

Multifamily Selling and Servicing Guide

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Chapter 1 Attributes and Characteristics

Section 101 Eligible Properties

101.01 Generally

Requirements

For a Mortgage Loan to be eligible for purchase, it must be secured by a multifamily residential property that meets all of the following:

- contains at least 5 dwelling units;
- does not include a stand-alone building containing less than 5 dwelling units (e.g., a single-family structure), unless it:
 - was originally constructed as part of a single multifamily development;
 or
 - is situated on the same tax parcel, or shares a tax parcel boundary, with a
 - multifamily property, or
 - MH Community;
- has suitable bathroom and cooking facilities within each unit;
- is located in 1 of the 50 states of the United States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, or Guam;
- is located on a publicly dedicated, all-weather road, or is accessible by a satisfactory easement from this type of road;
- consists of either a single parcel or multiple parcels per Part II, Chapter
 1: Attributes and Characteristics, Section 102.01: Single Borrower
 Ownership;
- any commercial space is:
 - physically part of, and connected to, the multifamily space; or
 - a stand-alone building that is on the same tax parcel;
- has adequate water and sewer service, which may be delivered by a public utility or, where commercially acceptable for the market area, by a private system or utility;
- offers a suitable level of utility service (e.g., electrical, natural gas, refuse removal, etc.) for the market area;



- either complies with all applicable statutes, rules, regulations, and housing and building codes, or is being appropriately remediated;
- does not contain any Modular Housing; and
- has access to police and emergency services.

Guidance

To determine if a single-family structure was originally constructed as part of a single multifamily development, you should consider if all buildings:

- were originally constructed at the same time;
- were historically bought, operated, and sold as 1 Project since originally constructed;
- are generally consistent in physical appearance, with distinct boundaries such as
 - signage,
 - gates/fencing,
 - shared parking, or
 - dedicated streets:
- are located on a single tax parcel or adjacent tax parcels;
- are configured without any non-Borrower owned parcels or buildings separating/splitting or within the multifamily development; and
- are not part of a predominately homeowner development.

101.02 Expanded Housing Choice



A Mortgage Loan is eligible for a pricing incentive if the Borrower and Property comply with this Section.

▼ Requirements

For Expanded Housing Choice pricing incentive eligibility, all of the following must be met:

- The Borrower agrees to:
 - accept Housing Choice Vouchers throughout the Mortgage Loan term;
 - not discriminate against applicants, tenants, their family members, and



occupants for using Housing Choice Vouchers to pay rent and other lawful fees, including

- applying stricter screening standards,
- charging larger security deposits, rent, or fees, or
- subjecting them to additional community rules;
- advertise the Property and/or available units
 - with participating Public Housing Agencies, and
 - on https://www.affordablehousing.com (or successor site); and
- execute a
 - Modification to Multifamily Loan and Security Agreement (Expanded Housing Choice) (Form 6273), and
 - Payment Guaranty (Pricing Incentive Recapture) (Form 6020.PIR).
- The Property:
 - is located in
 - Texas, or
 - North Carolina;
 - is not already required to accept Housing Choice Vouchers as a financing condition, such as per
 - an Affordable Regulatory Agreement,
 - Sponsor-Initiated Affordability Agreement, or
 - LIHTC agreement; and
 - on the Mortgage Loan Origination Date, has at least 20% of its units within the applicable HUD Fair Market Rent or Small Area Fair Market Rent, as adjusted per the applicable Public Housing Agency payment standard, with the qualifying unit mix being in proportion to the Property's overall unit mix.

> Operating Procedures

Use the Housing Choice Vouchers: Expanded Housing Choice (EHC) Job Aid to commit and Deliver a Mortgage Loan qualifying for an Expanded Housing Choice pricing incentive.



Guidance

For an acceptable unit mix within the applicable HUD Fair Market Rent or Small Area Fair Market Rent, the qualifying units must be proportional to the Property's overall unit mix. An acceptable unit mix at a sample 100-unit building would be:

Sample 100-Unit Building		
Apartment Type	Number of Units	Minimum 20% Unit Mix
Studio	10	2
1 Bedroom	50	10
2 Bedroom	30	6
3 Bedroom	10	2
Total	100	20

Section 102 Multiple Properties

102.01 Single Borrower Ownership

✓ Requirements

If more than 1 Property secures a Mortgage Loan, you must determine if all multifamily buildings are part of the same Project. Buildings on multiple Properties are a single Project if all Properties:

- are only separated by publicly dedicated or private streets primarily intended for local residents or access to the Property, and not by major arteries or thoroughfares (i.e., streets primarily intended for traffic traveling through the area); and
- have the following characteristics:
 - all buildings have been operated as a single complex (e.g., no buildings are marketed separately to tenants);
 - the Properties are within
 - 0.5 miles or less of each other, and
 - the same submarket;
 - amenities at any building are available to tenants in other buildings;
 - amenities located in one building do not materially, adversely affect the rents at other buildings without similar amenities; and



 the overall building configuration across the Properties does not result in elevated vacancy levels at any building.

If multiple Properties are not part of the same Project, you must:

- collect detailed individual data for each Property, including separate
 - rent rolls, and
 - operating statements;
- enter each Property in the "Properties" section of DUS Gateway;
- complete a Multifamily Affordability Estimator (MAE) for each Property per Part I, Chapter 2: Mortgage Loan, Section 201: Registration and Multifamily Affordability Estimator;
- require every third-party report to assess
 - the Properties in each Project separately, and
 - all Properties in the aggregate; and
- enter each Property as a separate Property Collateral record in C&D.

When a Mortgage Loan not in a Credit Facility is secured by multiple Properties (whether in the same or multiple Projects), each multifamily Property must individually:

- comply with the minimum occupancy requirements in
 - Part II, Chapter 1: Attributes and Characteristics, Section 105:
 Minimum Occupancy, or
 - Part III, Chapter 9: Small Mortgage Loans, Section 903: Occupancy;
- be located in the same MSA; and
- have an acceptable Property condition based on
 - your site inspection, and
 - any required PCA.

Guidance

For a Mortgage Loan secured by multiple Properties not part of the same Project, you may:

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accept a consolidated third-party report for multiple Projects, if each



Property is identified and assessed separately; and

consolidate the Underwritten NCF and overall underwriting in a single Transaction Approval Memo.

102.02 Joint and Several Borrower Ownership

✓ Requirements

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Section 103 Property Ownership; Leasehold

▼ Requirements

You must ensure that the Property is owned in fee simple, unless the Property is held under an acceptable Leasehold estate.

Section 104 Ground Leased Properties

104.01 Generally

✓ Requirements

If the Property has a Ground Lease, the Mortgage Loan collateral must include a Lien on the Leasehold estate.

You must ensure that the Ground Lease complies with the Ground Lease Review Checklist (Form 6479), unless

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the ground lessor joins with the Borrower in executing the Security Instrument and grants a Lien on the ground lessor's fee estate, or



the absence of the Leasehold estate would not have a material adverse effect on the Property's operation or value.

104.02 Ground Lease Rents

✓ Requirements

You must:

- establish an escrow for ground rents;
- ensure the Borrower deposits sufficient funds; and
- make all payments due per the Ground Lease.

104.03 Ground Lease Estoppel Certificate

✓ Requirements

You must obtain an executed Ground Lessor Estoppel Certificate (Form 6495).

104.04 Ground Lease Review

✓ Requirements

You must:

- review and analyze the Ground Lease to ensure compliance with the requirements of this Section; and
- retain the completed Form 6479 in your Servicing File.

Section 105 Minimum Occupancy

105.01 Residential Occupancy

Requirements

You must ensure the Property meets these minimum occupancy levels:

- 85% physical occupancy; and
- 70% economic occupancy.

These minimum levels apply on the Commitment Date and for the preceding 3-month period.



105.02 Qualified Occupants

✓ Requirements

When calculating physical occupancy, you must only include tenants who

- physically occupy the unit, and
- have commenced paying rent.

Guidance

You may include any tenant who:

- was under a standard lease for at least 6 months, then converted to a month-to-month lease when the lease expired; or
- is under a lease with a term of less than 6 months, if shorter-term leases
 - are commonly accepted in the market area, and
 - do not reflect weakness in the market.

You may include non-revenue producing units such as

- management units,
- employee occupied units,
- maintenance units, and
- model units.

Such units should not exceed what is usual and customary for stabilized properties in the market.

Section 106 Certificates of Occupancy

✓ Requirements

Certificates of Occupancy	
For any	You must
Property with construction or rehabilitation work completed within the last 12 months	 Ensure all units have a certificate of occupancy. Obtain copies of all certificates of occupancy from the Borrower. Retain them in your Servicing File.



Certificates of Occupancy	
Other Property	 Determine if each unit had a certificate of occupancy at some point. Attempt to obtain copies of them. Retain them in your Servicing File.

Guidance

No Certificate of Occupancy	
If you cannot obtain	You should
Copies of certificates of occupancy for a Property (for example, because of the Property's age, or the records of the jurisdiction where the Property is located)	 Exclude the income generated by any units without a certificate of occupancy, but include all expenses (including replacement reserves) for the maintenance of these units. Look for other evidence that certificates of occupancy had been issued.
Copies or other sufficient evidence of a certificate of occupancy	Analyze the risk to the Property if one had never been issued, by considering if: • your physical inspection reveals any life safety issues; • all units are accessible through normal access routes (and not, for example, through a former janitorial closet); • the insurance excludes coverage of a casualty originating from a unit without a certificate of occupancy; and • the Property is located in a market that exhibits low vacancies and barriers to entry.

Section 107 Phased Properties

☑ Requirements

If the Property is a Phased Property, you must evaluate

- how the Property will be affected by other phases, and
- if the Property can succeed independently from other phases.



Guidance

In determining if a Phased Property is viable as a separate Property, you should consider if:

- its ownership and operation are separate from all other phases of the complex;
- the Borrower is able to provide a separate leasing office;
- your underwriting has discounted any benefits derived from staff or facilities shared with other phases;
- the records and accounts used to underwrite the Property are separate from those of other phases;
- any cross-easements for the complex will survive an adverse action against another phase;
- any development of a future phase could materially interfere with or disturb the Property's
 - occupancy,
 - marketability,
 - or living environment; and
- the Property is:
 - marketable to tenants or a new owner, separately from other phases;
 - visible to the public without passing through another phase of the complex; and
 - accessible from a public roadway.

In assessing the impact of future phases on a Property, you should consider:

- the short-term impact of construction activity; and
- long-term implications for the continued economic viability of the Property, taking into account the allocation of costs for shared facilities (such as roadways).

▼ Requirements

You may only Deliver a Mortgage Loan on a Phased Property if Fannie Mae holds all other Mortgage Loans secured by other phases of the complex.

When the Phased Property is owned or Controlled by the same Borrower or Principals as the other phases in the complex:

all Fannie Mae Mortgage Loans on each phase must be cross-defaulted



and cross-collateralized;

- when any new Phased Property Mortgage Loan is underwritten, the actual amortizing DSCR (per Form 4254.DEF) and current LTV for all existing Mortgage Loans on each phase must comply with Form 4660 for the same loan term, product, and Pricing and Underwriting Tier, where each property value is determined by
 - dividing the current NCF by the capitalization rate (i.e., a Direct Cap with Sales Comparables analysis),
 - broker's opinion of value, or
 - most recent Appraisal; and
- the new Phased Property Mortgage Loan must have a Prepayment Premium Period End Date on or before the Prepayment Premium Period End Date of the Mortgage Loans on the other phases.

Guidance

If a future phase is expected, consider issuing the first phase MBS with a potential future cross.

Section 108 Commercial Leases

✓ Requirements

You must only underwrite actual income from occupied commercial space with an executed lease or lease extension agreement, if:

- the remaining lease term is at least 12 months after the Mortgage Loan Origination Date:
- the tenant is
 - paying rent, and
 - not delinquent on rent due outside the lease's cure period; and
- the underwritten commercial income includes the actual commercial rent due under the lease within 12 months after the Mortgage Loan Origination Date, including any

- discounts, or
- concessions.





Your evaluation of any commercial space's viability should include:

- Appraisal sub-market comparable commercial space rents supporting the underwritten rents;
- sub-market data confirming a low commercial space vacancy rate;
- existing sustainable demand for the tenant's business type; and
- evidence that the Property's location has sufficient foot traffic to support the tenant's business.

108.01 Material Commercial Leases

108.01A Lease Review

Requirements

You must analyze all aspects of each Material Commercial Lease and its

- tenants.
- grantees, or
- other beneficiaries.

If Material Commercial Lease approval is required per Part II, Chapter 1: Attributes and Characteristics, Section 108.01B: Lease Approval you must:

- prepare a written summary of the material terms of the Material Commercial Lease; and
- keep a copy of your summary in your Servicing File.

Guidance

As you analyze the Material Commercial Lease, you should consider if:

- each tenant has the ability to fulfill its financial and other performance obligations under the Material Commercial Lease;
- the Material Commercial Lease insurance provisions are consistent with the insurance requirements in the applicable Loan Documents or otherwise prescribed by Fannie Mae;
- each tenant is required to obtain the Lender's consent before the Material Commercial Lease is

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assigned,



- subleased,
- subcontracted, or
- otherwise transferred; and
- the tenant
 - has early termination clauses, and
 - understands the conditions under which they can terminate, including
 - a material casualty or condemnation, or
 - if the landlord cannot substantially restore the premises in a reasonable period of time following a casualty or condemnation.

108.01B Lease Approval

Requirements

Material Commercial Lease Type		
Lease with Property Assessed Clean Energy (PACE) Financing	You must not approve any Material Commercial Lease that includes PACE financing.	
Renewable Energy Generation Lease	You must only approve leases for renewable energy systems that comply with Part II, Chapter 1: Attributes and Characteristics, Section 109: Renewable Energy Generation Systems.	
Other Material Commercial Leases	You must only approve other Material Commercial Leases that complywith Part II, Chapter 1: Attributes and Characteristics, Section 108: Commercial Leases.	

108.01C Lease Modifications

Requirements

As you review each Material Commercial Lease modification, you must consider if it:

- violates any of the requirements of this Section;
- contains terms that are inconsistent with the Mortgage Loan; or



presents risks that are inappropriate for the Mortgage Loan.

If any of these conditions are present you must:

- require the Borrower to modify the Material Commercial Lease appropriately; or
- address the items in the Tenant Estoppel Certificate (Form 6413) and/or the Subordination, Non-Disturbance, and Attornment Agreement (Form 6415).

108.01D Tenant Estoppel Certificate

▼ Requirements

You must obtain a Tenant Estoppel Certificate (Form 6413) for each Material Commercial Lease.

108.01E Subordination, Non-Disturbance and Attornment

✓ Requirements

You must use Form 6415 if:

- the Material Commercial Lease contains provisions for the Borrower to assume liability or other risks as landlord that would be unacceptable to the Lender in case of a Foreclosure Event; or
- the form
 - is necessary for subordination and attornment, or
 - would otherwise be beneficial.

You must ensure that each Material Commercial Lease (including any renewal or extension):

- is subordinate to the Lien of the Security Instrument; and
- requires the tenant to attorn to the Lender under the Mortgage Loan.

108.02 Non-Material Commercial Leases

108.02A Tenant Estoppel Certificate; Lease Modification

✓ Requirements

You must make reasonable efforts to get a Form 6413 for each non-Material



Commercial Lease, other than leases relating only to equipment or maintenance services.

If a non-Material Commercial Lease has terms that are inconsistent with the terms of the Mortgage Loan or present inappropriate risks for the Mortgage Loan, then you must:

- require the Borrower to modify the lease appropriately; or
- address any inconsistencies or risks in a Form 6413.

108.02B Non-Material Commercial Lease Types

✓ Requirements

Non-Material Commercial Lease Type Telecommunications and Cell You must review any telecommunications and **Tower Leases** cell tower lease to ensureit does not: · comprise more than 5% of the Property's Effective Gross Income; · negatively impact the Property's - value, - visibility, - livability, or - marketability; • impose an undue financial or operating burden on the Property or the Borrower; · obligate the Borrower to rebuild any Improvements at the Property post-casualty or condemnation; • have a lease term (including extension options) in excess of 25 years; · contain a purchase option; or convey any right to the tenant other than simple lessee rights (e.g., a perpetual easement, a purported sale of a portion of the Improvements, unjustified exclusivity, etc.).



Non-Material Commercial Lease Type

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Communications Service Agreement

You do not need to subordinate the service agreement to the Lien of the Security Instrument if:

- the Borrower certifies to you that neither the Borrower, nor any Key Principal or Principal, is an Affiliate of the communications service provider; and
- the lease does not contain provisions for the Borrower to assume liabilities and risks as landlord that would not be acceptable for you (as lender under the Mortgage Loan) in the context of a Foreclosure Event.

If a communications service agreement is accompanied by a lease or easement, then the lease or easement must end automatically when the service agreement expires, unless the service agreement is subordinated to the Lien of the Security Instrument.



Non-Material Commercial Lease Type

Mineral Rights; Oil and Natural Gas Leases

You must review each agreement or lease of mineral rights or rights relating to subsurface oil and natural gas to ensure that it does not:

- comprise more than 5% of the Property's Effective Gross Income;
- grant surface entry for any purpose (e.g., pipes, access across, or storage on the Property);
- · grant subsurface rights within
- 250 feet below the surface of the Property, or
 - 600 feet from any Property boundary line;
- have a material adverse effect on
 - public health and safety,
 - air quality or noise levels, or
 - the Property's marketability or occupancy;
- permit oil or gas well activities with potential negative effects on the Property's
 - access,
 - visibility, or
 - storm water drainage;
- have a negative effect on the Property's
 - zoning, or

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- allowable density;
- facilitate drilling, storage, or processing of oil or gas on the Property or any adjacent property;
- fail to require the lessee to indemnify and hold harmless the Borrower, as lessor, for any damage to the Property or any other damage or liability caused directly or indirectly as a result of the oil and gas exploration or drilling activities.

The Borrower must execute Form 6262 if a lease or deed reservation of rights allows for the subsurface exploration of oil, natural gas, or minerals, but no evidence of active or planned exploration or drilling exists on the Property.



Non-Material Commercial Lease Type	
Laundry Lease	You do not need to subordinate the lease to the Lien of the Security Instrument if you confirm that the lease:
	 is not with an Affiliate of the Borrower or any Key Principal or Principal; has market terms; contains an acceptable termination for cause provision; and meets recognized industry standards.
Equipment or Related Maintenance Services Lease	You must ensure that the lease: • is subordinate to the Security Instrument; • contains an acceptable termination for cause provision; and • meets recognized industry standards.



Guidance

Non-Material Commercial Lease Type	
Storage Unit Lease	You do not need to subordinate the lease to the Lien of the Security Instrument if you determine the unit is being leased pursuant to a residential Lease.

108.03 **Short Term Rentals**

✓ Requirements

You must ensure that:

- the residential nature of any Property with units available for STR is maintained, even though any Lease of an STR unit will be
 - classified as a commercial lease, and
 - subject to the space and income limitations per Form 4660;
- no more than 5% of the Property's units (not counting recreational vehicle sites) are available for STR; and
- the Underwritten NCF accurately incorporates all STR income.

You must include the following information in your underwriting analysis:



- Borrower's strategy for implementing STR;
- a description of the STR arrangement;
- length of time the STR has been in place;
- Borrower's action plan for handling liability issues for
 - STR tenants at the Property, and
 - safety concerns for non-STR tenants;
- if the STR units are furnished or unfurnished; and
- confirmation that the
 - STR is legally permissible and in compliance with applicable laws and zoning,
 - Borrower's or master tenant's insurance covers any STR, and
 - Property is residential in nature (i.e., not operated as a hotel or other single room occupancy arrangement).

Guidance

Examples of an STR arrangement include an arrangement between the Borrower and:

- a tenant/master tenant, where the tenant/master tenant has an agreement with an STR provider or platform (such as Airbnb, VRBO®, etc.); or
- an STR provider or platform, where the Borrower's tenants may make their units available for STR.

You should seek to establish a leasing history of at least 12 months for any STR unit.

Section 109 Renewable Energy Generation Systems

109.01 Acceptable Renewable Energy Generation Systems

Requirements

Any operational renewable energy generation system benefitting the Property or the Borrower must be:

- located on the Property;
- comprised of a Solar PV System;



- Borrower-owned; and
- installed, or installation will begin, on or before the Mortgage Loan Origination Date.

109.02 Solar Photovoltaic Systems

✓ Requirements

For any Property with an acceptable Solar PV System, you must ensure:

- All equipment, including energy storage, is located on the Property and owned by the Borrower.
- The Borrower has all required permits, licenses, and certificates to comply with all utility tariffs and laws governing the
 - generation,
 - storage,
 - transmission, and
 - distribution of electricity.
- The Property will remain connected to the utility grid even if the Solar PV System output is sufficient for all of the Property's energy needs.
- The Borrower will not be characterized or regulated as a public utility.
- Any power generated from the Solar PV System that is not consumed or stored on-site is only sold to the local utility, not to any other third party.
- Any battery storage system is designed only for on-site uses (e.g., peak shaving), and the Borrower has not arranged for ancillary services with any utility or third party.
- The Borrower executes Modifications to Multifamily Loan and Security Agreement (Mortgage Loan with installed Solar Photovoltaic System) (Form 6270).

Guidance

You should engage legal counsel with solar photovoltaic system experience and state-specific knowledge to review all applicable local laws, contracts, and agreements regarding the Solar PV System installation and operation, including:

the interconnection agreement with local distribution company or utility;

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any net metering agreements;



- engineering, procurement, and construction contracts or agreements;
- any Operating and Maintenance Agreements;
- notice of Permission to Operate (or similar document) provided by local distribution company or utility;
- any supplemental financing or financing incentives (e.g., grants, tax credits, etc.) used by the Borrower to finance the Solar PV System to determine if any competing liens or other restrictions might result;
- any leases or contractual arrangements, such as agreements for
 - renewable energy certificates,
 - solar renewable energy certificates, or
 - purchasing power; and
- confirming that Borrower will not be deemed a public utility.

109.03 Solar PV System Module

▼ Requirements

The PCA must include an evaluation of the Solar PV System equipment and roofs/structures where the equipment is mounted per the Solar PV Module of Form 4099.

109.04 Underwritten NCF

▼ Requirements

When calculating Underwritten NCF:

- do not include any income derived from the Solar PV System, except for tenant utility reimbursement;
- any utility reimbursement income must
 - not exceed the trailing 12-month period, and
 - consider any decrease from the lower utility expense;
- utility expense must be supported by the trailing 12-month operating history; and
- include all additional Solar PV System operating expenses such as:

- operating and maintenance contract fees;
- fixed utility fees;



- incremental real estate taxes;
- insurance coverage; and
- Replacement Reserves for equipment replacement and/or system removal and reinstallation upon roof replacement.

Section 110 Oil/Gas Wells and Mineral Exploration

110.01 Active Oil and Gas Wells

✓ Requirements

You must ensure the Property has no evidence of any surface entry related to active mineral, oil, or gas activities.

For Properties with mineral, oil, or gas exploration on an adjacent property, you must:

- Identify whether the exploration is active or inactive.
- Deliver a Phase I ESA for the Property reporting no Recognized Environmental Conditions.
- Confirm all mineral, oil, or gas:
 - equipment is located more than 600 feet from any Property boundary line; and
 - exploration on the adjacent property does not impact the health or safety of the Property's tenants or have a material adverse impact to its marketability.
- Confirm:
 - the adjacent property is not owned by an Affiliate of the Borrower; and
 - either:
 - no history of spills or leaks exists; or
 - if spills or leaks have occurred, all applicable permits are in place.

Guidance

Evidence of active mineral, oil, or gas activities on the Property may include:

- wells associated with production, exploration, or extraction;
- active storage or processing; or



associated pits, ponds, or lagoons.

110.02 Inactive Oil and Gas Wells

Requirements

You must ensure the Property has no evidence of inactive mineral, oil, or gas equipment, unless:

- the Property's Phase I ESA is acceptable;
- if the Property is subject to an oil and gas lease, the lease complies with Part II, Chapter 1: Attributes and Characteristics, Section 108.02B: Non-Material Commercial Lease Types; and
- for a refinance, all mineral, oil, or gas equipment has been removed, capped, and closed per regulatory requirements before closing, and you have a permit or closure letter from the governing authority; or
- for an acquisition, you:
 - require the mineral, oil, or gas equipment/wells to be removed, capped, and closed per regulatory requirements within 180 days after the Mortgage Loan closing;
 - escrow the applicable cost to remove equipment, close wells, and remediate the site per regulatory requirements;
 - receive a permit or closure letter from the governing authority; and
 - modify the Environmental Indemnity Agreement as required by Fannie Mae.

Section 111 Property Management and Agreement

111.01 Property Management

Requirements

You must ensure the Property's management team is adequate.

Guidance

An independent, professional Property management company is not required. However, when analyzing Property management, you should consider if the management team:

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has adequate experience to ensure effective Property



- administration,
- leasing,
- marketing, and
- maintenance; and
- is staffed appropriately for the
 - Property type and size, and
 - services provided.

111.02 Property Management Agreement

✓ Requirements

If the Borrower is not the Property manager, you must ensure the:

- Borrower has a written management agreement with a Property management company allowing Lender cancellation without penalty or prior notice in case of a Borrower default per the Loan Documents; or
- Borrower and Property manager complete the Assignment of Management Agreement (Form 6405).

Guidance

You should ensure the Property management agreement clearly states the

- Property manager's responsibilities, and
- amount of the management fee (or fee determination methodology).



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

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)).



Appraisal

Written statement independently and impartially prepared by a qualified appraiser stating an opinion of the market value of the Property as of a specific date, supported by the presentation and analysis of relevant market information.

Synonyms

Appraisals

B

Borrower

Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

C

Collateral

Property, Personal Property, or other property securing a Mortgage Loan.

Commitment Date

Date a Commitment is confirmed by Fannie Mae per Part IV, Chapter 2: Rate Lock and Committing, Section 204: Commitments.

Credit Facility

Structured Transaction governed by a Master Credit Facility Agreement requiring Mortgage Loans and Properties to be

cross-defaulted, and
cross-collateralized.

Synonyms

Credit Facilities

\mathbf{D}

DUS Gateway

Multifamily pre-acquisition system including deal registration, Pre-Review and/or waiver tracking, decision records, or any successor systems.



F

Foreclosure Event

Any of the following:

- Foreclosure under the Security Instrument;
- any other exercise by the Lender of rights and remedies (whether under the Security Instrument or under applicable law, including Insolvency Laws) as holder of the Mortgage Loan and/or the Security Instrument, as a result of which the Lender (or its designee or nominee) or a third-party purchaser becomes owner of the Property;
- delivery by the Borrower to the Lender (or its designee or nominee) of a deed or other conveyance of the Borrower's interest in the Property in lieu of any of the foregoing; or
- in Louisiana, any dation en paiement.

Form 4660

Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the minimum underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans.

Synonyms

Multifamily Underwriting Standards

G

Ground Lease

Contract for the rental of land, usually on a long term basis.

Effective: 05/15/2023

Guarantor

Key Principal or other Person executing a

- Payment Guaranty,
- Non-Recourse Guaranty, or
- any other Mortgage Loan guaranty.

Synonyms

Guarantors

H



HUD

U.S. Department of Housing and Urban Development

I

Improvements Buildings, structures, improvements, and alterations,

including the multifamily housing dwellings, now constructed or hereafter constructed or placed on the land upon which the Property is located, together with all

fixtures (as defined in the Uniform Commercial Code).

K

Key Principal Any Person who controls and/or manages the Borrower

or the Property, is critical to the successful operation and management of the Borrower and the Property, and who

may be required to provide a Guaranty.

Synonyms

Key Principals

 \mathbf{L}

Lease Written agreement between an owner and the tenant of

a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent.

Effective: 05/15/2023

Synonyms

Leases

Leasehold Property held under a long-term lease or Ground Lease.

Lender Person Fannie Mae approved to sell or service Mortgage

Loans.

Synonyms

Lenders

Lender's



Lien

Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.

Synonyms

Liens

Loan Documents

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

Synonyms

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

M

Material Commercial Lease

Lease, sublease, license, concession, grant, or other possessory interest for commercial purposes that comprises 5% or more of the Property's annual EGI, or relates to:

• solar power, thermal power generation, or co-power generation, or for the installation of solar panels or any other electrical power generation equipment, and any related power purchase agreement; or

Effective: 05/15/2023

- any Property dwelling units leased to any
 - Key Principal,
 - Principal, or
 - Affiliate.

Synonyms

• Material Commercial Leases

MBS

Mortgage-Backed Security



Modular Housing

Property on which the multifamily Improvements are constructed of sections built off-site, such as modular, prefabricated, panelized, or sectional housing, and then assembled and installed on-site on a permanent foundation (and not a chassis).

Synonyms

Cardinal

Mortgage Loan

Mortgage debt obligation evidenced, or when made will be evidenced, by

- the Loan Documents, or
- a mortgage debt obligation with a Fannie Mae credit enhancement.

Synonyms

- Mortgage Loans
- · Mortgage Loan's

Mortgage Loan Origination Date

Date you fund a Mortgage Loan to the Borrower.

Synonyms

- Mortgage Loan's Origination Date
- Origination Date

P

Payment Guaranty

Guaranty executed by a Key Principal on Form 4502 series or Form 6020 series, or approved by Fannie Mae.

Phase I ESA

Environmental report and site assessment performed according to the process described in current ASTM E 1527, including any report summarizing the conclusions of the assessment.

Effective: 05/15/2023

Synonyms

- Phase I Environmental Site Assessment
- Phase I ESAs



Prepayment Premium Period End Date

Last date when a Borrower owes a Prepayment Premium for a voluntary Mortgage Loan prepayment.

Pricing and Underwriting Tier

Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660).

Synonyms

Tier

Principal

Person who owns or controls specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors.

Synonyms

Principals

Project

Multifamily buildings

- on multiple Properties,
- owned by the same Borrower, and
- that comply with Part II, Chapter 1: Attributes and Characteristics, Section 102.01: Single Borrower Ownership.

Synonyms

Projects

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).

Effective: 05/15/2023

Synonyms

- Properties
- Property's

S



Security

MBS, PFP MBS, or REMIC.

Security Instrument

Instrument creating a lien or encumbrance on 1 or more Properties and securing the obligations under the Loan Documents.

Synonyms

- Security Instruments
- Security Instrument's

Servicing File

Your file for each Mortgage Loan serviced.

Synonyms

Servicing Files

Solar Photovoltaic System

A renewable energy system located on the Property that converts sunlight into electricity and/or a battery storage system containing lithium ion batteries or equivalent technology capable of storing electricity received from the electric grid or a renewable energy system and delivering stored electricity to the Property.

Synonyms

Solar PV System

Sponsor-Initiated Affordability

Voluntary rent and income restrictions recorded against the Property by the Borrower to preserve or create multifamily affordable housing.