preliminary [Underwritten NCF](#) and a refinance risk analysis;
- a narrative describing the overall transaction, including risks and mitigating factors for [Pre-Review](#) reasons; and
- any additional information requested by Fannie Mae.

Step 2: Fannie Mae's [Pre-Review](#) response will indicate:

- **Approval.** You have [Pre-Review](#) approval to underwrite the [Mortgage Loan](#) and request a [Commitment](#) on the proposed terms without further Fannie Mae approval before purchase.
- **Resubmission Required.** You are authorized to underwrite the [Mortgage Loan](#) on the proposed terms and pricing, but you must resubmit it after full underwriting for Fannie Mae [Pre-Review](#) approval at least 10 [Business Days](#) before requesting a [Commitment](#).
- **Decline Approval.** You do not have Fannie Mae [Pre-Review](#) approval and may not request a [Commitment](#) on the proposed terms.

Section 204

Letters of Credit



204.01 Generally

Requirements

You must comply with this Section for all [Letters of Credit](#) posted as [Collateral](#) for a [Mortgage Loan](#).

You must obtain Fannie Mae's approval for any new or renewal [Letter of Credit](#), regardless of whether the [Letter of Credit](#) is required by you or Fannie Mae.

All [Letters of Credit](#) must:

- Name Fannie Mae as the sole beneficiary.
- Have a minimum term of 1 year.
- Be issued or confirmed by a financial institution that meets the eligibility criteria in [Part I, Chapter 2: Mortgage Loan, Section 204.02: Issuers and Ratings](#).

All [Letters of Credit](#) must meet the requirements in the [Irrevocable Letter of Credit Instructions \(Form 4663\)](#), including the form of sight draft on the [Issuer](#).

Operating Procedures

How do you request approval to use a [Letter of Credit](#)?

Step 1: Complete the [Letter of Credit Authorization and Certification Form \(Form 4664.B\)](#) that states

- whether the [Letter of Credit](#) is new or will renew or confirm an existing [Letter of Credit](#), and
- that the [Letter of Credit](#) is posted as [Collateral](#) for a [Mortgage Loan](#).

Step 2: Indicate whether the [Letter of Credit](#) is required by the [Guide](#) or is required by you as additional collateral. If you require the [Letter of Credit](#), include the [Loan Document](#) imposing the requirement.

Step 3: Send the completed [Form 4664.B](#) to [Lender Risk Management](#).

What do you do after Fannie Mae has approved a [Letter of Credit](#)?

Step 1: Send the original [Letter of Credit](#):

- to be delivered the following business day; and
- addressed to [Multifamily Certification and Custody, Attention:](#)



Manager, Multifamily Operations - Recourse and Collateral.

Step 2: Include Form 4664.B in the Mortgage Loan Delivery Package

Step 3: Retain a copy of Form 4664.B in your Servicing File.

204.02 Issuers and Ratings

Operating Procedures

Who is eligible to issue a Letter of Credit?

A financial institution that satisfies the ratings criteria may issue or confirm a Letter of Credit.

You, one of your Affiliates, or an Affiliate of the Borrower, may issue a Letter of Credit, but only if it is confirmed by a financial institution that is not an Affiliate of you or the Borrower.

Fannie Mae, in its sole discretion, may prohibit you from obtaining a Letter of Credit (or confirming a Letter of Credit) from a specific financial institution.

What ratings do Issuers need to satisfy?

A financial institution is eligible to issue or confirm a Letter of Credit if it satisfies the following ratings criteria:

- a Standard and Poor's long-term issuer rating of
 - "A+" or better, or
 - "A" and the financial institution has a "stable" or "positive outlook" rating; OR
 - "A" or better; or
- a Moody's long-term issuer rating of
 - "A1" or better, or
 - "A2" and the financial institution has a "stable" or "positive outlook" rating.
 - "A2" or better.

204.03 Verifying Issuer Ratings

Requirements

You must monitor and verify the rating of any financial institution issuing



or confirming a [Letter of Credit](#)

- throughout the term of the [Letter of Credit](#),
- on each anniversary of the date of issuance, and
- on the date of any renewal, replacement, or amendment.

If the ratings of the financial institution issuing or confirming the [Letter of Credit](#) fall below the ratings criteria you must

- contact [Multifamily Business Operations](#) promptly, and
- use a financial institution that satisfies the ratings criteria to replace or confirm the [Letter of Credit](#).

A change from “stable” or “positive outlook” to “negative outlook” or “on watch for downgrade” would represent a fall below the ratings criteria.

204.04 Restrictions on Issuer Collateral

Requirements

You must ensure that the [Issuer](#) does not collateralize the [Letter of Credit](#) with a lien on

- the [Property](#), or
- any personal property that secures the [Mortgage Loan](#).

204.05 Drawing on Letter of Credit

Operating Procedures

You may, with Fannie Mae’s written approval, instruct the issuing bank to honor a draw on the [Letter of Credit](#) by depositing the proceeds into an account designated by Fannie Mae.