



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 204.02 Issuers and Ratings

### Operating Procedures

#### **Who is eligible to issue a Letter of Credit?**

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

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

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

#### **What ratings do Issuers need to satisfy?**

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

Letter of Credit Rating Criteria	
If rated by only 1 of the following rating agencies, the financial institution must have...	If rated by both of the following rating agencies, the financial institution must have...
Either a: <ul style="list-style-type: none"><li>• Standard and Poor's long-term issuer rating of "A" or better; or</li><li>• Moody's long-term issuer rating of "A2" or better.</li></ul>	Both a: <ul style="list-style-type: none"><li>• Standard and Poor's long-term issuer rating of "A" or better; and</li><li>• Moody's long-term issuer rating of "A2" or better.</li></ul>



# Glossary

## A

### Affiliate

When referring to an affiliate of a Lender, any other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender.

When referring to an affiliate of a Borrower or Key Principal:

- any Person that owns any direct ownership interest in Borrower or Key Principal;
- any Person that indirectly owns, with the power to vote, 20% or more of the ownership interests in Borrower or Key Principal;
- any Person Controlled by, under common Control with, or which Controls, Borrower or Key Principal;
- any entity in which Borrower or Key Principal directly or indirectly owns, with the power to vote, 20% or more of the ownership interests in such entity; or
- any other individual that is related (to the third degree of consanguinity) by blood or marriage to Borrower or Key Principal.

#### **Synonyms**

- Affiliates
- Affiliate's

## B

### Borrower

Person who is the obligor per the Note.

#### **Synonyms**

- Borrowers
- Borrower's

## L



## Letter of Credit

Letter of Credit approved by Fannie Mae per Part I, Chapter 2: Mortgage Loan, Section 204: Letters of Credit.

### **Synonyms**

- Letters of Credit
- Letter of Credit's
- LOC
- LOCs