Fannie Mae

Multifamily Selling and Servicing Guide

Effective as of August 20, 2026

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Chapter 17 Choice Refinance Loans

Section 1701 Eligibility

Requirements

A Choice Refinance Loan is a Portfolio Mortgage Loan that is eligible for a streamlined underwriting process which reduces origination costs.

To use the Choice Refinance Loan streamlined underwriting, you must ensure:

Topic	Requirements
Prerequisites	• You have been the Servicer of the Portfolio Mortgage Loan for the last 12 months. • The Portfolio Mortgage Loan is not in default. • The Borrower has demonstrated a commitment to its obligations under the Portfolio Mortgage Loan by - maintaining the Property in good physical condition, - providing competent Property management services, and - complying with the requirements under the Loan Documents. • You completed a full PCA per - Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 404: Property Condition Assessment (PCA), and - Form 4099. • The Property: - is operating on a stabilized basis; - has a most recent overall inspection rating of 1 or 2;and - during the underwriting inspection,does not show any: ▪ adverse change in Property condition, except normal wear and tear;or ▪ life safety issues.

Topic	Requirements
Loan History	• The Portfolio Mortgage Loan: - has a good payment history, with no delinquencies of 60 days or more during the 3 years immediately preceding the proposed refinance; - is not on the current Fannie Mae Watchlist; - had no declared non-Payment Defaults that remained uncured for more than 120 days; - was underwritten and delivered per then-applicable Guide provisions; and - is serviced per the Guide. • There were no unauthorized assumptions or changes in ownership, and no unauthorized Liens filed against the Property.
Additional Collateral	The Portfolio Mortgage Loan does not have a Letter of Credit or additional cash collateral.
Pricing	The pricing that was approved for the Portfolio Mortgage Loan does not apply to the Choice Refinance Loan.
Underwriting	The Choice Refinance Loan, regardless of the Underwritten DSCR, must be of sufficient credit quality to repay the refinanced Mortgage Loan without individually negotiated debt relief.

Section 1702 Prepayment Premiums

Requirements

You must not waive any:

- Prepayment Premium based on required yield maintenance; or
- portion of the Minimum 1% Prepayment Premium above the required yield maintenance if the Portfolio Mortgage Loan
  - has a minimum Prepayment Premium other than 1%,
  - will be refinanced before the Yield Maintenance Period End Date, or
  - is a fixed rate MBS Mortgage Loan with an Issue Date before April 1, 1999.

Guidance

For all other Choice Refinance Loans:

Cash or MBS	You may waive the Minimum 1% Prepayment Premium...
Fixed Rate	• after the Yield Maintenance Period End Date,or • for declining Prepayment Premiums during the 6 months before the Maturity Date.
ARM and SARM	after any lockout if the Portfolio Mortgage Loan • is being refinanced with a fixed rate 7- or 10-year term, and • was either - an ARM Loan with a Plan Number of 02160, 02254, 02255, 03471, or - a SARM Loan with a Plan Number of 03488.

Section 1703 Streamlined Underwriting

1703.01 Environmental Site Assessment

Requirements

A Phase I Environmental Site Assessment is not required if:

- an Environmental Professional performs an environmental database review and identifies no
  - potential environmental concerns (as defined in ASTM E1528 - Standard Practice for Limited Environmental Due Diligence: Transaction Screen), or
  - adverse conditions requiring further due diligence;
- the Borrower enters into an Environmental Indemnity Agreement (Form 6085); and
- you confirm that the Borrower is appropriately implementing any existing O&M Plans for the Property.

1703.02 Radon Testing

Requirements

You must ensure any radon testing required per Environmental Due Diligence Requirements (Form 4251) is performed, unless testing meeting the current requirements of Form 4251 was performed when the Portfolio Mortgage Loan was originated.

1703.03 Survey

Requirements

Part II, Chapter 3: Legal Compliance, Section 305: Survey does not apply if the:

- new mortgagee title insurance policy includes all title exceptions, including those that would appear based upon the most recent survey provided by the Borrower (whether it is the original survey for the Portfolio Mortgage Loan or a subsequent one);
- Borrower certifies that there have been no changes or improvements to the Property since the later of the date of the survey
  - referenced in the original title policy, or
  - most recently completed; and
- Property inspection report reveals no evidence of new construction or encroachments on the site from construction on adjoining properties.

1703.04 Borrower Structure and Experience

Requirements

You must:

- Obtain a new Multifamily Underwriting Certificate (Form 6460 series) from the Borrower, any Guarantor, and any Key Principal.
- Obtain updated copies of the organizational documents of the Borrower and the Key Principal, and confirm that the Borrower's organizational structure complies with Part II, Chapter 3: Legal Compliance.
- Confirm that no unauthorized change has been made to the Borrower's organizational structure or documents.
- Obtain a new good standing certificate from the jurisdiction where the Borrower is organized.

1703.05 Borrower Credit

Requirements

You must obtain and review new financial statements for all parties relevant to the transaction.

For Small Mortgage Loans, you must:

- confirm that the FICO scores of any such individuals comply with Part III, Chapter 9: Small Mortgage Loans, Section 911.02: FICO Scoring; and
- ensure that the net worth and liquidity complies with Part III, Chapter 9: Small Mortgage Loans, Section 910.06: Net Worth and Liquid Assets.

Guidance

If the Borrower or any Key Principal, Guarantor, or Principal submitted financial statements within the past 12 months, then in lieu of new financial statements, you may accept a certification that there has been no material adverse change from the financial condition or credit standing reflected in the financial statements.

1703.06 Property Management

Guidance

You may elect not to review the Property management or agreement per Part II, Chapter 1: Attributes and Characteristics, Section 114: Property Management and Agreement.

1703.07 Replacement Reserve

Requirements

You must ensure the Replacement Reserve is funded as follows:

If...	Then...
The Property • is located in a Pre-Review Market that is not eligible for delegation at any Tier per Section II of Form 4660 , and • the market was a Pre-Review Market when the Portfolio Mortgage Loan was originated.	The Borrower must fully fund the Replacement Reserve.
The Property • is located in a Pre-Review Market that is not eligible for delegation at any Tier per Section II of Form 4660 , and • the market was not a Pre-Review Market when the Portfolio Mortgage Loan was originated.	You must determine the Replacement Reserve funding per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve.
The Property is located in • a Strong Market, • a Nationwide Market, or • a Pre-Review Market that is eligible for Tier 3 and Tier 4 Mortgage Loans on a delegated basis per Section II of Form 4660 .	You must determine the Replacement Reserve funding per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve.

1703.08 Real Estate Tax and Insurance Escrows

Requirements

You must require T&I escrow deposits for a Tier 2 Choice Refinance Loan unless Fannie Mae waived the T&I escrow for the Portfolio Mortgage Loan. If you do not require T&I escrow deposits, then you must comply with Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 407: Escrow Requirements for Taxes and Insurance.

Section 1704 Property Ownership Change

Guidance

If at the time of the refinance of the Portfolio Mortgage Loan the Property is being sold to a new owner, then you may use the streamlined underwriting per Part III, Chapter 17: Choice Refinance Loans, Section 1704.01: Environmental Site Assessment provided that you comply with Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals for underwriting the Borrower, Key Principals, Guarantors, and Principals.

You may also use the streamlined underwriting per Part III, Chapter 17: Choice Refinance Loans, Section 1701: Eligibility for Portfolio Mortgage Loans that were assumed before being refinanced as a Choice Refinance Loan.