



Fannie Mae®

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# Multifamily Selling and Servicing Guide

Effective as of April 23, 2025

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## Section 801 Credit Enhancement Mortgage Loan Committing and Delivery

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### 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"> <li>• Bond documents;</li> <li>• Loan Documents;</li> <li>• any Credit Enhancement Instrument;</li> <li>• any Reimbursement Agreement;</li> <li>• any credit enhancement documents;</li> <li>• Interest Rate Cap documents for variable rate Bonds;</li> <li>• any other transaction documents; and</li> <li>• all legal opinions.</li> </ul>
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"> <li>• title commitment or pro forma title policy for the Property;</li> <li>• survey;</li> <li>• any Affordable Regulatory Agreement;</li> <li>• any Subordinate Loan documentation; and</li> <li>• any Subordination Agreement.</li> </ul>
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"> <li>• Bond documents,</li> <li>• Loan Documents,</li> <li>• any Credit Enhancement Instrument,</li> <li>• related documents, or</li> <li>• applicable MBS.</li> </ul>



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

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



Timing	Activity
Before Bond Purchase Agreement is executed	You must: <ul style="list-style-type: none"> <li>• review the Bond underwriter's pricing information;</li> <li>• 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;</li> <li>• 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</li> <li>• for an MBS for Bonds:               <ul style="list-style-type: none"> <li>- confirm the Bond terms match the Credit Enhancement Mortgage Loan pass-through payments; and</li> <li>- if the actual maximum annual debt service is greater than the underwritten maximum annual debt service, then                   <ul style="list-style-type: none"> <li>▪ reduce the actual Credit Enhancement Mortgage Loan amount (and corresponding Bond principal amount), and</li> <li>▪ 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.</li> </ul> </li> </ul> </li> </ul>
After Bond Purchase Agreement is executed	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.

**801.05** Commitment

 Operating Procedures

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



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

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





## Glossary

### A

**Affordable Regulatory Agreement** Regulatory, land use, extended use, or similar agreement or recorded restriction limiting rents, imposing maximum income restrictions on tenants, or placing other affordability restrictions on the use or occupancy of the Property (whether imposed by a government entity or self-imposed by a Borrower per the Sponsor-Initiated Affordability Agreement ([Form 6490](#))).

### B

**Bonds** Tax-exempt or taxable multifamily revenue bonds, or other tax-exempt or taxable bonds, issued to finance 1 or more Credit Enhancement Mortgage Loan Properties.

#### **Synonyms**

- Bond

**Borrower** Person who is the obligor per the Note.

#### **Synonyms**

- Borrowers
- Borrower's

**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

### C



**Commitment** Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan.

**Synonyms**

- Committed
- Commitments

**Credit Enhancement Fee** Fee due to Fannie Mae for a Credit Enhancement Instrument.

**Credit Enhancement Instrument** Agreement between Fannie Mae and a Bond Trustee where Fannie Mae provides credit enhancement of a Credit Enhancement Mortgage Loan, Bonds issued to finance a Credit Enhancement Mortgage Loan, or an Interest Rate Hedge Agreement; and if applicable, a Bond liquidity facility.

**Synonyms**

- Credit Enhancement Instruments

**Credit Enhancement Mortgage Loan** Mortgage Loan financed by a Bond issuance where Fannie Mae provides credit enhancement by

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

**Synonyms**

- Credit Enhancement Mortgage Loans

## D



**Delivery** Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Mae's satisfaction.

**Synonyms**

- Deliver
- Delivered
- Deliveries

**DUS Gateway** Multifamily pre-acquisition system, or any successor systems, recording deal registration, Pre-Review and/or waiver tracking, Mortgage Loan Commitments, and decision records.

## **F**

**Fannie Mae Deal Team** Team responsible for reviewing Pre-Review Mortgage Loans, waivers, etc.

**Synonyms**

- Deal Team

## **G**

**Good Faith Deposit** Amount you collect from the Borrower when originating a Mortgage Loan per [Part IV, Chapter 2: Rate Lock and Committing, Section 203: Good Faith Deposits](#).

**Synonyms**

- Good Faith Deposits

**Gross Note Rate** Interest rate stated in the Loan Documents.



## Guaranty Fee

Fee retained by Fannie Mae for credit enhancing a Mortgage Loan or assuming credit risk on a Mortgage Loan, and which may be expressed as a percentage.

### **Synonyms**

- Guaranty Fees

## Guide

Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise.

### **Synonyms**

- DUS Guide

## I

## Interest Rate Cap

Interest rate agreement between the Borrower and a 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.

### **Synonyms**

- Interest Rate Caps
- Interest Rate Hedge
- Interest Rate Hedges
- Interest Rate Swap
- Interest Rate Cap's

## Issuer

Entity that:

- issues Bonds for a Credit Enhancement Mortgage Loan;
- packages mortgages for sale as a Security for an MBS;
- or
- issues a Letter of Credit.

### **Synonyms**

- Issuers

## L



## Loan Documents

All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.

### **Synonyms**

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

## **M**

### MBS

Mortgage-Backed Security

### 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

### Minimum Good Faith Deposit

Amount you are required to collect when originating a Mortgage Loan per [Part IV, Chapter 2: Rate Lock and Committing, Section 203.02: Minimum Good Faith Deposit](#).

### Multifamily Acquisitions

Team that can be contacted at [mf\\_acquisitions@fanniemae.com](mailto:mf_acquisitions@fanniemae.com).

## **N**



Note Instrument evidencing a Mortgage Loan obligation, including

- Form 6010 series,
- any other Fannie Mae-approved note, and
- all applicable
  - addenda,
  - schedules, and
  - exhibits.

**Synonyms**

- Notes

**P**

Pass-Through Rate Mortgage Loan Gross Note Rate minus:

- for MBS Mortgage Loans, the Guaranty Fee, minus the Servicing Fee; and
- for Cash Mortgage Loans, the Servicing Fee.

PRF Account you hold accumulating principal amortization payments for variable rate Bond credit enhancements.

**Synonyms**

- Principal Reserve Fund

Property Multifamily residential real estate securing the Mortgage Loan, including the

- fee simple or Leasehold interest,
- Improvements, and
- personal property (per the Uniform Commercial Code).

**Synonyms**

- Properties
- Property's

**R**



## Rate Lock

Agreement between you and the Investor containing the terms of the Lender-Arranged Sale or Multifamily Trading Desk trade of the Mortgage Loan and the MBS terms and conditions relating to the underlying MBS, if applicable, which may be documented via a recorded telephone conversation.

### **Synonyms**

- Rate Locks

## **S**

## Servicing Fee

Fee a Servicer receives for collecting payments, managing operational procedures, and assuming your portion of credit risk for a Mortgage Loan, and which may be expressed as a percentage.

### **Synonyms**

- Servicing Fees

## Subordinate Loan

Multifamily residential real estate loan secured by a Lien against the Property having a lesser priority than the Lien securing another multifamily residential real estate loan on the same Property.

### **Synonyms**

- Subordinate Loans

## **T**

## Taxable Tail

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