



Multifamily Selling and Servicing Guide

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Summary of Changes

HIGHLIGHTS

Effective August 23, 2021, Fannie Mae continues its CLASS initiative by publishing the legacy DUS Guide chapters and associated Loan Documents as new:

- Part III, Chapter 19: Bond Transactions and Credit Enhancement Mortgage Loans;
- Part III, Chapter 20: Forward Commitments;
- Part IV, Chapter 8: Bond Transactions and Credit Enhancement Mortgage Loans;
- Modifications to Security Instrument (Unfunded Forwards) (Form 6321); and
- Delivery Assurance Agreement (Unfunded Forwards) (Form 6488).

Primary Changes

Continuing the CLASS initiative, the remaining DUS Guide chapters were rewritten and incorporated into Parts III and IV of the Multifamily Selling and Servicing Guide, with associated new Loan Documents on <https://multifamily.fanniemae.com/documents-forms/loan-documents>. This publication,

- fully retires the legacy DUS Guide which will be removed from AllRegs, and
- establishes the Multifamily Selling and Servicing Guide as the sole published Guide for Multifamily business.

Superseded Publications

- Lender Memo 08-12: Enhancements to the MAH Unfunded Forward Rate Lock commitment execution.
- Lender Memo 08-16: Bond Credit Enhancement.
- Lender Memo 10-02: Forward Executions.

Questions

Please contact the Fannie Mae Deal Team with any questions.



Chapter 19

Bond Transactions and Credit Enhancement Mortgage Loans

Section 1901

Description

Guidance

A Bond credit enhancement may involve

- a Standby Credit Enhancement Instrument,
- a Direct Pay Credit Enhancement Instrument,
- a secondary market Credit Enhancement Instrument, or
- an MBS.

In addition to credit enhancing the Bonds, both the Standby Credit Enhancement Instrument and the Direct Pay Credit Enhancement Instrument may provide

- liquidity support, and
- if the Bonds are issued under an Open Indenture, credit enhancement of the Mortgage Loan.

Requirements

You must coordinate all aspects of a Credit Enhancement Mortgage Loan transaction with your counsel and Fannie Mae's counsel.

For Bonds that are privately placed or purchased directly, you must consult with the Fannie Mae Deal Team and Fannie Mae's counsel for pricing and disclosure requirements.

For a Forward Commitment Credit Enhancement Mortgage Loan, you must also comply with Forward Commitments (15546).



Terms	Credit Enhancement Instrument	MBS for Bonds
<u>Fannie Mae Guarantees</u>	<ul style="list-style-type: none"> • <u>Bond P&I for Closed Indenture Bonds.</u> • <u>Mortgage Loan P&I for Open Indenture Bonds.</u> • <u>Up to 25 basis points of Bond Issuer fees.</u> 	<u>Bond P&I.</u>
<u>Basis</u>	<u>Either</u> <ul style="list-style-type: none"> • <u>Standby, or</u> • <u>Direct Pay.</u> 	<u>Direct Pay.</u>
<u>Interest Rate Type</u>	<u>Either</u> <ul style="list-style-type: none"> • <u>fixed rate, or</u> • <u>variable rate Bonds.</u> 	<u>Either</u> <ul style="list-style-type: none"> • <u>fixed rate, or</u> • <u>variable rate Bonds with a SARM Loan.</u>
<u>Documents</u>	<ul style="list-style-type: none"> • <u>Any new Bond issued must be documented on Fannie Mae Bond and Loan Document forms.</u> • <u>For substitute credit enhancements where the existing Bonds remain outstanding, the existing Bond and Loan Documents must be:</u> <ul style="list-style-type: none"> - <u>amended and restated on Fannie Mae form documents; or</u> - <u>amended only as necessary per Fannie Mae.</u> 	
<u>Credit Enhancement Timing</u>	<u>Credit Enhancement Instrument is delivered</u> <ul style="list-style-type: none"> • <u>on the Bond issuance date for a new Bond, or</u> • <u>when Fannie Mae provides new or substitute credit enhancement.</u> 	<u>Mortgage Loan is originated with Bond issuance and the MBS, when issued, is deposited with the Bond Trustee.</u>

Section 1902

Outside Counsel



1902.01 Engagement

Requirements

You must request Fannie Mae's outside counsel assignment before any transaction structuring discussions begin.

Operating Procedures

To request Fannie Mae's outside counsel assignment, submit a Counsel Designation Request (Form 4625.B) to counsel_designations@fanniemae.com.

Fannie Mae selects its own outside counsel but may consider your request for a specific counsel.

1902.02 Fees

Requirements

You must pay Fannie Mae's outside counsel fees and costs regardless of whether the transaction closes.

Guidance

You may charge the Borrower for Fannie Mae's outside counsel fees and costs.

For a Credit Enhancement Instrument, you may choose to have Fannie Mae's outside counsel

- prepare the Loan Documents, and
- review title insurance and survey matters.

If Fannie Mae's outside counsel performs these services:

- the counsel will only represent Fannie Mae, not you; and
- you will be responsible for the additional fees.

Section 1903 Third Parties

1903.01 Generally



Requirements

You must coordinate with all third parties and their counsels to ensure the transaction complies with their requirements.

Fannie Mae reserves the right, in its sole discretion, to reject any third party's involvement, including:

- Bond Issuer;
- Bond Trustee;
- Bond underwriter;
- any Remarketing Agent;
- any Bond liquidity provider; and
- any Interest Rate Cap provider.

1903.02 Remarketing Agent

Requirements

You must ensure any Remarketing Agent:

- currently remarkets at least \$250 million of weekly variable rate demand Bonds;
- has continuously remarketed weekly variable rate demand Bonds for the past 3 years;
- has a minimum net worth of \$5 million; and
- has a minimum broker line of credit sufficient for warehousing \$100 million of rated Bonds at any time.

Operating Procedures

Fannie Mae's counsel must confirm that the Remarketing Agreement terms comply with Fannie Mae requirements.

Section 1904 Legal Documents

1904.01 Generally

Operating Procedures



Fannie Mae's counsel will advise your counsel regarding the appropriate Fannie Mae [Loan Documents](#) for the [Bond](#) structure.

Immediately after [Bond](#) closing, you must:

- [obtain a final Bond transcript from Bond counsel;](#)
- [submit it via CD to Multifamily Certification and Custody; and](#)
- [maintain a copy in your Servicing File.](#)

1904.02 Credit Enhancement Instrument

[Guidance](#)

Fannie Mae's [Credit Enhancement Instrument Loan Documents](#) presume the [Bond Issuer](#) will:

- [be the initial lender and secured party under the Security Instrument; and](#)
- [immediately assign the Multifamily Bond Note and Security Instrument to Fannie Mae and the Bond Trustee, as co-assignees.](#)

[Requirements](#)

You must ensure that Fannie Mae (not you or the [Bond Issuer](#)) is named as the counterparty or beneficiary in the [Credit Enhancement Mortgage Loan](#) agreements and collateral assignments.

[Operating Procedures](#)

Fannie Mae and its counsel will:

- [prepare the](#)
 - [Credit Enhancement Commitment Letter,](#)
 - [credit enhancement documents,](#)
 - [multifamily Note; and](#)
- [review and approve all Bond documents.](#)

You may ask Fannie Mae's counsel to also prepare other [Loan Documents](#), or your counsel may prepare these documents.



1904.03 MBS for Bonds

Operating Procedures

The MBS For Bonds loan structure is identical to a standard Mortgage Loan.

Your counsel must:

- Prepare the standard 6000 series Loan Documents.
- Consult with Fannie Mae's counsel to
 - integrate the standard Loan Document provisions into the Bond transaction structure, and
 - incorporate any Bond related modifications into the Loan Documents.

1904.04 Affordable Regulatory Agreements

Operating Procedures

1. If an Affordable Regulatory Agreement must be recorded before the Security Instrument to ensure the Bond's tax-exempt status, Fannie Mae's counsel will provide an Affordable Regulatory Agreement rider subordinating it to the Security Instrument.
2. You must ensure the Bond Issuer attaches the rider to the Affordable Regulatory Agreement.

Section 1905

Fannie Mae LIHTC Investment in Credit-Enhanced Bonds

Guidance

Per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 710.02: Fannie Mae Credit-Enhanced Tax-Exempt Bond Issuance, Fannie Mae may be a LIHTC investor in the Borrower for a project financed by tax-exempt Bonds that Fannie Mae will also be credit enhancing. To avoid potential adverse tax consequences, if Fannie Mae is a LIHTC investor on a Credit Enhancement Mortgage Loan, Fannie Mae's counsel will prepare the LIHTC agreement among the

- Bond Issuer,



- [Borrower, and](#)
- [Fannie Mae.](#)

[Requirements](#)

[You must determine if Fannie Mae will be a LIHTC investor on a Credit Enhancement Mortgage Loan. If so, you must confirm:](#)

- [Fannie Mae does not hold a direct equity interest in the Borrower;](#)
- [Fannie Mae’s indirect equity interest in the Borrower is less than 50%;](#)
- [the IRS documentation filed for the Bond issuance shows that none of the Bond proceeds were applied to pay any portion of Fannie Mae’s Credit Enhancement Fee;](#)
- [the Bond Issuer, Borrower, and Fannie Mae enter into a LIHTC agreement acknowledging Fannie Mae’s equity interest; and](#)
- [any LIHTC agreement required notices to the Borrower and Bond Issuer were provided.](#)

Section 1906

Credit Enhancing Fixed Rate Bonds

1906.01 [Terms](#)

[Requirements](#)

Terms	Credit Enhancement Instrument	MBS for Bonds
Interest Rate Reset	<ul style="list-style-type: none"> • Used if the Bonds <ul style="list-style-type: none"> - have a fixed rate for a specified period before maturity, and - require remarketing on scheduled mandatory tender dates. • Occurs after the fixed rate period per the Bond and Loan Documents. 	Not available.



Terms	Credit Enhancement Instrument	MBS for Bonds
<u>Loan Term</u>	<u>Credit Enhancement Mortgage Loan must:</u> <ul style="list-style-type: none"> • for a <u>Property with new 4% LIHTCs</u>, have a term of at least 10 years, with a maximum of 30 years; or • for a <u>Property without new 4% LIHTCs</u>, have a term less than or equal to the <u>Bond term</u>, with a maximum of 30 years. 	
<u>Fannie Mae Fees</u>	<u>Credit Enhancement Fee</u>	<u>Guaranty Fee</u>
<u>Trustee Fee and Bond Issuer Fee</u>	<u>Underwritten as</u> <ul style="list-style-type: none"> • an <u>operating expense</u>, or • <u>part of the Gross Note Rate</u>. 	<u>Underwritten as an operating expense.</u>
<u>Gross Note Rate</u>	<u>Sum of the</u> <ul style="list-style-type: none"> • <u>Bond interest rate</u>, • <u>Facility Fee (calculated per Facility Fee (15506)) divided by the Bond UPB</u>, and • <u>trustee fee and Bond Issuer fee</u>, if they are not <u>underwritten as an operating expense</u>. 	<u>Sum of the</u> <ul style="list-style-type: none"> • <u>Bond interest rate</u>, • <u>Guaranty Fee</u>, and • <u>Servicing Fee</u>.

1906.02 Multiple Fixed Rate Bonds

Operating Procedures

If the fixed rate Bond issue has multiple Bonds with different maturity dates and interest rates, the fixed rate for the entire Bond issue will be the weighted average of the individual Bond rates, and considering the different maturities.

Section 1907 Credit Enhancing Variable Rate Bonds

1907.01 Terms

Guidance

Fannie Mae does not provide liquidity support for variable rate demand



Bonds.

Requirements

<u>Terms</u>	<u>Credit Enhancement Instrument</u>	<u>MBS for Bonds</u>
<u>Variable Interest Rate</u>	<p><u>A Bond and Credit Enhancement Mortgage Loan must have an interest rate linked to</u></p> <ul style="list-style-type: none"> • <u>the SIFMA Municipal Swap Index,</u> • <u>an Index that adjusts weekly, or</u> • <u>a SOFR-based index.</u> 	<ul style="list-style-type: none"> • <u>Mortgage Loan must comply with Part III, Chapter 12: Structured Adjustable Rate Mortgage (SARM) Loans.</u> • <u>Bonds must have an interest rate linked to a SOFR-based index.</u>
<u>Bond Liquidity</u>	<p><u>You must obtain Fannie Mae’s approval for any third party providing Bond liquidity support.</u></p>	
<u>No New 4% LIHTCs</u>	<p><u>Credit Enhancement Mortgage Loan must have a term of at least 5 years, with a maximum of 30 years.</u></p>	<p><u>Credit Enhancement Mortgage Loan must have a:</u></p> <ul style="list-style-type: none"> • <u>term of at least 5 years, with a maximum of 30 years; and</u> • <u>Maturity Date coinciding with the</u> <ul style="list-style-type: none"> - <u>final Bond maturity date, adjusted for applicable payment timing differences, or</u> - <u>initial Bond tender and remarketing, if the Bond has a scheduled mandatory tender date for remarketing.</u>



Terms	Credit Enhancement Instrument	MBS for Bonds
<p><u>New 4% LIHTCs</u></p>	<p><u>Credit Enhancement Mortgage Loan must have a term of at least 10 years, with a maximum of 30 years.</u></p>	<p><u>Credit Enhancement Mortgage Loan must have a:</u></p> <ul style="list-style-type: none"> • <u>term of at least 10 years, with a maximum of 30 years; and</u> • <u>Maturity Date coinciding with the</u> <ul style="list-style-type: none"> - <u>final Bond maturity date, adjusted for applicable payment timing differences, or</u> - <u>initial Bond tender and remarketing, if the Bond has a scheduled mandatory tender date for remarketing.</u>
<p><u>Variable Underwriting Rate</u></p>	<p><u>Determined by Fannie Mae.</u></p>	<p><u>Per Part III, Chapter 12: Structured Adjustable Rate Mortgage (SARM) Loans.</u></p>
<p><u>Amortization</u></p>	<p><u>For a variable rate Credit Enhancement Mortgage Loan using an Interest Rate Cap, use the greater of the</u></p> <ul style="list-style-type: none"> • <u>Variable Underwriting Rate, or</u> • <u>actual Cap Strike Rate.</u> 	<p><u>Per Part III, Chapter 12: Structured Adjustable Rate Mortgage (SARM) Loans.</u></p>
<p><u>Maximum SARM Loan</u></p>	<p><u>Per Part III, Chapter 12: Structured Adjustable Rate Mortgage (SARM) Loans.</u></p>	
<p><u>PRF</u></p>	<p><u>You must establish a PRF.</u></p>	<p><u>Not applicable.</u></p>
<p><u>Fannie Mae Fees</u></p>	<p><u>Credit Enhancement Fee.</u></p>	<p><u>Guaranty Fee.</u></p>



Terms	Credit Enhancement Instrument	MBS for Bonds
<u>Trustee Fee and Bond Issuer Fee</u>	<u>Underwritten as</u> <ul style="list-style-type: none"> • <u>an operating expense, or</u> • <u>part of the Gross Note Rate.</u> 	<u>Underwritten as an operating expense.</u>
<u>Gross Note Rate</u>	<u>Sum of the</u> <ul style="list-style-type: none"> • <u>Bond interest rate,</u> • <u>Facility Fee (calculated per Facility Fee (15506)) divided by the Bond UPB,</u> • <u>trustee fee and Bond Issuer fee, if they are not underwritten as an operating expense, and</u> • <u>cap cost factor.</u> 	<u>Sum of the</u> <ul style="list-style-type: none"> • <u>Bond interest rate,</u> • <u>Guaranty Fee, and</u> • <u>Servicing Fee.</u>

1907.02 Principal Reserve Fund

 Operating Procedures



Topics	Principal Reserve Fund Process
<u>Borrower Election</u>	<p>Before <u>Commitment</u>, the <u>Borrower</u> must select 1 of the following options to redeem <u>Bonds</u>:</p> <ul style="list-style-type: none"> • <u>Minimum Dollar Balance</u>: <ul style="list-style-type: none"> - <u>Required option for a non-single-asset entity Borrower</u>. - <u>PRF deposits accumulate until the balance is at least \$100,000</u>. - <u>Bonds eligible for redemption are redeemed in \$100,000 increments</u>. • <u>Minimum Percentage Balance</u>: <ul style="list-style-type: none"> - <u>PRF deposits accumulate until the balance is at least \$100,000 greater than 20% of the original Bond principal amount</u>. - <u>Bonds eligible for redemption are redeemed in \$100,000 increments, but the redemption payments may not reduce the PRF balance below 20% of the original Bond principal amount</u>.
<u>PRF Deposit Amount</u>	<p><u>PRF deposits</u> represent the <u>principal amortization amount</u> of the <u>Credit Enhancement Mortgage Loan</u> based on</p> <ul style="list-style-type: none"> • <u>level P&I payments throughout the Bond term, and</u> • <u>amortization per Terms (15466)</u>.
<u>PRF Deposit Schedule</u>	<p><u>On the Mortgage Loan Origination Date</u>, you must calculate and attach the <u>Schedule of Deposits to the Principal Reserve Fund to the Reimbursement Agreement</u>.</p>

1907.03 Interest Rate Cap

Requirements



Terms	You must ensure the third-party Interest Rate Cap..
<u>Interest Rate Cap</u>	For a variable rate <u>Credit Enhancement Mortgage Loan with variable rate Bonds</u> , is purchased and maintained for the entire time the variable rate <u>Bonds</u> are credit enhanced.
<u>Index</u>	Has the same <u>Index</u> as the variable rate <u>Bonds</u> .
<u>Interest Rate Cap Provider</u>	Is obtained from an approved provider listed on www.fanniemae.com/multifamily .
<u>Initial Interest Rate Cap</u>	Notional Amount equals the <u>Bond UPB</u> when the <u>Interest Rate Cap</u> is purchased.
<u>Minimum Interest Rate Cap Term</u>	Agreement remains continually in place until the earlier of <ul style="list-style-type: none"> • <u>5 years</u>, or • <u>the remaining Bond term</u>.
<u>Replacement Cap</u>	Replacement is purchased if the existing <u>Interest Rate Cap</u> expires before the variable rate <u>Bond conversion or Maturity Date</u> .
<u>Replacement Cap Strike Rate</u>	<u>Replacement Cap Strike Rate</u> is the same or lower than the initial <u>Interest Rate Cap</u> <u>Strike Rate</u> .
<u>Cap cost factor</u>	Cost factor is included in the <u>Variable Underwriting Rate</u> per Part III, Chapter 12: <u>Structured Adjustable Rate Mortgage (SARM) Loans, Section 1205.03: Including the Cap Cost Factor in the Variable Underwriting Rate</u> .
<u>Interest Rate Cap Reserve Adjustment</u>	<u>Cash reserve</u> : <ul style="list-style-type: none"> • <u>is evaluated at the end of each 12-month period to determine if the cost of the replacement Interest Rate Cap has increased, based on market conditions; and</u> • <u>future deposits are not decreased even if the future Interest Rate Cap cost has decreased.</u>



Terms	You must ensure the third-party Interest Rate Cap..
<u>Documents</u>	<u>Documents are:</u> <ul style="list-style-type: none">• <u>on acceptable forms; and</u>• <u>delivered to Fannie Mae, including the</u><ul style="list-style-type: none">- <u>Interest Rate Cap Agreement, and</u>- <u>Interest Rate Cap Reserve and Security Agreement (Form 6442).</u>

 Operating Procedures

Fannie Mae will engage outside counsel at your expense to review all Interest Rate Cap-related documents.


1907.04 Cap Strike Rate

 Operating Procedures

The Borrower must purchase an Interest Rate Cap with a Cap Strike Rate that is determined

- for a Credit Enhancement Instrument, by Fannie Mae, or
- for an MBS for Bonds, per Part III, Chapter 12: Structured Adjustable Rate Mortgage (SARM) Loans, Section 1205.02: Determining the Cap Strike Rate.

1907.05 Interest Rate Cap Reserve

 Requirements

You must ensure the Borrower fully funds a cash reserve to purchase replacement Interest Rate Caps.

 Operating Procedures

- If the initial Interest Rate Cap Agreement term is 5 years, you must ensure the Borrower funds the cash reserve with each monthly Mortgage Loan payment during the term.
- Calculate the monthly reserve payments for the first 12 months using the estimated cost of a replacement Interest Rate Cap with a 5-year



term and the initial Cap Strike Rate.

- If the initial Interest Rate Cap term is more than 5 years, you must ensure the Borrower's monthly reserve payments for the replacement cap begin no later than 5 years before the existing Interest Rate Cap expires.

➔ Guidance

For example, if

- a 5-year initial Interest Rate Cap is purchased with a 10-year term and a 6.00% Cap Strike Rate, and
- the cost of a replacement 5-year cap with a 6.00% Cap Strike Rate is \$140,000, then
- the monthly reserve for the first 12 months would be \$2,333.33 ($\$140,000 \text{ cost} \div 60 \text{ months}$).

1907.06 Interest Rate Cap Reserve Adjustments

☑ Requirements

You must evaluate the Interest Rate Cap reserve every 12 months. If the replacement Interest Rate Cap cost:

- increased, you must raise the monthly reserve payment to purchase the replacement Interest Rate Cap before the existing Interest Rate Cap expires; or
- decreased, do not adjust the reserve.

When a replacement Interest Rate Cap is purchased, the reserve cycle resets to match the term of the new Interest Rate Cap. Any amount remaining in the reserve after purchasing the replacement Interest Rate Cap must be used to fund the subsequent reserve.

1907.07 Interest Rate Cap Contract Documentation and Delivery

☑ Requirements

For credit enhancements using:

- an MBS, you must comply with Part III, Chapter 12: Structured



Adjustable Rate Mortgage (ARM) Loans, Section 1205.05: Interest Rate Cap Contract Documentation and Delivery; or

- a Credit Enhancement Instrument, this Section applies.

 Operating Procedures

<u>Topic</u>	<u>Process</u>
<u>Cap Provider Payment</u>	<p>You must ensure the <u>Interest Rate Cap provider pays you or the Bond Trustee directly</u></p> <ul style="list-style-type: none">• <u>on the 1st or 15th day of the month corresponding with the Bond payment dates, and</u>• <u>when the Bond interest rate index is greater than the average Cap Strike Rate for a month.</u> <p><u>Only disburse a provider payment to the Borrower if</u></p> <ul style="list-style-type: none">• <u>there is no Mortgage Loan default, and</u>• <u>you received all payments due under the Indenture and Bonds for that month.</u> <p><u>If the Borrower defaults under the Mortgage Loan or Reimbursement Agreement, you must</u></p> <ul style="list-style-type: none">• <u>promptly notify Fannie Mae and any applicable Bond Trustee, and</u>• <u>direct the Bond Trustee to suspend its payment to the Borrower.</u>
<u>Timing</u>	<p><u>The Borrower must accept a bid for the initial Interest Rate Cap in writing from a Fannie Mae approved provider before you request a Commitment.</u></p>
<u>Purchase Price</u>	<p><u>The Borrower must pay the entire purchase price for an Interest Rate Cap to the provider when the Interest Rate Cap Agreement is issued.</u></p>
<u>Pledge to Fannie Mae</u>	<p><u>The Borrower must pledge its interest in the Interest Rate Cap and any reserve to Fannie Mae using the documentation provided by Fannie Mae's counsel.</u></p>



Section 1908

Facility Fee

Operating Procedures

For Credit Enhancement Instruments, you must calculate the Facility Fee as follows:

FACILITY FEE CALCULATION		
Item	Function	Description
CREDIT ENHANCEMENT FEE / GUARANTY FEE CALCULATION		
1		<ul style="list-style-type: none"> • <u>Applicable Credit Enhancement Fee, or</u> • <u>Guaranty Fee</u>
	<u>MULTIPLIED BY</u>	<u>Credit Enhancement Mortgage Loan UPB</u>
	<u>MINUS</u>	<u>PRF balance, excluding interest</u>
	<u>EQUALS</u>	<u>Credit Enhancement Fee / Guaranty Fee</u>
SERVICING FEE CALCULATION		
2		<u>Servicing Fee</u>
	<u>MULTIPLIED BY</u>	<u>Credit Enhancement Mortgage Loan UPB</u>
	<u>MINUS</u>	<u>PRF balance, excluding interest</u>
	<u>EQUALS</u>	<u>Servicing Fee</u>
PRF FEE CALCULATION		
3		<u>For variable rate Bonds, PRF Fee Rate</u>
	<u>MULTIPLIED BY</u>	<u>PRF balance, excluding interest</u>
	<u>EQUALS</u>	<u>PRF Fee</u>
BOND LIQUIDITY FEE CALCULATION		



FACILITY FEE CALCULATION		
Item	Function	Description
4		For variable rate Bonds, Bond Liquidity Fee Rate
	MULTIPLIED BY	Bond UPB
	EQUALS	Bond Liquidity Fee
FACILITY FEE CALCULATION		
5		Credit Enhancement Fee / Guaranty Fee
	PLUS	Servicing Fee
	PLUS	any PRF Fee
	PLUS	any Bond Liquidity Fee
	EQUALS	Facility Fee

Section 1909

Taxable Tails and Supplemental Mortgage Loans

1909.01 Taxable Tails

Requirements

Terms	A Taxable Tail must..
Structure	Be fixed or variable rate debt structured as <ul style="list-style-type: none"> • Bonds, • a Cash Mortgage Loan, or • an MBS Mortgage Loan.
Underwriting and Loss Sharing	Be treated with the Credit Enhancement Mortgage Loan <ul style="list-style-type: none"> • as a single combined Mortgage Loan, and • with a blended weighted average Underwritten DSCR, LTV, interest rate, etc., based on the combined UPB of the tax-exempt and taxable debt.
Cross Provisions	Be cross-collateralized and cross-defaulted with the Credit Enhancement Mortgage Loan.



Terms	A Taxable Tail must..
<u>MBS Mortgage Loan</u>	<u>Have Additional Disclosure.</u>
<u>Maturity and Prepayment</u>	<ul style="list-style-type: none">• <u>Mature no earlier than the Credit Enhancement Mortgage Loan.</u>• <u>Be fully repaid before the Credit Enhancement Mortgage Loan is prepaid.</u>

Operating Procedures

A Taxable Tail usually fully amortizes over its loan term. This may require “hyper-amortization” where all principal payments are applied

- first to the Taxable Tail until it fully amortizes, and
- then to the tax-exempt debt.

1909.02 Supplemental Mortgage Loans

Requirements

You must ensure any Supplemental Mortgage Loan:

- is taxable debt that is cross-collateralized and cross-defaulted with the Credit Enhancement Mortgage Loan Property;
- is originated after the Credit Enhancement Mortgage Loan;
- complies with the Bond documents; and
- is properly disclosed to Investors.

Section 1910

Third-Party Subordinate Financing

Requirements

For third-party subordinate financing, you must comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Subordinate Financing.

Section 1911

Moderate Rehabilitation Mortgage Loan with Side-by-Side Bond Financing



→ Guidance

Fannie Mae may purchase a Moderate Rehabilitation Mortgage Loan for an MAH Property when the Borrower separately obtains side-by-side Bond financing. Since Fannie Mae does not credit enhance the Bonds, you may use your own outside counsel.

☑ Requirements

For a Moderate Rehabilitation Mortgage Loan with side-by-side Bond financing, you must ensure the Bonds

- have a shorter term than the Mortgage Loan,
- are fixed rate,
- are tax-exempt,
- are 100% secured by cash collateral, and
- are not secured by the MAH Property.



Chapter 20 Forward Commitments

Section 2001 Generally

2001.01 Description

Requirements

You must [Deliver a permanent Mortgage Loan](#) that complies with the [Forward Commitment Confirmation](#).

2001.02 Eligible Properties

Requirements

A [Property](#) undergoing new construction or substantial rehabilitation is eligible for a [Forward Commitment](#). [Property substitutions](#) are not permitted.

Section 2002 Funded Forward Commitments

[Guidance](#)

You may contact the [Fannie Mae Deal Team](#) for funded [Forward Commitment](#) information.

Section 2003 Unfunded Forward Commitments

2003.01 Terms and Interest Rate Determination

2003.01A Terms

Requirements

Terms	Unfunded Forward Commitment Requirements
Forward Commitment Term	30-month maximum for construction and lease up, unless extended per Forward Commitment Extensions (15651) .



Terms	Unfunded Forward Commitment Requirements
<u>Borrower Commitment</u>	<u>Must:</u> <ul style="list-style-type: none">• <u>have the same terms as the Forward Commitment Confirmation;</u>• <u>comply with this Chapter; and</u>• <u>comply with all Forward Commitment documents.</u>
<u>Loan Type</u>	<u>Must be a fixed rate or variable rate:</u> <ul style="list-style-type: none">• <u>Mortgage Loan; or</u>• <u>tax-exempt bond credit enhancement or associated Taxable Tail.</u>
<u>Expiration or Termination</u>	<u>You must not Deliver a Mortgage Loan as an immediate Delivery if the Forward Commitment</u> <ul style="list-style-type: none">• <u>expired, or</u>• <u>terminated.</u>

2003.01B Interest Rate Determination and Rate Lock

Guidance

The interest rate for a permanent Mortgage Loan is determined:

- with a Rate Lock as of the Forward Commitment date; or
- for a Forward Commitment on a Credit Enhancement Mortgage Loan, at Bond pricing per Rate Lock (15776).

Operating Procedures

You must

- set the Guaranty Fee and Servicing Fee at Rate Lock, and
- ensure they are paid only on the permanent Mortgage Loan.

No Guaranty Fee or Servicing Fee will be charged during the construction period.



2003.02 Good Faith Deposit and Fees

2003.02A Good Faith Deposit

Requirements

When you receive the Forward Commitment Confirmation, you must collect the Good Faith Deposit from the Borrower per Part IV, Chapter 2: Rate Lock and Committing, Section 203.02: Minimum Good Faith Deposit.

2003.02B Fees

Requirements

The following fees apply to Forward Commitments.

<u>Fees</u>	<u>Requirements</u>
<u>Standby Fee</u>	<u>For the Forward Commitment term, the fee is:</u> <ul style="list-style-type: none">• <u>per the Forward Commitment; and</u>• <u>due when the Forward Commitment is confirmed.</u>
<u>Standby Extension Fee</u>	<u>For each extension contemplated in the Forward Commitment, the fee is:</u> <ul style="list-style-type: none">• <u>per the Forward Commitment; and</u>• <u>due when Fannie Mae processes the extension.</u> <u>Any additional extension terms and fees are at Fannie Mae's discretion.</u>
<u>Rate Lock Extension Fee</u>	<u>For a Forward Commitment not involving a Credit Enhancement Mortgage Loan, per Part IV, Chapter 2: Rate Lock and Committing, Section 204.03B: Rate Lock Extensions and the Pricing Memo.</u>



Fees	Requirements
<u>Non-Delivery Fee</u>	<p>If the conversion conditions are not met or the permanent Mortgage Loan is not Delivered per the Forward Commitment, the fee is:</p> <ul style="list-style-type: none"> • for: <ul style="list-style-type: none"> - a Forward Commitment involving a Credit Enhancement Mortgage Loan, per the Credit Enhancement Commitment Letter; or - all other Forward Commitments, per Form 4210; and • drafted from your account on the earlier of the Forward Commitment's <ul style="list-style-type: none"> - expiration date, or - termination by Fannie Mae.
<u>Shortfall Fee</u>	<p>For a Forward Commitment not involving a Credit Enhancement Mortgage Loan, if the permanent Mortgage Loan closes, but its original principal amount is less than 90% of the maximum Mortgage Loan amount, the fee is:</p> <ul style="list-style-type: none"> • per Form 4210; and • drafted from your account by the permanent Mortgage Loan closing.
<u>Origination Fee;</u> <u>Construction Loan</u> <u>Administration Fee</u>	<p>You must:</p> <ul style="list-style-type: none"> • charge the Borrower: <ul style="list-style-type: none"> - an Origination Fee per the Pricing Memo; and - a Construction Loan Administration Fee covering the actual loan administration costs, but no less than \$500 per month; and • not pay these fees to Fannie Mae.

2003.03 Forward Commitment Underwriting

2003.03A Generally



Requirements

You must:

- Underwrite, originate, and service a Forward Commitment Mortgage Loan as if it were an immediate funding Mortgage Loan.
- Agree to issue the Borrower Commitment.
- Determine the construction lender has
 - completed its underwriting, and
 - agreed to issue a construction financing commitment.
- Confirm the Investor will
 - issue its commitment to purchase the MBS, and
 - meet the Forward Commitment conditions, including timing.

2003.03B Construction and Feasibility Review

Guidance

You should:

- Assess the:
 - construction lender's capacity to fund and monitor the construction loan; and
 - ability of the development team and general contractor to
 - complete the project, and
 - post an acceptable bond or letter of credit for the construction lender.
- Review and approve the:
 - project budget, including construction contingencies, and align any deferred development fee to market rates;
 - LIHTC equity funding schedule;
 - pro forma underwriting;
 - feasibility of repaying the construction loan at conversion, including:
 - evaluating several stress-test scenarios such as a decline in rents, an increase in operating expenses, or other



circumstances:

- having the LIHTC investor or construction lender retain an appropriate portion of the development fee until specified construction and lease up milestones are met;
- the sufficiency of the LIHTC investor's equity funding; and
- the availability of other capital sources such as grants or subordinate debt;
- absorption schedule, including a capture band analysis of submarket income;
- Borrower organizational documents;
- Affordable Regulatory Agreements; and
- Subordinate Loan documents.
- Ensure the Forward Commitment term is sufficient to allow for:
 - the Property to be completed and leased;
 - you to submit the conversion package;
 - Fannie Mae to approve the conversion; and
 - you to Deliver the permanent Mortgage Loan.

2003.03C Third-Party Reports

Requirements

If you and the construction lender use a single set of third-party reports for underwriting, the reports

- must be addressed to both lenders, but
- can be contracted and paid for by either lender.

Operating Procedures

You must obtain the following reports.



Report	Timing	You must..
<u>Property Condition Assessment</u>	<u>Before Forward Commitment</u>	<u>Complete a PCA for all substantial rehabilitation properties.</u>
	<u>Before conversion</u>	<u>Obtain a PCA and complete the Replacement Reserve Schedule per Part II, Chapter 4: Inspections and Reserves.</u>
<u>Environmental Site Assessment</u>	<u>Before construction</u>	<u>Obtain a Phase I ESA.</u>
	<u>Before conversion</u>	<ul style="list-style-type: none"> • <u>Obtain a new Phase I ESA.</u> • <u>Obtain a Phase II ESA if recommended by the new Phase I ESA.</u> • <u>Ensure any required remediation is complete before you Deliver the permanent Mortgage Loan.</u>



Report	Timing	You must..
Architectural Review	Before Forward Commitment	From an independent consulting architect, obtain an architectural review assessing the Property's <ul style="list-style-type: none"> • preliminary plans and specifications. • compliance with local building codes. • site characteristics, • choice of building materials and finishes, • asset quality, • marketability, and • overall design appropriateness for the intended use.
	During construction	Use a consulting architect for in-field inspections.
	Final inspection	Require the consulting architect to conduct a final inspection confirming the Property: <ul style="list-style-type: none"> • was built according to the approved plans and specifications; and • meets all applicable building codes and zoning requirements.
Appraisal	Before Commitment	Obtain an Appraisal per Part II, Chapter 2: Valuation and Income.
	Before conversion	Obtain a new or updated Appraisal if <ul style="list-style-type: none"> • you request an increase in the permanent Mortgage Loan amount above the Forward Commitment terms, or • Fannie Mae requires it.

➔ [Guidance](#)

[You may use the same consulting architect as the construction lender if](#)



the consulting architect:

- is independent and not an employee of the construction lender;
- is retained directly by you and engaged separately by the construction lender; and
- acknowledges they may be required to make recommendations that do not align with those of the construction lender.

2003.04 Commitment

Requirements

All:

- Forward Commitments must comply with Part IV, Chapter 2: Rate Lock and Committing.
- Borrower Commitments must comply with Part IV, Chapter 2: Rate Lock and Committing, Section 201.01: Borrower Commitment.

Operating Procedures

You must

- complete the steps in the following table, and
- submit the Forward Commitment in C&D per the Committing & Delivery of Unfunded Forwards Job Aid.

Step	You must...
<u>For All Mortgage Loans</u>	



Step	You must...
1	<p>Obtain an executed <u>Borrower Commitment</u> including:</p> <ul style="list-style-type: none"> • <u>Borrower covenants to</u> <ul style="list-style-type: none"> - <u>close the permanent Mortgage Loan per the Forward Commitment terms, and</u> - <u>pay all required fees and deposits; and</u> • <u>all required Loan Documents and third-party documents in final form, including</u> <ul style="list-style-type: none"> - <u>Affordable Regulatory Agreements (or other affordable housing restrictions), and</u> - <u>Subordinate Loan documents and subordination agreements.</u>
2	<p><u>Pay all fees or submit acceptable collateral to Fannie Mae.</u></p>
3	<p><u>Ensure the Borrower</u></p> <ul style="list-style-type: none"> • <u>accepted the construction loan commitment, and</u> • <u>complied with its conditions.</u>
4	<p><u>Obtain evidence that state and local authorities issued the Borrower all</u></p> <ul style="list-style-type: none"> • <u>land disturbance,</u> • <u>site,</u> • <u>grading,</u> • <u>foundation, and</u> • <u>building permits, or their equivalents.</u>
<u>Additionally, for all non-Credit Enhancement Mortgage Loans</u>	
5	<p><u>Obtain a Rate Lock.</u></p>
6	<p><u>Obtain the signed Delivery Assurance Agreement (Unfunded Forwards) (Form 6488).</u></p>
7	<p><u>Ensure the Delivery Assurance Security Instrument covers any permitted Borrower Commitment extension terms.</u></p>
8	<p><u>Record the Delivery Assurance Security Instrument on the Property before the construction loan closing.</u></p>
<u>Additionally, for all Credit Enhancement Mortgage Loans</u>	
9	<p><u>Ensure Bond pricing complies with Rate Lock (15776).</u></p>



Step	You must...
10	Obtain the Credit Enhancement Commitment Letter.

After you complete these steps, Fannie Mae will confirm the [Forward Commitment in C&D](#).

Within 30 days after the [Forward Commitment](#) is confirmed, you must [Deliver the documents listed in:](#)

- [steps 4, 6, 8, and 10; and](#)
- [the Pre-Construction Monitoring Package \(Form 4543\).](#)

2003.05 [Construction Period](#)

2003.05A [Monitoring](#)

[Requirements](#)

You must monitor the construction process to ensure that when the permanent [Mortgage Loan](#) is converted it will comply with the

- [Forward Commitment, and](#)
- [permanent Mortgage Loan Commitment.](#)

[Guidance](#)

[During the construction or substantial rehabilitation period:](#)



Responsible Party	Activities
<u>You</u>	<ul style="list-style-type: none">• <u>Evaluate inspections and change orders.</u>• <u>Reject any change orders that would:</u><ul style="list-style-type: none">- <u>change the Property's main design or asset quality features;</u>- <u>make material changes; or</u>- <u>result in combined hard and contingency costs greater than the construction loan budget (i.e., the construction loan must remain in balance).</u>• <u>Review the consulting architect's progress reports and provide them to Fannie Mae upon request.</u>• <u>Monitor the construction loan and lease-up status.</u>
<u>Consulting Architect</u>	<ul style="list-style-type: none">• <u>Regularly perform on-site construction progress inspections.</u>• <u>Ensure the time between inspections is not more than 2 months.</u>• <u>Issue a progress report after each</u><ul style="list-style-type: none">- <u>inspection, and</u>- <u>whenever the construction lender approves a disbursement.</u>

You and the construction lender may both use the same consulting architect for the

- preliminary and final plans,
- specification reviews, and
- construction period inspections.

2003.05B Reporting

Requirements

You must provide quarterly reports to Fannie Mae via DUS Gateway using Construction Period Monitoring (Form 4211).



2003.05C Forward Commitment Extensions

Requirements

You must inform the Fannie Mae Deal Team and the Forwards Team if conversion may be delayed.

Guidance

If the Forward Commitment permits, you may approve a maximum delegated Forward Commitment extension up to:

- for MBS for Bonds, two 6-month periods; or
- for any other Mortgage Loan, one 6-month period.

Operating Procedures

The delegated Forward Commitment extension will become effective when all of the following occur:

- you submit the following extension documentation to Fannie Mae at least 30 days before the Forward Commitment expiration:
 - the Borrower's extension request;
 - a project status report, including reasons for the delay;
 - verification the Forward Commitment is likely to convert to a permanent Mortgage Loan within the extension period;
 - anticipated shortfall analysis of the Mortgage Loan amount at conversion and the source of funds for filling the shortfall;
 - confirmation there has been no material adverse change in the Borrower or Property; and
 - confirmation the Borrower's construction loan will be extended by the same extension period as the Forward Commitment term.
- Fannie Mae processes the extension request; and
- at least 1 business day before the Forward Commitment expiration:
 - you enter all fees into C&D;
 - Fannie Mae receives the fees;
 - you submit a C&D request to adjust the Forward Commitment expiration date; and



- you are notified the adjustment has been completed.

Requirements

Fannie Mae must approve all Forward Commitment extensions beyond the maximum delegated term. To request Fannie Mae approval:

- you must submit
 - all extension documentation required for a delegated extension, and
 - any requested revised stabilization analysis; and
- the Borrower must pay any required fees.

2003.06 Construction Completion

Requirements

You must ensure that all Improvements on the Property are completed, including

- amenities,
- landscaping,
- signage,
- parking, etc.

If sufficient funds will be reserved in a Completion/Repair Escrow, minor punch list and weather-sensitive items may be incomplete.

Guidance

Use the following table for confirming construction completion and occupancy.

<u>Responsible Party</u>	<u>Activities</u>
<u>Consulting Architect</u>	<ul style="list-style-type: none">• <u>Conduct a final Property inspection.</u>• <u>Certify the Property was completed per this Section.</u>



Responsible Party	Activities
<p><u>You</u></p>	<p><u>Ensure all Improvements:</u></p> <ul style="list-style-type: none"> • <u>were completed in a good and workmanlike manner per the approved plans and specifications;</u> • <u>are Lien-free; and</u> • <u>for all governmental authorities with jurisdiction over the Property, comply with all</u> <ul style="list-style-type: none"> - <u>applicable laws,</u> - <u>building codes,</u> - <u>zoning requirements,</u> - <u>subdivision requirements,</u> - <u>fire and safety laws,</u> - <u>ADA requirements, and</u> - <u>design and construction requirements per the Fair Housing Act.</u> <p><u>Obtain:</u></p> <ul style="list-style-type: none"> • <u>certificates and reports showing the Borrower completed all Improvements per the Guide from the</u> <ul style="list-style-type: none"> - <u>architect,</u> - <u>consulting architect, and</u> - <u>other project consultants;</u> • <u>evidence of all public utilities for the Property;</u> • <u>copies of:</u> <ul style="list-style-type: none"> - <u>all Property operating permits and licenses;</u> <p><u>and</u></p> <ul style="list-style-type: none"> - <u>either:</u> <ul style="list-style-type: none"> ▪ <u>each unconditional certificate of occupancy (or the local equivalent) for all required portions of the Property; or</u> ▪ <u>evidence the Property passed all inspections and received all approvals before occupancy, if local law does not require certificates of occupancy; and</u> • <u>a Certification of Substantial Completion (AIA Document G704) stating the Improvements were completed per the final plans and specifications, and executed by the appropriate parties, including the</u> <ul style="list-style-type: none"> - <u>architect,</u> - <u>general contractor, and</u> - <u>Borrower.</u>



2003.07 Permanent Loan Final Underwriting

2003.07A Generally

Requirements

Before converting, you must complete the permanent [Mortgage Loan final underwriting](#).

Topic	You must..
DSCR and LTV	Ensure the Property complies with the committed DSCR and LTV .
Eligibility	Ensure: <ul style="list-style-type: none">• The Borrower:<ul style="list-style-type: none">- does not change;- remains eligible; and- still owns the Property.• The Key Principals:<ul style="list-style-type: none">- do not change; and- have not reduced their direct or indirect ownership interest and control over the Borrower or the Property.• There is no material adverse change in the condition, financial or otherwise, of<ul style="list-style-type: none">- the Borrower,- any Guarantor,- any Key Principal, or- the Property.
Construction Loan Status	Ensure the Borrower <ul style="list-style-type: none">• is current on the construction loan payments and not in default, and• has not been delinquent during the previous 12 months.
Certification of Rent Roll	On the permanent Mortgage Loan Origination Date , certify with the Borrower there has been no material adverse change in the Certification of Project Rent Roll .



Topic	You must..
<u>Equity Contributions</u>	<u>As of the permanent Mortgage Loan Delivery, obtain a Borrower certificate, or other Fannie Mae-accepted evidence, that all funds reflected on the Borrower's sources and uses of funds statement were:</u> <ul style="list-style-type: none">• <u>received, including all equity contributions; and</u>• <u>properly invested in the Property.</u>
<u>LIHTC Reservation or Allocation</u>	<u>If the Property is eligible for LIHTCs, verify the Borrower's IRS Form 8609 issued by the state housing finance agency reflects the required LIHTC amount.</u>

Guidance

Fannie Mae may defer the requirement to obtain IRS Form 8609 before conversion based on factors such as whether:

- the Property's financials exceed the pro-forma underwriting per the Forward Commitment;
- all other conversion criteria were met;
- the Borrower certified the Property complies with the LIHTC requirements;
- you and the tax accountant approved the cost certification;
- the Borrower submitted the cost certification to the state, with no anticipated significant adjustments;
- the LIHTC investor contributed at least 90% of their equity, with the remaining 10% withheld for any minor adjustments to the
 - Property tax depreciable basis,
 - adjusters, or
 - developer fee;
- the sources and uses of funds are in balance, and all required funds were received to complete and lease-up the Property;
- you have documentation confirming the IRS Form 8609 application and the state's acknowledgement of receipt;
- you expect to receive the IRS Form 8609 timely post-conversion;



- you will monitor receipt of IRS Form 8609 as a post-closing matter and deliver a copy to Fannie Mae; and
- the Borrower has experience complying with IRS Form 8609 in the specific state.

2003.07B Stabilized NCF

Requirements

You must:

- Confirm the Property will qualify for the full Commitment by
 - evaluating its performance, and
 - assessing whether it meets the projected
 - income,
 - expenses, and
 - NCF.
- Use the Forward Loan Conversion Analysis (Form 4212) to
 - annualize the certified project rent rolls,
 - compare pro forma and actual operating expenses, and
 - calculate the Property's stabilized NCF per
 - this Chapter, and
 - Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis or the applicable Part III chapter based on the specific product.
- Submit the Forward Conversion Analysis Summary (Form 4618) that verifies your Chief Underwriter's involvement and agreement with the analysis.

The permanent Mortgage Loan Delivery Package documentation must include:

- the percentage of the Property's occupied units categorized by
 - bedroom configuration,
 - square footage, and



- rent type (low income or market rate) delineating any Section 8 or other subsidized rental program tenants;
- the Property's actual Effective Gross Income for each of the previous 3 months, including only rental income and permitted other income from the units less any
 - rent concessions,
 - reductions,
 - inducements, or
 - forbearance; and
- rental income by rent type (low income or market rate).

You must use the following table to calculate stabilized NCF.

STABILIZED NCF		
<u>Item</u>	<u>Function</u>	<u>Description</u>
<u>1</u>		<p><u>For each of the most recent trailing 3 months before conversion:</u></p> <ul style="list-style-type: none"> • <u>determine the Gross Potential Rent from an executed Certification of Project Rent Roll; and</u> • <u>confirm that at least 90% of the units were physically occupied by a Qualified Tenant with an acceptable Lease.</u>
	<u>EQUALS</u>	<u>GROSS POTENTIAL RENT</u>
<u>2</u>	<u>MINUS</u>	<ul style="list-style-type: none"> • <u>Economic vacancy using the higher of</u> <ul style="list-style-type: none"> - <u>original Forward Commitment underwriting, or</u> - <u>actual annualized trailing 3-month operating statements.¹</u> • <u>Include:</u> <ul style="list-style-type: none"> - <u>concessions if they</u> <ul style="list-style-type: none"> ▪ <u>are prevalent in the market, or</u> ▪ <u>were used to achieve initial stabilization and will remain; and</u> - <u>a re-leasing cost allowance if the Property has short term leases.</u>



STABILIZED NCF		
<u>3</u>	<u>PLUS</u>	For an MAH Property, include annualized other income per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703.01: Underwritten NCF.
<u>4</u>	<u>PLUS</u>	Commercial income per Part II, Chapter 2: Valuation and Income, Section 202.01: Underwritten Net Cash Flow (Underwritten NCF).
	<u>EQUALS</u>	<u>EFFECTIVE GROSS INCOME</u>
<u>5</u>	<u>MINUS</u>	Line-by-line operating expenses using the higher of: <ul style="list-style-type: none"> • actual annualized trailing 3-month operating statements; or • original Forward Commitment underwriting, adjusted by substituting the following actual expenses, if known: <ul style="list-style-type: none"> - real estate taxes; - property liability and other insurance; and <ul style="list-style-type: none"> - management fees.
<u>6</u>	<u>MINUS</u>	Replacement Reserve expense per Part II, Chapter 2: Valuation and Income, Section 202.01: Underwritten Net Cash Flow (Underwritten NCF).
	<u>EQUALS</u>	<u>STABILIZED NCF</u>
1 Assess if there was any decline in NRI per Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis.		

2003.07C Final Permanent Mortgage Loan Amount

Requirements

You must ensure the permanent Mortgage Loan amount is less than or equal to the Forward Commitment.



Operating Procedures

Steps	Actions
1	You must determine the permanent Mortgage Loan amount using the Forward Loan Conversion Analysis (Form 4212) .
2	If the Property's actual stabilized NCF before permanent Mortgage Loan Delivery is less than the original Forward Commitment underwriting , reduce the permanent Mortgage Loan amount to comply with the Forward Commitment DSCR and LTV .
3	If the permanent Mortgage Loan amount in Step 2 is less than the Forward Commitment Confirmation Mortgage Loan amount , verify the Borrower has secured a source of funds, whether debt or equity, to cover the difference.
4	Ensure any additional debt the Borrower incurs to cover the difference in Step 3, is only secured by a Lien on the Property if <ul style="list-style-type: none">• it is an MAH Property, and• the subordinate debt complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Subordinate Financing.
5	If the permanent Mortgage Loan amount in Step 2 results in a loan curtailment, <ul style="list-style-type: none">• the Borrower must close the permanent Mortgage Loan at the reduced amount, and• you must Deliver the permanent Mortgage Loan at the reduced amount.



Steps	Actions
<u>6</u>	<p>If the <u>Property</u> qualifies for additional financing beyond the <u>Forward Commitment Confirmation Mortgage Loan</u> amount, submit via <u>DUS Gateway</u>:</p> <ul style="list-style-type: none">• <u>a request for additional financing;</u>• <u>your conversion documentation; and</u>• <u>a comparative analysis showing the stabilized NCF is greater than the original Forward Commitment underwriting.</u> <p>A new pre-conversion <u>Appraisal</u> is not required if the pre-construction <u>Appraised Value</u> and permanent <u>Mortgage Loan</u> amount comply with the <u>Forward Commitment</u> maximum LTV.</p>
<u>7</u>	<p>Any increase in the permanent <u>Mortgage Loan</u> amount approved by Fannie Mae will:</p> <ul style="list-style-type: none">• <u>be limited to the Maximum Loan Amount Increase percentage per the Forward Commitment;</u>• <u>be made on the currently available terms and conditions; and</u>• <u>not be approved simply because construction costs, cost overruns, or change orders were higher than expected.</u>

2003.07D Third-Party Reports

Requirements

You must obtain third-party reports per Third-Party Reports (15621).

2003.08 Conversion

2003.08A Eligibility

Requirements

To convert to the permanent Mortgage Loan, you must confirm:

- construction is complete;
- the Property achieved the



- minimum occupancy,
- income, and
- debt service coverage;
- the eligibility criteria in Generally (15681) have been met; and
- the permanent Mortgage Loan is Delivered on Fannie Mae Loan Documents.

2003.08B Timeline

Operating Procedures

<u>Timing</u>	<u>You must..</u>
<u>30 days before the Borrower's closing</u>	<ul style="list-style-type: none">• <u>Contact the Fannie Mae Deal Team and Forwards Team, to provide the</u><ul style="list-style-type: none">- <u>project development status, and</u>- <u>anticipated conversion and Delivery date.</u>• <u>Submit via DUS Gateway:</u><ul style="list-style-type: none">- <u>Preliminary Notice of Conversion:</u><ul style="list-style-type: none">▪ <u>for Credit Enhancement Mortgage Loans, using the form attached in the Credit Enhancement Commitment Letter; and</u>▪ <u>for all other Mortgage Loans, using Form 4616;</u>- <u>Forward Loan Conversion Analysis (Form 4212);</u>- <u>Forward Conversion Analysis Summary (Form 4618); and</u>- <u>compliance evidence required by Fannie Mae conditions.</u>• <u>Receive a conversion approval letter from the Forwards Team after all Fannie Mae imposed conditions are met.</u>



Timing	You must..
<u>At Conversion</u>	<ul style="list-style-type: none">• <u>Submit the permanent Mortgage Loan Commitment in C&D per the Committing & Delivery of Unfunded Forwards Job Aid.</u>• <u>Document the permanent Mortgage Loan using Fannie Mae Loan Documents attached to the Borrower Commitment.</u>• <u>For Credit Enhancement Mortgage Loans, submit via DUS Gateway the final conversion notice using the form attached in the Credit Enhancement Commitment Letter.</u>
<u>By the Delivery Deadline</u>	<ul style="list-style-type: none">• <u>Deliver the permanent Mortgage Loan Delivery Package and submit the permanent Mortgage Loan data per</u><ul style="list-style-type: none">- <u>Part IV, Chapter 4: Delivery, Section 401: Delivery Deadline, and</u>- <u>Part IV, Chapter 4: Delivery, Section 402: Submission.</u>• <u>For a Credit Enhancement Instrument, also submit applicable data on the Bond, Loan, Borrower, and Property pages in C&D within 3 Business Days after the Mortgage Loan closing.</u>

2003.09 MBS Issuance

Operating Procedures

The MBS will be issued per your delivery instructions after you Deliver the permanent Mortgage Loan.

2003.10 Forward Commitment Termination

Guidance

Fannie Mae may terminate the Forward Commitment if:

- You fail to Deliver a permanent Mortgage Loan per the Forward Commitment Confirmation terms and conditions.
- The Borrower does not begin Property construction or substantial rehabilitation within 180 days after you accept the Forward



Commitment.

- A construction loan default occurs and is not cured within 90 days.
- A substantial construction defect occurs that may threaten tenant life and safety unless:
 - the Borrower repairs the defect within 90 days;
 - the repairs satisfy both you and your consulting architect; and
 - after paying all repair costs, the available remaining funds are sufficient to pay for all
 - work performed,
 - materials used or ordered, and
 - other required unpaid project costs per the contract.

Requirements

If Fannie Mae terminates the Forward Commitment, all applicable fees must be paid per the Forward Commitment terms.

If the Borrower terminates the Forward Commitment, you must:

- submit a request to collapse the transaction to the Fannie Mae Deal Team and the Forwards Team at least 30 days before the Forward Commitment expiration;
- for Bond transactions, coordinate with Fannie Mae's counsel; and
- contact Multifamily Acquisitions to withdraw the transaction in C&D.



Chapter 2 Rate Lock and Committing

Section 201 Pre-Commitment

201.01 Borrower Commitment

Requirements

Before obtaining a [Rate Lock](#) or a [Commitment](#), you must:

- receive all required approvals for [Pre-Review Mortgage Loans](#), non-delegated pricing, and [Loan Document](#) modifications; and
- enter into a [Borrower Commitment](#) that:
 - requires a [Good Faith Deposit](#) to be collected per [Part IV, Chapter 2: Rate Lock and Committing, Section 203: Good Faith Deposits](#);
 - includes an early enough [Mortgage Loan Origination Date](#) for you to meet the [Delivery](#) deadline;
 - describes the [Prepayment Premium Option](#); and
 - if the [Mortgage Loan](#) is not originated, requires the [Borrower](#) to pay you for all liabilities, including an amount at least equal to your potential [Breakage Fees](#) under the [Rate Lock](#).

201.02 Trading Agreements

Guidance

For [MBS Mortgage Loans](#), you may

- sell the [MBS](#) to the [Multifamily Trading Desk](#), or
- undertake a [Lender-Arranged Sale](#).

Requirements

By entering into an [MBS](#) or cash trade with the [Multifamily Trading Desk](#), you agree to comply with the [Trading Practices](#) per [Part IV, Chapter 2: Rate Lock and Committing, Section 201.03: Trading Practices](#) (your “[trading agreement](#)” with the [Multifamily Trading Desk](#)).

Before you trade with a [Third Party MBS Investor](#), you must enter into a [Third Party MBS Trading Agreement](#).

You may not act as an agent for a principal for any [Rate Lock](#) with the



Multifamily Trading Desk or a Third Party MBS Investor.

201.03 Trading Practices

Requirements

You agree Fannie Mae:

- may decline to provide pricing or to participate in any trade you request with the Multifamily Trading Desk;
- may close your trading account and your access to the Multifamily Trading Desk services at any time; and
- reserves the right to stop entering into Rate Locks at any time without prior notice (such as during periods of high market volatility), but will attempt to provide advance notice.

You must determine if there is a market for the MBS before seeking a quote from the Multifamily Trading Desk or Third Party MBS Investor for a non-standard Prepayment Premium or other structure.

Operating Procedures

Step	Trading Practices You must...
Before Rate Lock	
1	<ul style="list-style-type: none"> • Establish an asset counterparty account with the Multifamily Trading Desk and/or any Third Party MBS Investor. An asset counterparty account with the Multifamily Trading Desk must: <ul style="list-style-type: none"> - name the people you authorize to transact business on your behalf; and - include your address and wiring instructions. • Notify the Multifamily Trading Desk of any changes to the authorized people or account information.



2	<p>Provide the Minimum Required Trade Information (including any Additional Disclosure items) to all potential Investors:</p> <ul style="list-style-type: none"> • Complete either: <ul style="list-style-type: none"> - Form 4097.Fixed– Multifamily Required Trade Information for Cash or MBS, for a fixed Rate Mortgage Loan; or - Form 4097.ARM– Multifamily Required Trade Information for Cash or MBS, for an ARM Loan, SARM Loan, or Hybrid ARM Loan. • Ensure any information you provide to potential Investors matches what you delivered to Fannie Mae.
3	<p>Inform any Third Party MBS Investor that Fannie Mae will securitize the Mortgage Loan if the Delivered Mortgage Loan Amount is within the delivery tolerance per Part IV, Chapter 4: Delivery, Section 405.01: Acceptability and Delivery Tolerance.</p>
4	<p>Ensure the Minimum Required Trade Information for MBS Mortgage Loans includes</p> <ul style="list-style-type: none"> • any Additional Disclosure per Part IV, Chapter 5: Purchase, Section 504.02: Additional Disclosure, and • any specific disclosures per the Additional Disclosure Guidance (Form 4098).
5	<p>Ensure, in the event of a conflict, the trade is controlled in this order of priority:</p> <ul style="list-style-type: none"> • Rate Lock; • any applicable Third Party MBS Trading Agreement; • all applicable provisions of Part IV; and • the Lender Contract.
6	<p>Comply with the Pricing Memo.</p>
7	<p>Collect the Good Faith Deposit from the Borrower.</p>
8	<p>Include the Minimum Required Trade Information in the Rate Lock confirmation.</p>
<p>After Rate Lock</p>	
9	<p>Within 1 Business Day after obtaining the Rate Lock, request a Commitment.</p>



10	Before assigning any Rate Lock with the Multifamily Trading Desk, obtain Fannie Mae's consent.
11	Include Additional Disclosure items when requesting an MBS Commitment.
12	<ul style="list-style-type: none">• Before Delivery, inform the Investor of any changes in the Minimum Required Trade Information that occurred after Rate Lock.• Ensure the Delivered Mortgage Loan Amount is within the delivery tolerance per Part IV, Chapter 4: Delivery, Section 405.01: Acceptability and Delivery Tolerance.
13	Promptly inform Multifamily Acquisitions of any MBS Investor delivery contract disputes, including any failed Deliveries.

➔ Guidance

For MBS Mortgage Loans, after the Security is delivered to the Investor, contact the MBS Investor hotline at 1-800-BEST-MBS with all subsequent Investor inquiries.

Section 202 Obtaining a Rate Lock

202.01 Rate Lock Period

☑ Requirements

Your Rate Lock Period must be less than or equal to:

- 180 days for a fixed rate Mortgage Loan; ~~or~~
- 45 days for an ARM Loan or SARM Loan; or
- the period per the confirmed Forward Commitment.

➔ Guidance

For a Choice Refinance Loan, you may obtain a Rate Lock up to 180 days before the Prepayment Premium Period End Date of the Portfolio Mortgage Loan.

If Fannie Mae consents to a Rate Lock Period greater than 180 days,



the Multifamily Trading Desk will be the only permitted Investor.

Operating Procedures

After obtaining a Rate Lock, the Rate Lock expiration date can only be extended per Part IV, Chapter 2: Rate Lock and Committing, Section 204.03B: Rate Lock Extensions.

202.02 Rate Lock Amount

Requirements

The Rate Lock amount must:

- be based on a full underwriting of the Mortgage Loan per Parts I, II, and the applicable products and features of Part III; and
- equal the final Mortgage Loan amount, subject only to the delivery tolerance per Part IV, Chapter 4: Delivery, Section 405.01: Acceptability and Delivery Tolerance.

202.03 Locking the Rate

Requirements

Before obtaining a Rate Lock, you must

- determine the Guaranty Fee and Servicing Fee, and
- comply with the Trading Practices per Part IV, Chapter 2: Rate Lock and Committing, Section 201.03: Trading Practices.

By engaging with the Multifamily Trading Desk for a Rate Lock, you agree

- to have all telephone conversations recorded, and
- that you are legally obligated to any Rate Lock made during these conversations.

When selling to the Multifamily Trading Desk or a Third Party MBS Investor, you must agree on the

- Pass-Through Rate,
- purchase price, and
- Delivery or purchase conditions.



Operating Procedures

For each sale type, follow this process:

Sale Type	Process
Lender Sale to Fannie Mae as MBS Investor	<ul style="list-style-type: none"> • Contact the Multifamily Trading Desk for an MBS quote. • If the quote is accepted, you will receive the terms in an MBS trade confirmation from the Multifamily Trading Desk. • Promptly notify the Multifamily Trading Desk if you: <ul style="list-style-type: none"> - find any errors in the confirmation; - do not receive a confirmation within 2 Business Days after Rate Lock execution; or - notice a conflict between the recorded telephone conversation and the confirmation. • For conflicts, the recorded conversation will establish the Multifamily Trading Desk MBS trade terms.
Lender-Arranged Sale	Confirm your Rate Lock accurately describes the MBS trade with the Third Party MBS Investor .
Lender Sale to Fannie Mae for cash	Contact the Multifamily Trading Desk for a cash quote.

Section 203

Good Faith Deposits

203.01 Borrower Deposit

Requirements

Before entering into a [Rate Lock](#), you must collect a [Good Faith Deposit](#) from the [Borrower](#) in the form of either cash or a letter of credit.

The [Good Faith Deposit](#) equals:



- the Minimum Good Faith Deposit per Part IV, Chapter 2: Rate Lock and Committing, Section 203.02: Minimum Good Faith Deposit; plus
- any additional deposit required by a Third Party MBS Investor; plus
- any other deposit you require.

203.02 Minimum Good Faith Deposit

Requirements

Unless directed by Fannie Mae, you must determine the Minimum Good Faith Deposit as follows:

For a...	With a Rate Lock Period...	The Minimum Good Faith Deposit is...
Mortgage Loan with a Rate Lock amount of \$6 million or less	Less than or equal to 90 days	1% of the Rate Lock amount.
Mortgage Loan with a Rate Lock amount of more than \$6 million	Less than or equal to 90 days	2% of the Rate Lock amount.
Supplemental Mortgage Loan of any amount	Less than or equal to 90 days	2% of the Rate Lock amount.
Mortgage Loan or Supplemental Mortgage Loan of any amount	More than 90 days and less than or equal to 180 days	3% of the Rate Lock amount.
Mortgage Loan of any amount	More than 180 days <u>for a non-Forward Commitment</u>	The greater of <ul style="list-style-type: none"> • 3% of the Rate Lock amount, or • the amount approved by the Fannie Mae Deal Team.



Credit Enhancement Mortgage Loan of any amount	Per the Credit Enhancement Commitment Letter	1% of the Rate Lock amount.
<u>For a Forward Commitment</u>	<u>Per the confirmed Forward Commitment</u>	<u>Equal to the Minimum Good Faith Deposit charged for the permanent Mortgage Loan.</u>

➔ Guidance

If you accept a letter of credit for any portion of the Good Faith Deposit, you remain liable and responsible for all Breakage Fees.

You should:

- Ensure the letter of credit expiration date is at least 15 days after the
 - Rate Lock expiration date, or
 - Commitment expiration date.
- Extend the letter of credit expiration date after an extension of the
 - Rate Lock expiration date, or
 - Commitment expiration date.

203.03 Good Faith Deposit and Breakage Fees

Requirements

You must indemnify the Investor for all Breakage Fees.

Sale Type	Good Faith Deposit Control	The Breakage Fee equals...
Multifamily Trading Desk trades (MBS or cash)	You must hold the Minimum Good Faith Deposit.	The Minimum Good Faith Deposit per Part IV, Chapter 2: Rate Lock and Committing, Section 203.02: Minimum Good Faith Deposit.



Sale Type	Good Faith Deposit Control	The Breakage Fee equals...
Lender-Arranged Sales	You must comply with the Third Party MBS Trading Agreement.	The amount per the Rate Lock and Third Party MBS Trading Agreement.

Unless applied to Breakage Fees, you must refund the Good Faith Deposit to the Borrower

- no earlier than the Mortgage Loan Origination Date, and
- within a commercially reasonable time period after Fannie Mae purchases the Mortgage Loan, per Part IV, Chapter 5: Purchase.

Section 204 Commitments

204.01 Submission

Requirements

You must request the Commitment by 3:30 p.m. Eastern Time on the Business Day after the date the Rate Lock is executed.

After a Commitment is confirmed, you must not

- replace or substitute any Property securing the Mortgage Loan, or
- assign the Commitment.

Guidance

Fannie Mae reserves the right to reject any Commitment request.

Each Commitment is issued for a single Mortgage Loan, but a Mortgage Loan may be secured by 1 or more Properties.

Operating Procedures

To request a Commitment, perform the following, as applicable:



For...	Process
All Mortgage Loans	<ol style="list-style-type: none">1. Enter all information into C&D per the screen instructions and C&D User Manual.2. Coordinate with Multifamily Acquisitions to resolve any submission problems or discrepancies.
MBS Mortgage Loans	<ol style="list-style-type: none">1. Identify any special characteristics requiring Additional Disclosure.2. Comply with Part IV, Chapter 5: Purchase, Section 504.02: Additional Disclosure and Form 4098.

After the [Commitment](#) is in a “submitted” status in C&D, you cannot change it.

If Fannie Mae determines any [Commitment](#) terms are incorrect or invalid, you will be directed to make necessary changes.

You must notify the [Investor](#) of the changes.

204.02 Confirmation

Requirements

Upon confirmation, you must [Deliver](#), and Fannie Mae must purchase, the [Mortgage Loan](#) according to the [Commitment](#).

Guidance

After Fannie Mae confirms the [Commitment](#), you may use the confirmation to secure warehouse financing.

204.03 Modifications

204.03A Change Requests

Operating Procedures

After confirmation, if you believe the [Commitment](#) is incorrect, submit a data change request in C&D.

Fannie Mae will:

- accept the revised terms, modify the [Commitment](#), and make necessary data changes; or



- reject the revised terms and either enforce the original Commitment or terminate the Commitment.

204.03B Rate Lock Extensions

Requirements

For...	Extension Requirements
MBS or cash Multifamily Trading Desk trades	<ul style="list-style-type: none"> • If the initial Rate Lock Period was 90 days or less, you must <ul style="list-style-type: none"> - request Multifamily Trading Desk approval, and - agree to pay any Rate Lock Extension Fee per the Pricing Memo. • If an extension would cause the total Rate Lock Period to exceed: <ul style="list-style-type: none"> - 90 days, you must collect the additional required Minimum Good Faith Deposit; or - 180 days, you must obtain Fannie Mae Deal Team approval before seeking the extension and collect the additional required Minimum Good Faith Deposit. • After you agree to pay the Rate Lock Extension Fee, the Rate Lock expiration date will be changed to a date that <ul style="list-style-type: none"> - was mutually agreed to, and - is not more than 30 days after the original Rate Lock expiration date.
Lender-Arranged Sales	<p>If you negotiate a Rate Lock expiration date extension with the Third Party MBS Investor:</p> <ul style="list-style-type: none"> • You must notify the Fannie Mae Deal Team of the new Rate Lock expiration date and any required interest rate adjustment. • The extension must not <ul style="list-style-type: none"> - exceed 30 days after the original Rate Lock expiration date, or - cause the total Rate Lock Period to exceed 180 days.



Forward Commitments	Per Forward Commitment Extensions (15651).
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204.03C Commitment Extensions

Requirements

If you extend the [Rate Lock](#) expiration date, you must also request a [Commitment](#) extension.

Operating Procedures

To extend the [Commitment](#):

1. Submit a data change request in [C&D](#) on or before the [Commitment](#) expiration date.
2. For an [MBS Mortgage Loan](#), obtain any necessary [MBS Investor](#) approval for any [Book-Entry Date](#) change.
3. Fannie Mae will change your [Commitment](#) in [C&D](#) to reflect the new [Commitment](#) expiration date and the revised [Book-Entry Date](#), if necessary.
4. When Fannie Mae approves the extension, you will receive a new [Commitment](#) expiration date.

Section 205 ASAP Options

Requirements

To participate in the [ASAP Options](#), you must

- be approved in writing, and
- execute the applicable [ASAP Contracts](#) provided by the [Capital Markets Early Funding Desk](#).

Guidance

Using the [ASAP Options](#), you may sell [Mortgage Loans](#) to Fannie Mae on an accelerated basis after the [Mortgage Loan Origination Date](#).

ASAP Option	Is available for...
ASAP Sale	MBS Mortgage Loans



ASAP Option	Is available for...
ASAP Plus	<ul style="list-style-type: none"><li data-bbox="778 331 1109 369">• MBS Mortgage Loans<li data-bbox="778 376 1114 414">• Cash Mortgage Loans



Chapter 4 Delivery

Section 401 Delivery Deadline

Requirements

By 10:30 a.m. Eastern Time on the [Delivery](#) deadline, you must

- [Deliver the complete Mortgage Loan Delivery Package to Multifamily Certification and Custody](#), and
- submit all required data.

Delivery Deadline	
MBS Mortgage Loan	<ul style="list-style-type: none"> • For funding under an ASAP Option, per the ASAP Contract, or • 7 Business Days before (and not including) the Book-Entry Date.
Cash Mortgage Loan	<ul style="list-style-type: none"> • For funding under an ASAP Option, per the ASAP Contract, or • 3 Business Days before (and not including) the earlier of the <ul style="list-style-type: none"> - Rate Lock expiration date, or - Commitment expiration date.

Guidance

You should [Deliver the Mortgage Loan](#) before the [Delivery](#) deadline to allow time for you to correct any errors Fannie Mae may find.

If you do not meet the [Delivery](#) deadline and your delay requires a change in the [Rate Lock](#) expiration date, you may be charged a [Rate Lock Extension Fee](#) [per Part IV, Chapter 2: Rate Lock and Committing, Section 204.03B: Rate Lock Extensions](#).

Section 402 Submission

402.01 Data and Documents

Requirements



Submission Type	You must...
Data	<ul style="list-style-type: none">• Enter all information in C&D per the screen instructions and C&D User Manual to submit<ul style="list-style-type: none">- Mortgage Loan data by the Delivery deadline, and- rent roll data by the earlier of<ul style="list-style-type: none">▪ 5 Business Days after the Mortgage Loan Origination Date, or▪ the Delivery deadline.• For a Mortgage Loan funded under an ASAP Option,<ul style="list-style-type: none">- submit Mortgage Loan data in C&D per this Chapter or the ASAP Contract, and- select the ASAP Plus or ASAP Sale indicator in C&D.• Ensure all data is accurate and complete.• Follow the C&D validation process to ensure the Mortgage Loan reaches the Submitted status.• Email Multifamily Acquisitions if C&D is preventing you from delivering valid data.



Submission Type	You must...
Mortgage Loan Delivery Package	<ul style="list-style-type: none">• Submit all applicable documents per the Multifamily Mortgage Loan Delivery Package Table of Contents (Form 6502) and any applicable ASAP Contract, including the Mortgage Loan's<ul style="list-style-type: none">- underwriting information, and- Loan Documents.• Ensure all documents are accurate and complete:<ul style="list-style-type: none">- Use Fannie Mae's standard form Loan Documents, and only modify them if permitted by Fannie Mae.<ul style="list-style-type: none">- Check all appropriate boxes on Form 6502 and list any other documents delivered with the Mortgage Loan.- Deliver a blackline copy of any modified document (including any Schedule or Exhibit), showing all changes to Fannie Mae's form documents per the document modification memo prepared by your counsel and uploaded to DUS Gateway.- Submit Loan Documents consistent with the data in C&D and the Commitment.- Unless submitted per an approved C&D data change, ensure physical Loan Documents are identical to electronic copies previously sent for certification.- Endorse or assign the Loan Documents to Fannie Mae.- Ensure the Mortgage Loan has a title insurance policy per Part II, Chapter 3: Legal Compliance, Section 304: Title Insurance. You may submit the title policy with blanks for the recording information, but you must deliver a final title policy with this information to Multifamily Certification and Custody within 6 months of the Mortgage Loan Origination Date.



If the number of Mortgage Loans per MBS pool is...	Then you must...
1	Label the Mortgage Loan Delivery Package reflecting the number of envelopes, folders, or containers submitted with the Loan Documents , such as “1 of 2” and “2 of 2”.
More than 1	<ul style="list-style-type: none"> • Ensure the Mortgage Loan Delivery Package is in the same numerical order as the C&D data submission. • Group the Mortgage Loans as 1 package <ul style="list-style-type: none"> - including all Mortgage Loans within the MBS Pool, and - labeled reflecting the number of envelopes, folders, or containers submitted with the Loan Documents, such as “1 of 4, MBS Pool # _____”, and “2 of 4, MBS Pool # _____”.

402.02 Participation Interests

Requirements

For [Participation Interests](#), you must deliver the following additional documents.

If the Participation Interest is...	Then you must deliver...
In Certificate Form	<ul style="list-style-type: none"> • the original participation certificate, and • if the certificate was not issued in Fannie Mae’s name, an instrument assigning it to Fannie Mae.
Not in Certificate Form	the original documentation showing its issuance or conveyance to Fannie Mae.

Section 403

Warehouse Lender

Guidance



You may originate a [Mortgage Loan](#) with proceeds from a warehouse lender.

Operating Procedures

If the warehouse lender uses a bailee letter to deliver the [Note](#) to Fannie Mae, the letter must be acceptable to Fannie Mae.

Section 404 Wiring

404.01 Wiring Instructions

Requirements

You must accurately complete all wiring instructions in [C&D](#).

Operating Procedures

Fannie Mae will wire the funds or [MBS](#) per the [C&D](#) instructions. If there is a conflict between the [C&D](#) instructions and any bailee letter from your warehouse lender, then you must submit a change request in [C&D](#).

404.02 Wiring Payee Codes

Requirements

If you request, Fannie Mae will assign wire transfer payee codes for your [Cash Mortgage Loan](#) proceeds. You must

- request a separate payee code for each account to which Fannie Mae will send funds, and
- enter the applicable payee code in [C&D](#).

Operating Procedures

Each payee code will be associated with a specific account and financial institution. You may not transfer codes between your accounts or with other [Lenders](#).

See Seller's Designation of Wire Transfers Instructions ([Form 482](#)) and Certificate of Authority, Incumbency, and Specimen Signatures ([Form 360](#)) for payee code information.



Section 405

Delivery

405.01 Acceptability and Delivery Tolerance

Requirements

For the [Mortgage Loan](#) to be acceptable for purchase, you must ensure:

- It complies with:
 - [Form 4660](#);
 - Part I;
 - Part II;
 - the applicable chapters of Part III based on the specific products and features of the [Mortgage Loan](#); and
 - the [Pricing and Underwriting Tier](#) per the [Commitment](#).
- For an [MBS Mortgage Loan](#):
 - Fannie Mae has not informed you that the [Mortgage Loan](#) fails to meet all eligibility requirements for Fannie Mae to make a [REMIC](#) election when issuing the associated [MBS](#) (see [Form 4098](#) for [REMIC](#) eligibility information); and
 - either the [Same Month Pooling](#) delivery option applies, or:
 - the [Book-Entry Date](#) is before the [Mortgage Loan](#)'s first scheduled monthly payment date; and
 - the first monthly payment to the [MBS Investor](#) is the first monthly payment due under the [Mortgage Loan](#).
- The [Delivered Mortgage Loan Amount](#) is within the delivery tolerance.

Operating Procedures



Delivery Tolerance	
Calculation	Examples
Commitment Amount plus or minus <ul style="list-style-type: none">• 5% of the Commitment Amount, or• a lesser percentage per a Third Party MBS Investor delivery requirement.	<ul style="list-style-type: none">• Delivered Mortgage Loan Amount must be at least 95% and not more than 105% of the Commitment Amount.• If a Third Party MBS Investor allows a 3% delivery tolerance, then the Delivered Mortgage Loan Amount must be at least 97% and not more than 103% of the Commitment Amount.

405.02 Data Changes

Requirements

To make data changes after you submit the **Mortgage Loan** in **C&D**, you must submit a **C&D** data change request per the **C&D User Manual**.

If the **MBS Mortgage Loan** has a special characteristic or an **Additional Disclosure** item that was not identified when the **Commitment** was confirmed, you must

- notify **Multifamily Acquisitions** as soon as possible, but no later than the date of **Delivery**, and
- make the **Additional Disclosure** per **Part IV, Chapter 5: Purchase, Section 504.02: Additional Disclosure**.

Section 406 MBS Delivery Options

Requirements

The **Book-Entry Date** you choose determines the delivery option.



Delivery Options	
Standard Delivery	<ul style="list-style-type: none"> • Book-Entry Date is in the month before the Mortgage Loan's first payment date, and • Mortgage Loan Origination Date is no later than the month before the month the MBS will be issued.
Same Month Pooling	<ul style="list-style-type: none"> • Book-Entry Date is in the same month as the Mortgage Loan Origination date, and • Mortgage Loan Origination Date is early enough in the month to allow Fannie Mae to issue the MBS within the same month.
ASAP	Per the ASAP Contract .

Operating Procedures

See [Part IV, Chapter 5: Purchase, Section 503: Third Party MBS Investor Delivery Scenarios](#) for MBS delivery and settlement information.

The MBS Delivery Parameters table describes the delivery options.

MBS Delivery Parameters					
MBS Delivery Options	If Mortgage Loan Origination Date is...	and first loan payment date is...	then Book-Entry Date is...	and MBS Issue Date is...	Additional Requirements
MBS Standard Delivery	No later than the month before the month the MBS will be issued (generally may occur on any Business Day)	The 1st day of the 2nd month after Mortgage Loan Origination Date	In the month before the 1st loan payment date	Always the 1st of the month in which the Book-Entry Date occurs	N/A
Example	1/15	3/1	2/20	2/1	N/A



MBS Delivery Parameters					
MBS Delivery Options	If Mortgage Loan Origination Date is...	and first loan payment date is...	then Book-Entry Date is...	and MBS Issue Date is...	Additional Requirements
MBS Same Month Pooling Delivery: Scenario 1	The 1st of the month	The 1st day of the month after Mortgage Loan Origination Date	In the same month as Mortgage Loan Origination Date	Always the 1st of the month in which the Book-Entry Date occurs	N/A
Example	1/1	2/1	1/25	1/1	N/A
MBS Same Month Pooling Delivery: Scenario 2	A day other than the 1st of the month	The 1st day of the 2nd month after Mortgage Loan Origination Date	In the same month as Mortgage Loan Origination Date	Always the 1st of the month in which the Book-Entry Date occurs	Interest only payment is due to the MBS Investor in the month before the 1st loan payment date
Example	1/5	3/1	1/25	1/1	Interest payment paid to MBS Investor 2/25

Section 407 Delivery Problems and Changes

407.01 Delivery Problems

Requirements

If you anticipate a delivery problem (such as a late [Delivery](#) or a [Delivered Mortgage Loan Amount](#) outside the delivery tolerance), you must contact:

- the [Multifamily Trading Desk](#) or the [Third Party MBS Investor](#), as



applicable;

- Multifamily Acquisitions;
- the Fannie Mae Deal Team; and
- for an ASAP transaction, the Capital Markets Early Funding Desk.

Operating Procedures

If...	Then...
<p>You are subject to a Bankruptcy Event or are unable to perform your obligations relating to the</p> <ul style="list-style-type: none"> • Rate Lock, • Commitment, • applicable Third Party MBS Trading Agreement, or • Multifamily Trading Desk trading account 	<p>Fannie Mae will</p> <ul style="list-style-type: none"> • consider the Rate Lock expiration date and Commitment expiration date to have occurred, and • have the right to draft the Minimum Good Faith Deposit.

407.02 Changing the Book-Entry Date

Requirements

If you or Fannie Mae determine that the [Delivery](#) deadline cannot be met, the [Book-Entry Date](#) must be changed.

Operating Procedures

To change the [Book-Entry Date](#):

Step 1: Fannie Mae will advise you of the earliest available new [Book-Entry Date](#).

Step 2: You must contact the [Third Party MBS Investor](#) and establish a

- new [Book-Entry Date](#), and
- new [Rate Lock](#) expiration date and [Commitment](#) expiration date (if needed).

Step 3: For [Commitment](#) changes, you must submit a change request per [Part IV, Chapter 3: Streamlined Rate Lock, Section 305: Rate Lock and Commitment Extensions](#).



Step 4: You must pay any fees and adjustments to the [Pass-Through Rate](#) for the new [Book-Entry Date](#).

Section 408

Delivery Failure

Operating Procedure

Fannie Mae may take certain actions if the [Mortgage Loan Delivery](#)

- does not occur by the [Delivery](#) deadline, and
- this failure results in Fannie Mae being unable to
 - settle the [MBS](#) by the [Rate Lock](#) expiration date for an [MBS Mortgage Loan](#), or
 - purchase the [Mortgage Loan](#) by the earlier of the [Rate Lock](#) expiration date or the [Commitment](#) expiration date for a [Cash Mortgage Loan](#).

**For MBS or Cash
Trades...**

If you fail to Deliver the Mortgage Loan...



<p>With the Multifamily Trading Desk</p>	<p>Fannie Mae will:</p> <ul style="list-style-type: none">• draft as Breakage Fees an amount equal to the Minimum Good Faith Deposit from your account and retain it as liquidated damages in full satisfaction of your Rate Lock and Commitment obligations; and<ul style="list-style-type: none">- <u>the Minimum Good Faith Deposit from your account and retain it as liquidated damages in full satisfaction of your Rate Lock and Commitment obligations, or</u>- <u>for a Forward Commitment, per Fees (15601); and</u>• return the Mortgage Loan Documents to you or to an applicable warehouse lender. <p>This remedy will occur</p> <ul style="list-style-type: none">• after the Rate Lock expiration date or the Commitment expiration date, but• no sooner than the 2nd Business Day after Fannie Mae sends you a notice of default. <p>If the Rate Lock Period is more than 180 days, the Fannie Mae Multifamily Trading Desk will determine any additional remedies at the time of Rate Lock.</p>
<p>For Lender-Arranged Sales</p>	<p>You must:</p> <ul style="list-style-type: none">• comply with the requirements of the Third Party MBS Investor;• protect and hold Fannie Mae harmless against all actions or costs that may result from not complying with Third Party MBS Investor requirements; and• pay the Third Party MBS Investor any Breakage Fees, whether or not it collects the Good Faith Deposit from the Borrower. <p>If Fannie Mae does not purchase the Mortgage Loan, the Mortgage Loan documents will be returned to you or to an applicable warehouse lender.</p>



Chapter 7

Variable Rate Conversions and Renewals

Section 701

Conversion Process

Requirements

For a [Mortgage Loan](#) originated using Fannie Mae form [Loan Documents](#) that automatically converts to a variable rate or a fixed rate per the [Loan Documents](#), you must comply with the [Loan Documents](#).

For a [Mortgage Loan](#) originated using non-Fannie Mae form [Loan Documents](#) with a conversion option or other interest rate change (automatic or otherwise), you must

- comply with the [Loan Documents](#), and
- contact [Multifamily Acquisitions](#).

You must use the following table to determine the conversion process.

For conversion of...	You must...
An ARM Loan or a SARM Loan to a fixed rate	Comply with this Chapter.
A variable rate Mortgage Loan in a Structured Transaction to a fixed rate	Comply with Part IV, Chapter 2: Rate Lock and Committing .
A Hybrid ARM Loan to the adjustable rate term	Comply with Part III, Chapter 13: Hybrid Adjustable Rate Mortgage (Hybrid ARM) Loans .
A variable rate Credit Enhancement Mortgage Loan to a fixed rate	Comply with Part XIV of the DUS Guide Bond Transactions and Credit Enhancement Mortgage Loans (15916) .

Guidance

For information about the [ARM Loan](#) and [SARM Loan](#) conversion process, refer to [Frequently Asked Questions \(FAQs\) Exercising the Fixed Rate Conversion Option for an Adjustable Rate Mortgage Loan \(ARM Loan\) or a Structured ARM Loan \(SARM Loan\)](#).



Section 702

ARM Loan and SARM Loan Conversions

702.01 Governing Documents

Requirements

For interest rate conversions, you must comply with the following documents and order of priority:

- Interest Rate Conversion Agreement;
- Loan Documents; and
- this Chapter.

702.02 Minimum Conversion Debt Service Ratio

Requirements

To convert...	You must...
A Mortgage Loan to a fixed rate	Confirm the Minimum Conversion Debt Service Ratio (per the Interest Rate Conversion Agreement) is met.
A Supplemental Mortgage Loan to a fixed rate	Confirm the Minimum Conversion Debt Service Ratio is met using the sum of <ul style="list-style-type: none"> • the current annual combined debt service of all Pre-Existing Mortgage Loans (using the maximum interest rate for any variable rate Pre-Existing Mortgage Loan), plus • the annual debt service of the converted fixed rate Supplemental Mortgage Loan.

702.03 Conversion Criteria

Requirements

You must comply with the following table.

Criteria	You must...
DUS Gateway	Enter delegated and non-delegated conversions in DUS Gateway .



Criteria	You must...
Effective Date	Ensure the conversion is effective on a payment date (i.e., the 1st day of the month).
Conversion Timeline	<ul style="list-style-type: none"> • For an ARM Loan, exercise the conversion <ul style="list-style-type: none"> - after the 1st Loan Year, and - up to, and including, the last day of the 5th Loan Year. • For a SARM Loan, exercise the conversion <ul style="list-style-type: none"> - after the 1st Loan Year, and - up to, and including, the 1st day of the 3rd month before the Maturity Date.
Loan Term	<p>Convert to a fixed rate Mortgage Loan with a loan term</p> <ul style="list-style-type: none"> • greater than or equal to 7 years, and • less than or equal to 10 years.
Underwriting	<p>Underwrite the conversion as follows:</p> <ul style="list-style-type: none"> • Base actual DSCR on the trailing 12-month period from the most recent supportable actual operations per the Borrower's Property financial statements. • Ensure actual DSCR meets the minimum required DSCR for a fixed rate Mortgage Loan at the same Pricing and Underwriting Tier as the original ARM Loan or SARM Loan. • Comply with the Loan Documentation Requirements (Form 6000).

702.04 Guaranty Fee and Servicing Fee

Requirements

You must calculate the Gross Note Rate using the current Guaranty Fee and Servicing Fee for a fixed rate Mortgage Loan in effect at Rate Lock.

702.05 Interest-Only



☑ Requirements

If an interest-only [ARM Loan](#) or [SARM Loan](#) converts during the interest-only period and the new loan term is less than the original term, you must ensure

- the interest-only period does not carry over, and
- fixed rate amortization begins immediately.

➔ Guidance

If an interest-only [ARM Loan](#) or [SARM Loan](#) converts during the interest-only period and the new loan term is greater than or equal to the original term, you may allow the remaining interest-only period to carry over to the fixed rate [Mortgage Loan](#).

702.06 Fixed Rate Amortization

☑ Requirements

You must comply with the following table.

For ARM Loans and SARM Loans with...	The fixed rate amortization term will be...
Full-term interest-only	360 months.
<ul style="list-style-type: none"> • Partial interest-only or amortization, • a fixed rate term greater than or equal to the original ARM Loan or SARM Loan term, and • a most recent Property condition rating of 1 or 2 	360 months.
Other characteristics	equal to <ul style="list-style-type: none"> • the original ARM Loan or SARM Loan amortization term (in months), minus • the number of monthly payments (P&I or interest-only) since the Mortgage Loan Origination Date.



702.07 Fixed Rate Debt Service Payments

Operating Procedures

To calculate the fixed rate monthly P&I payments, you must:

1. Determine the amount required to repay the [Mortgage Loan UPB](#).
2. Divide the amount into equal monthly installments.
3. Include interest accrued at the fixed rate over the amortization term per [Part IV, Chapter 7: Variable Rate Conversions and Renewals, Section 702.06: Fixed Rate Amortization](#).
4. Use a 30/360 interest accrual method, regardless of whether the [Mortgage Loan](#) uses a 30/360 or an Actual/360 interest accrual method.

702.08 Fixed Rate MBS Trade Premium

Requirements

For premiums on fixed rate [MBS](#) trades, you must comply with the [Pricing Memo](#).

702.09 New Property Condition Assessment (PCA)

Requirements

You must obtain a new [PCA](#) (or a Streamlined [PCA](#) per [Part III, Chapter 9: Small Mortgage Loans, Section 907.03: PCA](#)) if

- the conversion extends the term of the [ARM Loan](#) or [SARM Loan](#), and
- the [Property](#) is not an [MAH Property](#).

You must obtain the [PCA](#) by the earlier of

- the final [Loan Year](#) of the [ARM Loan](#) or [SARM Loan](#) if it had not been converted, or
- [Loan Year 10](#).

Section 703 Commitment and Delivery

703.01 Rate Lock and Commitment



Operating Procedures

When you receive the [Borrower's](#) conversion notice for an [ARM Loan](#) or a [SARM Loan](#):

- Perform your standard due diligence before obtaining a [Rate Lock](#).
- Ensure the quoted fixed rate is less than or equal to the maximum fixed rate used to determine [Net Cash Flow](#).
- [Rate Lock](#) with the [Borrower](#) for the quoted fixed rate by the 10th day of the month before the [Conversion Date](#).
- Submit your [Commitment](#) request in [C&D](#).
- Obtain a confirmed [Commitment](#) for the fixed rate [Mortgage Loan](#).

703.02 Conversion Delivery

703.02A Deliver Loan Document Amendments

Operating Procedures

Step 1: Execute and deliver the [Rate Conversion Amendment](#).

- If you have a [Limited Power of Attorney](#) with [Fannie Mae](#) (per [Part V, Chapter 4: Asset Management: Loan Document Administration, Section 403: Execution of Documents by Servicer – Limited Power of Attorney](#)), you must
 - execute the [Rate Conversion Amendment](#) as [Fannie Mae's](#) attorney-in-fact, and
 - include the executed document in the [Mortgage Loan Delivery Package](#).
- If you do not have a [Limited Power of Attorney](#), you must
 - obtain the [Borrower's](#) signature,
 - deliver the [Rate Conversion Amendment](#) to [Multifamily Acquisitions](#) who will execute and retain the original with the [Mortgage Loan Delivery Package](#), and
 - retain the returned, executed copy in your [Servicing File](#).

Step 2: Determine if state law requires a [Security Instrument](#) amendment for a change in the [Mortgage Loan Maturity Date](#).

If an amendment is needed, you must ensure



- your counsel sends it to [Multifamily Acquisitions](#) for execution before closing the conversion, and
- the returned, executed amendment is recorded in the appropriate land records.

703.02B Deliver Mortgage Loan Delivery Package

Operating Procedures

Step 1: Prepare the [Mortgage Loan Delivery Package](#), including all documents listed in [Form 6000](#) as “Required upon Conversion” for an [ARM Loan](#) or a [SARM Loan](#).

Step 2: Deliver the [Mortgage Loan Delivery Package](#) to [Multifamily Certification and Custody](#)

- within 10 days after receiving the confirmed [Commitment](#), and
- by the [Delivery](#) deadline.

Step 3: Deliver the data and documents per [Part IV, Chapter 4: Delivery](#).

Step 4: Upload [Form 4662](#) and relevant underwriting due diligence to [DUS DocWay](#).

703.03 Conversion Activities

Operating Procedures

You must coordinate with Fannie Mae to ensure the following conversion activities occur.



You must...	Fannie Mae will...
<ul style="list-style-type: none">• Issue a new fixed rate MBS Pool after completing the conversion process.• Deliver the converted fixed rate Mortgage Loan to Fannie Mae under the new confirmed Commitment.• Ensure the MBS trade has a Book-Entry Date no later than:<ul style="list-style-type: none">- the 17th day of the month of the Conversion Effective Date for an MBS ARM Loan or SARM Loan; or- the 10th day of the month of the Conversion Effective Date for a Cash ARM Loan or SARM Loan.	<ul style="list-style-type: none">• Issue the new fixed rate MBS.• For a variable rate Cash Mortgage Loan, place it into the MBS trade assignment account.• Transfer the MBS to the MBS Investor per your instruction on either the 10th or the 17th day of the month (as applicable) of the Conversion Effective Date.• Deposit the funds from the MBS trade into your applicable P&I Custodial Account.

703.04 Pay Off

Requirements

You must confirm, report, and remit funds to pay off the MBS ARM Loan or SARM Loan.

Operating Procedures

1. Request MBS payoff amount verification by submitting your calculation in the Fannie Mae Payoff Calculator per Part V, Chapter 2: Reporting and Remitting, Section 210: Full Prepayments.
2. Send the payoff amount to Fannie Mae per the standard monthly remittance process in Part V, Chapter 2: Reporting and Remitting.
3. For an MBS ARM Loan or SARM Loan,
 - report a \$0 balance for the MBS on the 1st or 2nd day of the month in which the Conversion Effective Date occurs, and
 - Fannie Mae will draft the funds due to the MBS Investor.



Section 704

ARM 5/5 Optional 5-Year Adjustable Rate Term Renewal

704.01 Eligibility

Operating Procedures

To renew an ARM 5/5 Loan for a second 5-year adjustable rate term:

Timing before the initial Maturity Date	You must...
At least 180 days	<ul style="list-style-type: none">• Notify Multifamily Asset Management that the ARM 5/5 Loan will be renewed for the second 5-year adjustable rate term.• Confirm the ARM 5/5 Loan complies with Part III, Chapter 11: Adjustable Rate Mortgage (ARM) Loans, Section 1104: ARM 5/5 Loan Optional 5-Year Adjustable Rate Term Renewal Eligibility.• Include preliminary DSCR and LTV calculations.• Estimate the starting interest rate for the second 5-year adjustable rate term, including the new Investor spread.
At least 30 days	Provide Multifamily Asset Management with: <ul style="list-style-type: none">• an updated ARM 5/5 Loan eligibility confirmation;• current DSCR and LTV calculations; and• an estimate of the starting interest rate for the second 5-year adjustable rate term, including the new Investor spread.

704.02 Underwriting

Requirements

If an ARM 5/5 Loan is renewed for an additional 5 years, you must:

- Use the same [Guaranty Fee](#) and [Servicing Fee](#) as the first 5-year adjustable rate term.
- Adjust the [Investor spread](#) for the second 5-year adjustable rate term based on current market conditions.
- Adjust the monthly [Replacement Reserve](#) deposit to include required



capital improvements during [Loan Years 6 through 10](#), plus 2 additional years, per the original PCA Report.

- Not charge a [Prepayment Premium](#).

704.03 Prepayment Terms

Requirements

If an ARM 5/5 Loan is renewed for an additional 5 years:

- no voluntary prepayment will be permitted during the 6th [Loan Year](#) (i.e., the 1st [Loan Year](#) of the second 5-year adjustable rate term); and
- the [ARM Loan](#) may be prepaid after the 6th [Loan Year](#) with a 1% [Prepayment Premium](#), but no [Prepayment Premium](#) is due
 - during the last 3 months of the loan term, or
 - if the [ARM Loan](#) converts to a fixed rate [Mortgage Loan](#).

The following table describes various situations and the applicable prepayment provisions for the second 5-year adjustable rate term for an ARM 5/5 Loan; see [Part V, Chapter 2: Reporting and Remitting, Section 213: Prepayment Premium Sharing for Prepayment Premium](#) calculations and sharing between you and Fannie Mae.

Situation	Prepayment Provisions
ARM 5/5 Loan is renewed for a second 5-year adjustable rate term.	Borrower does not owe a Prepayment Premium .
Borrower attempts to make a voluntary prepayment during the 6th Loan Year .	Borrower may not make a voluntary prepayment during the 6th Loan Year (i.e., a voluntary prepayment is locked out).
ARM 5/5 Loan converts to a fixed rate Mortgage Loan after the 6th Loan Year .	Borrower does not owe a Prepayment Premium .



Situation	Prepayment Provisions
Borrower makes a voluntary prepayment after the 6th Loan Year and before the 3 months prior to the extended Maturity Date for any reason other than a casualty or condemnation.	Borrower owes a Prepayment Premium.



Chapter 8 **Bond Transactions and Credit Enhancement** **Mortgage Loans**

Section 801 **Credit Enhancement Mortgage Loan Committing and Delivery**

801.01 **Pre-Commitment**

Requirements

Before you request a **Credit Enhancement Mortgage Loan Commitment**, you must ensure:

- **the criteria for mailing the POS were met;**
- **the Good Faith Deposit was collected;**
- **the Bonds were priced; and**
- **any Credit Enhancement Commitment Letter was executed and delivered to Fannie Mae.**

801.02 **Preliminary Official Statement**

Operating Procedures

For publicly offered transactions, to prepare the POS you must ensure the **Bond** underwriter receives:

- **the Credit Enhancement Mortgage Loan information; and**
- **for an MBS for Bonds, the MBS Prospectus Supplement narrative, including**
 - **any applicable Taxable Tail Subordinate Loan information, and**
 - **an electronic link to the Multifamily MBS Prospectus template.**

Before the POS is mailed:



Steps	You must ensure..
1	<p>The following documents are in substantially final form, with no open business issues:</p> <ul style="list-style-type: none"> • Bond documents; • Loan Documents; • any Credit Enhancement Instrument; • any Reimbursement Agreement; • any credit enhancement documents; • Interest Rate Cap documents for variable rate Bonds; • any other transaction documents; and • all legal opinions.
2	<p>You received all required Fannie Mae and third-party approvals.</p>
3	<p>You and your counsel reviewed and approved the following, ensuring they comply with the Guide and any Credit Enhancement Commitment Letter:</p> <ul style="list-style-type: none"> • title commitment or pro forma title policy for the Property; • survey; • any Affordable Regulatory Agreement; • any Subordinate Loan documentation; and • any Subordination Agreement.
4	<p>You are unaware, after reasonable due diligence, of any matters preventing Delivery of the Credit Enhancement Mortgage Loan and applicable Credit Enhancement Instrument or MBS.</p>
5	<p>The Bond Issuer approved the Bond issuance through its final Bond resolution.</p>
6	<p>The rating agency confirmed it has no significant concerns with the</p> <ul style="list-style-type: none"> • Bond documents, • Loan Documents, • any Credit Enhancement Instrument, • related documents, or • applicable MBS.



Steps	You must ensure..
<u>7</u>	<u>The Borrower met the conditions for mailing the POS in the Borrower Commitment and any applicable Credit Enhancement Commitment Letter.</u>
<u>8</u>	<u>Either:</u> <ul style="list-style-type: none"><u>• for a Credit Enhancement Instrument, you accept the Credit Enhancement Commitment Letter as being in substantially final form, with no open business issues;</u><u>or</u><u>• for an MBS for Bonds, the Fannie Mae Deal Team provides written authorization.</u>
<u>9</u>	<u>Fannie Mae's counsel is satisfied with all final changes to the POS, including the typeset cover.</u>
<u>10</u>	<u>If Fannie Mae is a LIHTC investor:</u> <ul style="list-style-type: none"><u>• you provided Fannie Mae with all required information and documentation per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 710.02: Fannie Mae Credit-Enhanced Tax-Exempt Bond Issuance;</u><u>• Bond counsel confirmed you resolved any tax issues concerning Fannie Mae's investment in the Borrower's equity; and</u><u>• any LIHTC Agreement is in substantially final form, with no open business issues.</u>

801.03 Good Faith Deposit

Requirements

Before obtaining a Credit Enhancement Mortgage Loan Commitment, you must collect the Minimum Good Faith Deposit from the Borrower per Part IV, Chapter 2: Rate Lock and Committing, Section 203.02: Minimum Good Faith Deposit.

You must hold and refund the Good Faith Deposit per Part IV, Chapter 2: Rate Lock and Committing, Section 203.03: Good Faith Deposit and Breakage Fees.

If you fail to Deliver a Credit Enhancement Mortgage Loan that complies with this Chapter, you will be



- in default under the Commitment, and
- subject to Part IV, Chapter 4: Delivery, Section 408: Delivery Failure.

801.04 Rate Lock

➔ Guidance

For Credit Enhancement Mortgage Loans, the interest rate is determined at Bond pricing.

At Bond pricing, the Bond Issuer and Bond underwriter or direct purchaser execute a Bond Purchase Agreement, setting the terms for the Bond underwriter or direct purchaser to purchase the Bonds on the issue date.

✦ Operating Procedures

Timing	Activity
<u>At Bond pricing</u>	<u>Bond underwriter provides you the Bond interest rate, equaling:</u> <ul style="list-style-type: none">• <u>the Gross Note Rate on the</u><ul style="list-style-type: none">- <u>Multifamily Bond Note, for a Credit Enhancement Instrument, or</u>- <u>Note, for an MBS for Bonds;</u>• <u>minus the sum of:</u><ul style="list-style-type: none">- <u>the applicable Credit Enhancement Fee or Guaranty Fee;</u>- <u>Servicing Fee;</u>- <u>any applicable PRF fee; and</u>- <u>for a Credit Enhancement Instrument, the Bond Issuer fee.</u>



Timing	Activity
<p><u>Before Bond Purchase Agreement is executed</u></p>	<p><u>You must:</u></p> <ul style="list-style-type: none"> • <u>review the Bond underwriter’s pricing information;</u> • <u>confirm, for any 12-month period, the actual maximum annual debt service on the Bond debt service schedule is less than or equal to the underwritten maximum annual debt service;</u> • <u>create a monthly payment schedule to be attached to the Note that, for each 12-month period, aggregates the exact amount of the Bond payments (plus any fees); and</u> • <u>for an MBS for Bonds:</u> <ul style="list-style-type: none"> - <u>confirm the Bond terms match the Credit Enhancement Mortgage Loan pass-through payments; and</u> - <u>if the actual maximum annual debt service is greater than the underwritten maximum annual debt service, then</u> <ul style="list-style-type: none"> ▪ <u>reduce the actual Credit Enhancement Mortgage Loan amount (and corresponding Bond principal amount), and</u> ▪ <u>the Borrower must identify a new financing source, acceptable to all parties, for the amount of the reduction in the Credit Enhancement Mortgage Loan amount.</u>
<p><u>After Bond Purchase Agreement is executed</u></p>	<p><u>For a Credit Enhancement Instrument, you must receive the Credit Enhancement Commitment Letter executed by Fannie Mae and submit a fully executed copy via DUS Gateway.</u></p>

801.05 Commitment

 Operating Procedures

Steps	You must..
<p><u>1</u></p>	<p><u>Submit a Commitment request for the Credit Enhancement Mortgage Loan through C&D within 24 hours after the Bond Purchase Agreement is executed.</u></p>



Steps	You must...
<u>2</u>	Ensure the <u>Commitment</u> reflects the <ul style="list-style-type: none">• <u>Bond interest rate (for an MBS for Bonds, the Bond interest rate equals the MBS Pass-Through Rate),</u>• <u>term sheet attached to the Official Statement, and</u>• <u>Credit Enhancement Commitment Letter terms, for a Credit Enhancement Instrument.</u>
<u>3</u>	<u>Enter all information into C&D per the screen instructions and C&D User Manual.</u>
<u>4</u>	<u>Coordinate with Multifamily Acquisitions to resolve any submission problems or discrepancies.</u>

Fannie Mae will evaluate your submission and, if appropriate, confirm the Commitment.

Section 802

Data and Document Delivery

802.01 Credit Enhancement Mortgage Loans

Requirements

For all Credit Enhancement Mortgage Loans, you must:



Credit Enhancement Form	Data Submission and Document Delivery
<u>Credit Enhancement Instrument</u>	<p>Submit the</p> <ul style="list-style-type: none">• <u>delivery data in C&D per Part IV, Chapter 4: Delivery, and</u>• <u>applicable data on the Bond, Loan, Borrower, and Property pages in C&D within 3 Business Days after the Bond closing.</u> <p><u>Deliver the Mortgage Loan Delivery Package</u></p> <ul style="list-style-type: none">• <u>in electronic form within 3 Business Days after the Mortgage Loan closing (not including the closing date), and</u>• <u>in physical form by the earlier of</u><ul style="list-style-type: none">- <u>10 Business Days after the Mortgage Loan closing (not including the closing date), or</u>- <u>the last day of the month of the Bond closing.</u>
<u>MBS for Bonds</u>	<ul style="list-style-type: none">• <u>Submit all data, including the MBS Pool Information, in C&D per Part IV, Chapter 4: Delivery.</u>• <u>Enter Special Feature Code 832.</u>• <u>Deliver the Mortgage Loan Delivery Package per Part IV, Chapter 4: Delivery.</u>

802.02 Interest Rate Cap

Requirements

You must deliver Interest Rate Cap information when you Deliver the Mortgage Loan in C&D.

Operating Procedures

When delivering Interest Rate Cap information:

- Enter data in the “Hedges” tab in C&D.



- Upload the Interest Rate Hedge Entry (Form 4643) into CESIR.



GLOSSARY

■ **Bond Liquidity Fee Rate**

Fee charged by the provider of a letter of credit, standby bond purchase agreement, or other arrangement providing liquidity to purchase securities (typically variable rate demand obligations), that were tendered to the Issuer but cannot be immediately remarketed to new investors, expressed as an annualized percentage.

■ **Borrower Commitment**

Your written commitment with the Borrower to originate a Mortgage Loan, and any separate written or oral rate lock agreements between you and the Borrower to rate lock the Mortgage Loan.

Synonyms

Borrower Commitments

■ **CESIR**

Credit Enhancement Servicing and Investor Reporting System

■ **Closed Indenture**

Indenture for a Bond transaction where all of the Bond proceeds finance only the Property securing the Mortgage Loan.

■ **Credit Enhancement Mortgage Loan**

Mortgage Loan underwritten and serviced financed by the Lender and financed by a the issuance of Bonds issuance where Fannie Mae is providing a cCredit eEnhancement byInstrument.

- a Credit Enhancement Instrument, or
- an MBS for Bonds.

Synonyms

Credit Enhancement Mortgage Loans



■ **Delivery Assurance Security Instrument**

The applicable Security Instrument (Form 6025 series), as modified by the Modifications to Security Instrument (Unfunded Forwards) (Form 6321).

■ **Direct Pay**

Credit enhancement under which Fannie Mae makes principal and interest payments directly to the Bond Trustee (for payment to bondholders) regardless of whether the Borrower has reimbursed Fannie Mae for such payments.

■ **Forward Commitment**

Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property per Part XV of the DUS Guide, subject to certain conditions.

Synonyms

Forward Commitment's
Forward Commitments

■ **Forwards Team**

Team that can be contacted at mf_forwards_team@fanniemae.com.

■ **Guide**

Multifamily Selling and Servicing Guide and Delegated Underwriting and Servicing Guide, including any exhibits, appendices, or other referenced forms, as updated, amended, restated, modified, or supplemented; however, for any topic in the Multifamily Selling and Servicing Guide, that Guide; shall control unless a Lender Contract specifies another Guide.

- controls all Lender and Servicer requirements unless a Lender Contract specifies otherwise; and
- includes any exhibits, appendices, or other referenced forms, as updated, amended, restated, modified, or supplemented.



Synonyms

DUS Guide

■ **Indenture**

Bond issuer trust indenture or resolution listing Bond terms.

■ **Interest Rate Cap**

Interest rate agreement between the Borrower and a hedge provider for which the Borrower receives payments at the end of each period when the interest rate exceeds the Cap Strike Rate. The Interest Rate Cap provides a ceiling (or cap) on the Borrower's Mortgage Loan interest payments ~~on the Mortgage Loan~~.

Synonyms

Interest Rate Caps

Interest Rate Hedge

Interest Rate Hedges

Interest Rate Swap

■ **MBS for Bonds**

Fannie Mae MBS:

- issued to credit enhance tax-exempt Bonds; or
- exchanged for Bonds redeemed at MBS issuance.

Synonyms

MBS Exchange

MTEB

MTEM

■ **Open Indenture**

Indenture for a Bond transaction where a portion of the Bond proceeds finance projects in addition to the Property securing the Mortgage Loan.

■ **Preliminary Official Statement**



Initial disclosure document for prospective Bond purchasers containing terms, conditions, and information regarding the Bonds, the project, the Issuer, the Borrower and the credit enhancer.

Synonyms

POS

■ **PRF**

Account you hold accumulating principal amortization payments for variable rate Bond **Principal Reserve Fund for Bond Credit Enhancements**, see Part XIV of the DUS Guide credit enhancements.

Synonyms

Principal Reserve Fund

■ **Remarketing Agent**

For Bond Credit Enhancements, see Part XIV of the DUS Guide Person selected by the Issuer to reset the interest rate on the Bonds in order to resell any Bonds tendered by investors on the interest rate reset date.

■ **SIFMA Municipal Swap Index**

The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

■ **Standby**

BondCredit Enhancements, see Part XIV ofenhancement under which Fannie Mae makes principal and interest payments directly to the **DUS Guide**Bond Trustee (for payment to bondholders) if the Borrower fails to make required mortgage note payments or if a bankruptcy event has occurred.;

Synonyms

Standby Facilities

Standby Facility

Standby Execution



■ **Taxable Tail**

Taxable debt secured by the Property securing the Credit Enhancement Mortgage Loan.

■ **Activity Fee**

For Bond Credit Enhancements, see Part XIV of the DUS Guide.

■ **Bond Advance**

For Bond Credit Enhancements, see Part XIV of the DUS Guide.

■ **Compliance Monitor**

For Bond Credit Enhancements, see Part XIV of the DUS Guide.

■ **Facility Fee**

For Bond Credit Enhancements, see Part XIV of the DUS Guide.

■ **Interest Reserve Requirement**

For Bond Credit Enhancements, see Part XIV of the DUS Guide.

■ **Rebate Analyst**

For Bond Credit Enhancements, see Part XIV of the DUS Guide.

■ **Reimbursement Agreement**

For Bond Credit Enhancements, see Part XIV of the DUS Guide.

■ **Reset Rate**

For Bond Credit Enhancements, see Part XIV of the DUS Guide.

■ **Scheduled Payments**

For Bond Credit Enhancements, see Part XIV of the DUS Guide.