



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of January 1, 2021

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Summary of Changes

HIGHLIGHTS

Effective for all MBS issued on or after January 1, 2021, Fannie Mae updated the Guide and related forms to facilitate Fannie Mae making a REMIC election when issuing a multifamily MBS.

Primary Changes

Guide updates include:

- Part I, Chapter 1: Overview representations regarding Delivering a Mortgage Loan.
- Part III, Chapter 5: Seniors Housing Properties specifies that a Seniors Housing Mortgage Loan is ineligible for purchase if the original UPB exceeds 100% of the portion of the Appraised Value attributed to land and all Improvements, but excluding any portion attributed to goodwill, business value, intangibles, and/or furniture, fixture, and equipment.
- Part IV, Chapter 4: All MBS Mortgage Loans must be eligible for Fannie Mae to make a REMIC election when issuing the associated MBS.

Form updates include:

- Multifamily Additional Disclosure Guidance (Form 4098):
 - A Mortgage Loan Delivered in an MBS without a REMIC Election:
 - must be approved by Fannie Mae;
 - requires Additional Disclosure; and
 - is ineligible for re-securitization.
 - Additional Disclosure characteristics were added or modified for:
 - Commercial Condominium Projects;
 - Non-Standard Events of Default and/or Personal Recourse Triggers or Recourse Events; and
 - Properties with Multiple Addresses.
- Delegated Transaction: Condemnations (Form 4636.C).
- Delegated Transaction: Partial Releases of Collateral (Form 4636.PR).

Questions

Please contact the Fannie Mae Deal Team with any questions.



Chapter 1 Overview

Section 101 Using the Guide

101.01 Organization

Requirements

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

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

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

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

101.02 References

Requirements

In the [Guide](#):

- a reference to any [Person](#) also includes the [Person's](#) successors and assigns;
- a reference to any [Loan Document](#), statute, regulation, or standard, also includes all amendments, modifications, or restatements made from time to time; and
- whenever you make a representation "to your knowledge" or "to the best of your knowledge," you mean the actual state of knowledge of your officers and employees responsible for the underwriting, origination, servicing, or sale of the [Mortgage Loan](#) regarding the



matters expressly set forth in the representation, in each case without having conducted any independent inquiry into such matters, and without any obligation to do so (except as expressly set forth herein). All information contained in documents which are part of or required to be part of your [Servicing File](#) is deemed to be within your knowledge.

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Section 102 Delegation and Underwriting

Requirements

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

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

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

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

Section 103 Transaction Approval Memo

Requirements

Your Transaction Approval Memo must:

- document your analysis of all reasonably identifiable strengths and weaknesses of the proposed [Mortgage Loan](#) transaction; and
- address and mitigate the following:
 - [Property's](#) financial performance, trends, and value;



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

Guidance

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

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

Section 104

Representations

Requirements

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

- At all times during the origination and underwriting of the [Mortgage Loan](#), you were authorized to transact business in the [Property's](#) jurisdiction. If you were not authorized, then none of your activities related to the [Mortgage Loan](#) requires authorization to transact business in the [Property's](#) jurisdiction.
- If the laws of the [Property's](#) jurisdiction do not require you to be authorized to do business, then this lack of authorization will not adversely affect the mortgagee's ability to enforce the [Mortgage Loan](#).
- You are the sole owner and holder of the [Mortgage Loan](#) and have



full right and authority to sell the [Mortgage Loan](#) to Fannie Mae.

- Your right to sell the [Mortgage Loan](#) to Fannie Mae is not subject to any other party's interest or [Lien](#), or to any agreement with any other party.
- You complied with all applicable federal or state laws, regulations, or other requirements regarding
 - fair lending,
 - fair housing,
 - consumer credit,
 - equal credit opportunity,
 - truth-in-lending, and
 - the prohibition of redlining and other forms of disparate treatment.
- Unless modified by Fannie Mae's [Pre-Review](#) approval, the [Mortgage Loan](#) meets
 - the requirements of the [Guide](#),
 - the [Form 4660](#), and
 - all applicable requirements of your [Lender Contract](#).
- The [Mortgage Loan](#) either meets or is exempt from any usury laws or regulations.
- The [Loan Documents](#) you deliver to Fannie Mae are the appropriate and correct forms for the particular transaction under the [Guide](#) and contain the same provisions as those provided to you by Fannie Mae (except for completion of blanks, deletion of bracketed information which is not applicable, and other changes approved by Fannie Mae).
- The [Borrower](#) is not in default under any of the terms of the [Loan Documents](#) and would not be in default under any of the terms of the [Loan Documents](#) with the passage of time, the giving of notice, or both.
- The terms and conditions of the [Mortgage Loan](#) (as reflected in the [Loan Documents](#)) have not been amended, modified, or supplemented by
 - any other agreement or understanding of the parties, or
 - waiver of any of the material provisions of those [Loan Documents](#).
- All documents that evidence, secure, or otherwise relate to the [Mortgage Loan](#) have been delivered to Fannie Mae. If you are not



the actual party assigning the Mortgage Loan to Fannie Mae because of the financing structure (e.g., a variable rate bond transaction), you make this representation only to the best of your knowledge.

- ~~The Mortgage Loan has not been materially modified, satisfied, cancelled, released, or subordinated, or if it has, then Fannie Mae has approved the matter in writing.~~
- The Mortgage Loan has not been satisfied, cancelled, released, or subordinated, and Fannie Mae has approved in writing any material modification to the Mortgage Loan occurring after the Mortgage Loan Origination Date, including any change in the:
 - Mortgage Loan amount, Gross Note Rate, Maturity Date, amortization period, or timing of payments;
 - Collateral or Lien priority;
 - reserve types required per the Loan Documents or their release provisions;
 - Mortgage Loan recourse provisions, including the addition of new non-recourse carveouts;
 - Borrower's organization type; or
 - Persons personally liable for the Mortgage Loan, including any Payment Guaranty or additional credit enhancement.
- The Lien on the Collateral identified in the Transaction Approval Memo is valid.
- The Borrower has properly signed the Loan Documents; they are valid and enforceable obligations of the Borrower, subject to bankruptcy, reorganization, or insolvency laws, or other general principles of equity.
- To the best of your knowledge, as of the Delivery of the Mortgage Loan:
 - the Property does not have any subordinate loans that have not been pre-approved by Fannie Mae;
 - the Property has not been damaged by any Catastrophic Event;
 - the Property has not been condemned or been a part of any proceeding that would impair
 - the value of the Mortgage Loan,
 - the value of the Property, or
 - the usefulness of the Property for the contemplated purpose;



and

- there are no proceedings – pending or contemplated – to partially or totally condemn the **Property**.
- To the best of your knowledge:
 - the credit reports and financial statements relating to the **Borrower(s)** (and to any other person or entity required by the **Guide**) correctly reflect the financial condition of these person(s) without material exception; and
 - as of the **Delivery** of the **Mortgage Loan**, none of the following is the subject of an existing or contemplated bankruptcy, reorganization, insolvency, or comparable proceeding
 - any **Borrower**,
 - any general partner of a **Borrower**,
 - any **Key Principal**,
 - any **Guarantor**, or
 - any other party whose bankruptcy could negatively impact one of these parties.
- If the **Mortgage Loan** is insured or guaranteed by any ~~party~~ **Person**, including any governmental authority
 - you have ensured that insurance or ~~guaranty~~ **Guaranty** is in effect, and
 - you have complied with all applicable provisions of the insurance or ~~guaranty~~ **Guaranty** that covers the **Mortgage Loan**.
- The **Property** is free of all mechanics', materialmen's, or similar **Liens**, and there are no rights outstanding that could cause such liens. (The only ~~exception~~ **exceptions** are mechanics' or materialmen's **Liens** which attach automatically under the laws of any governmental authority when work is started or materials are delivered to the **Property** and the **Borrower** is not delinquent in the payment for this work or materials).
- You have not made or knowingly received from others, any advance of funds (directly or indirectly) on behalf of the **Borrower** connected with the **Mortgage Loan** transaction, except for funds permitted in the **Guide** or related to interest paid from the earliest of the:
 - date of the **Note**;
 - date the **Mortgage Loan** proceeds were disbursed to the **Borrower**;



or

- date 1 month before the first installment of P&I on the Mortgage Loan is due.
- To the best of your knowledge, based solely on the survey and the title insurance policy connected with the origination of the Mortgage Loan (except for encroachments that do not materially and adversely affect the current marketability or principal use of the Property, or that are insured against by the title insurance policy):
 - all material improvements used to determine the appraised value of the Property when the Mortgage Loan was originated are within the boundaries of the Property;
 - no material improvements on adjoining parcels encroach onto the Property; and
 - no material improvements encroach onto any easements.
- To the best of your knowledge, nothing involving the Mortgage Loan, the Property, or the Borrower can reasonably be expected to:
 - cause private institutional investors to regard the Mortgage Loan as an unacceptable investment;
 - cause the Mortgage Loan to become delinquent; or
 - adversely affect the Mortgage Loan's value or marketability.
- If the Mortgage Loan provides that the interest rate or principal balance may be adjusted, Fannie Mae may enforce the terms of the Mortgage Loan, and these adjustments will not affect the priority of the Lien.
- All Mortgage Loan proceeds were funded on the Mortgage Loan Origination Date
 - directly to or for the benefit of the Borrower, or
 - to fund reserves or escrows per the Loan Documents.
- All electronic data you submit is accurate and complete.
- If Fannie Mae's interest in the Mortgage Loan is a Participation Interest, all of the information and statements in any participation certificate that you deliver are complete, correct, and true.

Guidance

Redlining is illegal and occurs when a lender provides unequal access



to credit, or offers unequal credit terms, because of the race, color, national origin, or other prohibited characteristics of the residents of the area in which the mortgaged property is located.

You may consider locational factors when appraising and underwriting if your risk analysis

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



Chapter 5 Seniors Housing Properties

Section 501 Generally

501.01 Description

Requirements

A [Seniors Housing Property](#) is a multifamily residential rental property with [Independent Living](#), [Assisted Living](#), [Alzheimer's/Dementia Care](#), or [Skilled Nursing units](#).

501.02 Eligible Lenders

Requirements

You must be approved in writing to [Deliver Seniors Housing Mortgage Loans](#).

501.03 Key Principal/Sponsor Experience

Requirements

You must ensure that the [Key Principal](#) or [Sponsor](#) has owned or operated [Seniors Housing Properties](#) of commensurate type, size, and service level as the [Property](#).

Section 502 Eligible Properties

502.01 Eligible Properties

Requirements

You must ensure that a [Seniors Housing Property](#) has the following design features:

- convenience features for the elderly in all units, such as grab bars in the bathrooms and emergency pull-cords or equivalent safety items;
- a fully operational sprinkler system throughout each level of each building (including all units and common areas), regardless of local building code or other governmental requirements;
- a commercial kitchen for preparing meals for residents;
- kitchens or kitchenettes containing a refrigerator, microwave or



comparable cooking element, and sink in each Independent Living unit, and also in, each Assisted Living unit if consistent with the market; and

- bathrooms in each Independent Living and Assisted Living unit.

502.02 Ineligible Properties

Requirements

Fannie Mae will not purchase any Mortgage Loan secured by a Seniors Housing Property that:

- is comprised of only Skilled Nursing units; ~~or~~
- that does not meet the Skilled Nursing NCF Test per Part III, Chapter 5: Seniors Housing Properties, Section 504.02: Skilled Nursing NCF Test; or
- if the original Seniors Housing Mortgage Loan UPB exceeds 100% of the portion of the Appraised Value
 - attributed to land and all Improvements, but
 - excluding any portion attributed to goodwill, business value, intangibles, and/or furniture, fixtures, and equipment.

Section 503

Continuing Care Retirement Communities (CCRCs)

Requirements

You must ensure that a CCRC has:

- had at least 90% physical occupancy for each of the past 5 fiscal years;
- debt service reserves equal to at least 1 year of P&I; and
- a DSCR of at least 1.00 based on annualized rent collections and operating expenses, excluding net entrance fees.

For any CCRC with an entrance fee, your underwriting must include a summary and analysis of the following:

- actuarial report (including a copy of the report);
- range and weighted average of entrance fees offered at the Property, which must be within the range of median home values in the local



market;

- entrance fee refund plans (for example, full, partial, declining, non-refundable);
- required entrance fee reserve;
- whether the entrance fee reserve can be assigned as collateral for the [Mortgage Loan](#);
- net entrance fee income (collections minus refunds) for the past 5 years;
- sufficiency of the entrance fee reserve;
- market analysis of entrance fees;
- underwritten net entrance fee income;
- historical annual resident turnover;
- required operating reserves;
- whether the operating reserves can be assigned as collateral for the [Mortgage Loan](#);
- identity of all governmental authorities that license the [Property](#) and [Seniors Housing Operator](#); and
- status of each required license.

Section 504 Seniors Housing Property Income

504.01 Underwritten NCF

Requirements

You must use the following table to calculate [Underwritten NCF](#) for [Seniors Housing Properties](#).

REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
CALCULATION OF NET RENTAL INCOME		
1		GROSS RENTAL INCOME – actual rents in place for occupied units, plus market rents for vacant units based on a current rent roll (multiplied by 12).



REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
2	PLUS	Medicaid income (does not include Medicare, which is included in Skilled Nursing income).
3	PLUS	Skilled Nursing income – actual trailing 12-month collections for Skilled Nursing units (if 12-month collections are not available, then actual trailing 6-month collections (annualized)). ¹
4	PLUS	To the extent deducted as an operating expense, rents for other non-revenue units (e.g., model units deducted in the “model apartment” operating expense in the “general and administrative” category, or actual rent from employee units deducted in the “employee” operating expense in the “payroll and benefits” category).
	EQUALS	GROSS POTENTIAL RENT (GPR)
5	MINUS	Physical vacancy – market rents for vacant units based on a current rent roll (multiplied by 12). ²
6	MINUS	Concessions – the aggregate amount of forgone residential rental income resulting from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc. ²
7	MINUS	Bad debt – the aggregate amount of unpaid rental income determined to be uncollectable: include any adjustments to other income for bad debt. ²
	EQUALS	NET RENTAL INCOME (NRI) ¹



**REQUIRED UNDERWRITTEN NCF
(SENIORS HOUSING PROPERTY)**

Item	Function	Description
1		Skilled Nursing income must not be grossed up to 100% before the 20% deduction is applied. An additional 20% is taken off the Skilled Nursing income.
2		<p>The total of Items 5, 6, and 7 must equal the greater of:</p> <ul style="list-style-type: none"> • the difference between the trailing 3-month net rental collections (annualized) and the GPR; or • the following percentages: <ul style="list-style-type: none"> - Independent Living: if the percentage of Independent Living units is greater than 50%, then use 5% of GPR. - Assisted Living (60 total units or more): if the percentage of Assisted Living units or the combined percentage of Assisted Living and Alzheimer's/Dementia Care units is 50% or greater, then use 5% of GPR. - Assisted Living (less than 60 total units): if the percentage of Assisted Living units or the combined percentage of Assisted Living and Alzheimer's/Dementia Care units is 50% or greater, then use 10% of GPR. - Alzheimer's/Dementia Care: if the percentage of Alzheimer's/Dementia Care units is 100%, then use 10% of GPR. - Skilled Nursing units: use 20% of collections based on the trailing period used in determining Skilled Nursing income in Item 3. <p>You must determine if NRI declined per Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis and adjust Underwritten NRI as required.</p>

**CALCULATION OF ASSISTED LIVING SERVICE INCOME AND
OTHER INCOME**

8	PLUS	Trailing 12-month nursing/medical income (includes Assisted Living service income).
9	PLUS	Trailing 12-month ancillary income attributable to Skilled Nursing units, if applicable.
10	PLUS	Trailing 12-month other income for second resident fees, meals, tray service, laundry, special transportation, community fees, parking revenue, and any other income.

CALCULATION OF NET ENTRANCE FEE INCOME



REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
11	PLUS	Net entrance fee income associated with CCRCs – resident entrance fee collections minus entrance fee refunds, but not more than the annualized average of the trailing 60-months of net entrance fee income.
CALCULATION OF COMMERCIAL INCOME		
12	PLUS	Actual income from occupied commercial space (and parking revenue for commercial spaces, if applicable).
13	MINUS	10 % of the actual commercial income. ³
	EQUALS	EFFECTIVE GROSS INCOME (EGI)
<p>³ If net commercial income is greater than 20% of EGI, then reduce to 20% of EGI.</p>		
CALCULATION OF OPERATING EXPENSES		



REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
14	MINUS	<p>Line-by-line stabilized operating expenses.</p> <p>Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a lease-up, rehabilitation, or other short-term positive or negative factors. Non-recurring, extraordinary operating expenses must not be included.</p> <p>You must assess:</p> <ul style="list-style-type: none"> • past operating history; • the appraiser’s expense analysis; • all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and • the Borrower’s budget (in the case of an acquisition). <p>You must analyze historical operations at the Property and apply an appropriate increase over the prior year’s operations in determining an estimate.</p>
15	MINUS	<p>Property management fee equal to the greatest of:</p> <ul style="list-style-type: none"> • 5 % of EGI; • actual property management fee (exclude any portion of a non-arm’s-length property management fee that is subordinated to the Mortgage Loan); or • market property management fee.



**REQUIRED UNDERWRITTEN NCF
(SENIORS HOUSING PROPERTY)**

Item	Function	Description
16	MINUS	<p>Real estate taxes based on the greatest of:</p> <ul style="list-style-type: none">• actual future tax bill(s) covering a full calendar year;• prior full year's taxes multiplied by 103% (the 3% trending is not required for trailing 12-month or year-to-date annualized expenses); or• in California, the greater of the Mortgage Loan amount or the assessed value, multiplied by the millage rate, plus any special assessments. <p>You must consider any automatic tax reassessment upon acquisition in the next 12-month period.</p> <p>If the Property has real estate tax abatements, exemptions, or deferrals, they must:</p> <ul style="list-style-type: none">• be in effect at closing, per written documentation from the state or local tax assessor; and• survive a foreclosure on the Mortgage Loan such that Fannie Mae or a subsequent owner will retain the abatement, exemption, or deferral benefit (i.e., it is tied to the Property and not the owner).



REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
16 continued	MINUS	<p>If the timeframe for the real estate tax abatement, exemption, or deferral is shorter than the Mortgage Loan term, you must consider</p> <ul style="list-style-type: none"> • a Bifurcated Mortgage Loan structure (i.e., 2 notes secured by a single first Lien Security Instrument), • an amortization schedule that accommodates the elimination of the abatement, or • providing clear justification and support in the refinance analysis. <p>If the Property is located in New York City and subject to the J-51 Tax Incentive Program where the Borrower has decontrolled rent-stabilized units (a Decontrol Event), you must adjust the current rents to reflect no rent decontrol benefits:</p> <ul style="list-style-type: none"> • Calculate the base rent as the rent amount per unit before the Decontrol Event date. • Use the base rent for each applicable unit to determine the Gross Rental Income. • Increase the base rent by the appropriate percentage allowed under New York City Rent Stabilization laws per annum through the present rent roll date.
17	MINUS	<p>Insurance equal to:</p> <ul style="list-style-type: none"> • the quoted expense, for insurance policies with a bona fide written quote from a reputable broker for a new 12-month policy; or • 110 % of the current expense, for insurance policies with a remaining term less than 6 months.
18	MINUS	Room expense – housekeeping, if applicable.
19	MINUS	Meals expense, if applicable.



REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
20	MINUS	Utilities, water and sewer, repairs and maintenance, payroll and benefits, advertising and marketing, professional fees, general and administrative, ground rent, and all other expenses per Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis.
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
21	MINUS	Replacement Reserve expense per Part III, Chapter 5: Seniors Housing Properties, Section 505: Replacement Reserve.
	EQUALS	UNDERWRITTEN NCF

504.02 Skilled Nursing NCF Test

Requirements

Fannie Mae will not purchase any Mortgage Loan if the Skilled Nursing NCF is more than 20% of the Property's NCF.

You must:

- Calculate the Skilled Nursing NCF at underwriting to determine if the Property will meet this Skilled Nursing NCF test.
- Retest all Properties with Skilled Nursing units annually after closing to ensure compliance.
- Contact the Fannie Mae Deal Team to ensure the Loan Documents for any transaction with Skilled Nursing units include appropriate modifications.

The Skilled Nursing NCF test is a Property-specific test. You must separately test a Property with Skilled Nursing units, if the Mortgage Loan is

- secured by multiple Properties, or



- cross-defaulted or cross-collateralized with another Mortgage Loan.

You must use the following table to calculate the Skilled Nursing NCF.

REQUIRED SKILLED NURSING NCF AND PERCENTAGE (SENIORS HOUSING PROPERTY)		
Item	Function	Description
SKILLED NURSING EFFECTIVE GROSS INCOME		
1		SKILLED NURSING INCOME – actual trailing 12-month collections for Skilled Nursing units (if 12-month collections are not available, then actual trailing 6-month collections (annualized)).
2	MINUS	20 % of collections based on the trailing period used in determining the Skilled Nursing income.
3	PLUS	Ancillary income attributable to Skilled Nursing units.
	EQUALS	SKILLED NURSING EFFECTIVE GROSS INCOME (EGI)
SKILLED NURSING EXPENSES		
4	MINUS	Fixed expenses – greater of actual or allocated fixed expenses (e.g., real estate taxes, liability insurance, etc.) for Skilled Nursing units.
5	MINUS	Variable operating expenses for Skilled Nursing units.
	EQUALS	SKILLED NURSING NCF
6	DIVIDED BY	Underwritten NCF per Part III, Chapter 5: Seniors Housing Properties, Section 504.01: Underwritten NCF.
	EQUALS	SKILLED NURSING NCF PERCENTAGE



504.03 Operating Lease Ratios

Requirements

If the Seniors Housing Operator

- does not have any direct or indirect ownership interest in the Borrower or the Key Principal, or
- is not a Person Controlled by, under common Control with, or which Controls, the Borrower or Key Principal, then you must ensure that the Property meets the following ratios:

Ratios	Requirements
Operating Lease Coverage Ratio	<p>The minimum underwriting ratios for Underwritten NCF to current year operating lease payments are:</p> <ul style="list-style-type: none">• 1 .10 for Seniors Housing Properties where more than 50% of the units are Independent Living units; and• 1 .15 for Seniors Housing Properties where 50% or more of the units are Assisted Living, Alzheimer's/Dementia Care, or Skilled Nursing units.
Operating Lease Payment to Debt Service Payment Ratio	<p>The minimum underwriting ratios of the current year operating lease payments to the underwritten fixed rate debt service payments are:</p> <ul style="list-style-type: none">• 1 .15 for Seniors Housing Properties where more than 50% of the units are Independent Living units; and• 1 .20 for Seniors Housing Properties where 50% or more of the units are Assisted Living, Alzheimer's/Dementia Care, or Skilled Nursing units.

504.04 Operating Lease Analysis

Requirements



Before finalizing the [Loan Documents](#), you must:

- Obtain a copy of each management agreement, operating lease, master lease, and sublease including all exhibits and amendments.
- Upload into [DUS Gateway](#) a completed Seniors Housing Operating Lease Review Checklist (Form 6487.SRS) that analyzes the
 - underwriting and legal aspects of each lease and its impact on the operations of the [Property](#), and
 - obligations of the [Borrower](#), each [Guarantor](#), and the Seniors Housing Operator under the [Loan Documents](#).

Section 505 Replacement Reserve

Requirements

The minimum [Replacement Reserve](#) amount must equal the greatest of:

- the amount calculated per [Part II, Chapter 4: Inspections and Reserves, Section 404: Replacement Reserve](#);
- \$300 per unit per year for a [Property](#) with no [Skilled Nursing](#) units; or
- \$450 per unit per year for a [Property](#) with any [Skilled Nursing](#) units.

Section 506 Medicaid Funds

506.01 Dependency and Medicaid Transition Reserve

Requirements

You must analyze the [EGI](#) to determine the percentage derived from payments under a Medicaid provider agreement with a government authority or managed care organization ([Medicaid Funds](#)).

Operating Procedures

If more than 20% of the [EGI](#) is derived from [Medicaid Funds](#), Fannie Mae may require that you

- establish a Medicaid transition reserve account, and/or
- enter into an account control agreement with the [Borrower](#).



If Fannie Mae requires a Medicaid transition reserve, you must:

- determine the appropriate amount of the reserve by considering the
 - reimbursement rates of the government authority or managed care organization, and
 - percentage of Medicaid-supported residents at the [Property](#);
- ensure that the [Borrower](#) sufficiently funds the reserve; and
- use the Modifications to Multifamily Loan and Security Agreement (Medicaid Transition Reserve) ([Form 6237.SRS](#)) and Modifications to Multifamily Loan and Security Agreement – Addenda to Schedule 2 – Summary of Loan Terms (Medicaid Transition Reserve) ([Form 6102.21.SRS](#)).

If Fannie Mae requires an account control agreement, you must

- require the [Borrower](#) to deposit the [Medicaid Funds](#) into a controlled account,
- include in the agreement an acknowledgement of Fannie Mae's first [Lien](#) on, and control over, the [Medicaid Funds](#), and
- obtain Fannie Mae's approval if you elect not to use Fannie Mae's form.

506.02 State Medicaid

Requirements

The [Property](#) must be located in a state that has a

- Medicaid waiver in place, or
- Medicaid plan that allows for the payment of services and housing costs from [Medicaid Funds](#).

You must document the Medicaid waiver or plan and demonstrate that it allows for the payment of services performed, and housing costs incurred, at the [Property](#).

Section 507 Consultant Reports

507.01 Management, Operations, and Regulatory Compliance

Requirements



You must engage a third-party professional to analyze the [Property's](#) management, operations, and regulatory compliance.

The third-party professional you select must have:

- been in good standing for the past 5 years as a licensed administrator, licensed practical nurse, or registered nurse; and
- at least 5 years of experience with
 - the operation of [Seniors Housing Properties](#), and
 - regulatory matters affecting [Seniors Housing Properties](#).

You must assess and summarize the information presented and conclusions reached by the third-party professional.

507.02 Management and Operations Reports

Requirements

You must obtain management and operations reports for the [Property](#) that assess:

- competency, performance, and experience of management at the corporate, regional, and [Property](#) levels;
- qualifications of key personnel,
 - noting their experience and length of time in current positions at the [Property](#), and
 - including copies of available resumes;
- hiring and screening practices and personnel policies (such as employee handbooks, orientation materials, initial and in-service training materials, available resources);
- staffing levels, composition, and qualifications;
- risk management policies and procedures, including an analysis of the backgrounds of individuals employed to handle insurance and risk management matters;
- policies and procedures supporting and aligning resident services;
- availability and use of home health services, including whether
 - home health services are available,
 - home health services are provided by the [Borrower](#), the [Seniors Housing Operator](#), an [Affiliate](#) of the [Borrower](#) or the operator, or a



third party, and

- the home services provider leases space at the [Property](#);
- policies and procedures for documenting residents' well-being (such as periodic resident assessments, tracking the general health condition of each resident, resident safety and evacuation plans);
- content of the admission application and the residency or lease agreement;
- resident turnover data;
- availability of replacements for the Seniors Housing Operator; and
- overall management and operations, including an analysis and detailed recommendations for any other matters material to the ownership, operation, or management of the [Property](#).

507.03 Regulatory Compliance Report

Requirements

You must obtain a Regulatory Compliance Report for all licensed [Seniors Housing Properties](#). The report must include the following information as of the date of the report:

- identity of all government authorities with jurisdiction over the [Property](#) and each authority's definition of the level of care permitted at the [Property](#);
- summary and copies of all government surveys conducted during the past 3 years, including
 - a summary and analysis of all deficiencies identified in the surveys,
 - the severity of these deficiencies, and
 - the correction plans for all deficiencies, whether corrected or outstanding;
- summary and analysis of all enforcement actions during the past 3 years resulting from a state survey inspection (such as a probationary license or ban on admissions), together with a summary and analysis of any remedial plan of action;
- photocopies of all regulatory permits, licenses, and certificates;
- state staffing requirements;
- summary of the status of any federal, state, or local proposed regulations (or amendments to existing regulations) that could affect



the **Property** or any aspect of the **Seniors Housing** industry;

- summary of the regulatory and licensing procedures required to change **Property** ownership, any service provider, the authority to operate, or the management of the **Property**, and this summary must
 - identify the changes that require advance notice and/or prior approval from the relevant government authority, and
 - describe any advance notice requirements, such as timing, required recipients, and required notice content;
- if the **Borrower** or Seniors Housing Operator participates in
 - the state's Medicaid waiver program, or
 - another third-party subsidy program,
 - an assessment of the risk to the **Property's** operations if the program is discontinued;
- identification and analysis of any special insurance requirements of government authorities (such as workers compensation insurance or medical director professional liability insurance);
- copies of the sources and references used to complete this report; and
- overall assessment of regulatory matters affecting the **Property**, including an analysis and detailed recommendations for any other matters material to the ownership, operation, or management of the **Property**.



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](#).

Section 402 Submission

402.01 Data and Documents

Operating Procedures



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...
Documents	<ul style="list-style-type: none">• Submit all applicable documents per the Multifamily Mortgage Loan Delivery Package Table of Contents 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 the Multifamily Mortgage Loan Delivery Package Table of Contents 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.- 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.



Folder	Submission	Contents
Folder 1	Deliver physical documents to Multifamily Certification and Custody.	<ul style="list-style-type: none"> • Multifamily Mortgage Loan Delivery Package Table of Contents in the front. • Loose documents (no staples, binder clips, paper clips, or rubber bands), separated by numbered tabs corresponding to the Multifamily Mortgage Loan Delivery Package Table of Contents. • Legal-sized accordion folders marked with the Lender name, Commitment number, and Property name.
Folder II	Submit electronically via DUS DocWay.	<ul style="list-style-type: none"> • Multifamily Mortgage Loan Delivery Package Table of Contents for Folder I and Folder II. • All documents and data delivered electronically to Fannie Mae.

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”.



If the number of Mortgage Loans per MBS pool is...	Then you must...
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, ~~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.~~
 - 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



<p>Commitment Amount plus or minus</p> <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.
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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.



Delivery Options	
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 • 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>