

**Acceptable Lender Net Worth and Lender Liquidity Requirements**

## I. Acceptable Lender Net Worth Requirements

Each Lender must comply continuously with the Acceptable Lender Net Worth Test pursuant to Part II, Chapter 4 and this Form.

## A. Acceptable Lender Net Worth Definition

Fannie Mae defines "Acceptable Lender Net Worth" as follows.

<b>ACCEPTABLE LENDER NET WORTH</b>		
<b>Definition</b>		
<b>LINE</b>	<b>FUNCTION</b>	<b>DESCRIPTION</b>
1		Net Worth - Total Assets minus Total Liabilities as of the balance sheet date
2	PLUS	any on-balance sheet reserves for DUS Mortgage Loan losses (not including amounts set aside for losses on specific DUS Mortgage Loans)
3	LESS	the portion of the stated value of any off-balance sheet letters of credit (LOC), not for the benefit of Fannie Mae, that is not collateralized by cash or securities reflected as restricted assets on the balance sheet
4	LESS	notes due from Affiliates or other Affiliate receivables
5	LESS	goodwill or other intangible assets (mortgage servicing rights are not considered intangible assets),
6	LESS	the amount by which Lender's assumed valuation of Lender's Mortgage Loan servicing portfolio exceeds 3.5 times the amount of Lender's annual Servicing Fees from such portfolio
7	LESS	any other assets determined by Fannie Mae to be of questionable value.
<b>8</b>	<b>EQUALS</b>	<b>ACCEPTABLE LENDER NET WORTH</b>

B. Acceptable Lender Net Worth Test Calculation

Each Lender must meet the Acceptable Lender Net Worth Test, measured at the end of each calendar quarter. Unless adjusted by Fannie Mae, each Lender must maintain a minimum Acceptable Lender Net Worth equal to the greater of \$7.5 million or the following.

<b>ACCEPTABLE LENDER NET WORTH TEST</b>		
<b>Calculation</b>		
<b>LINE</b>	<b>FUNCTION</b>	<b>DESCRIPTION</b>
1		\$2.5 million
2	PLUS	1% of the aggregate unpaid principal balance (“UPB”) of the Lender’s servicing portfolio that does not exceed \$500 million
3	PLUS	0.75% of the aggregate UPB of the Lender's servicing portfolio that is greater than \$500 million but less than or equal to \$1 billion
4	PLUS	0.50% of the aggregate UPB of the Lender's servicing portfolio that is greater than \$1 billion; <ul style="list-style-type: none"> <li>■ provided, however, that any Mortgage Loan benefiting from modified loss sharing (e.g., 75%, 50%, 25%) that is sold to Fannie Mae after achieving a servicing portfolio exceeding \$1 billion will be adjusted for such modified loss sharing by the following: <ul style="list-style-type: none"> <li>▪ <math>((0.30\% \times \text{loss sharing rate}) \times \text{the Mortgage Loan's then current UPB}) + (0.20\% \times \text{the Mortgage Loan's then current UPB})</math>;</li> </ul> </li> </ul>
5	PLUS	for DUS Lenders that also service non-DUS Mortgage Loans, 0.20% of the aggregate UPB of the Lender's Fannie Mae non-DUS servicing portfolio
<b>6</b>	<b>EQUALS</b>	<b>Acceptable Lender Net Worth</b>
7	Minimum	\$7.5 million
<b>8</b>	<b>EQUALS</b>	<b>Greater of Line 6 or Line 7 = Acceptable Lender Net Worth</b>

## Acceptable Lender Net Worth Test Calculation Example

Assume the following:

- a Fannie Mae DUS servicing portfolio equal to \$1.3 billion;
- of which \$100 million has 75% modified loss sharing after achieving the initial \$1 billion of DUS servicing portfolio;
- the \$1 billion threshold was attained by the delivery of a Mortgage Loan that achieved such amount exactly; and
- a Fannie Mae non-DUS servicing portfolio equal to \$200 million.

Calculation:

- Line 1: \$2.5 million
- Line 2: \$5 million (i.e., 1% x \$500 million)
- Line 3: \$3.75 million (i.e., 0.75% x \$500 million)
- Line 4: \$1.425 million (i.e., (0.50% x \$200 million) + ((0.30% x \$100 million x 75% loss sharing) + (0.20% x \$100 million)))
- Line 5: \$0.4 million (i.e., 0.20% x \$200 million)
- Line 6: \$13.075 million (i.e., \$2.5 million + \$5 million + \$3.75 million + \$1.425 million + \$0.4 million)
- Line 7: \$7.5 million minimum
- Line 8: \$13.075 million (i.e., greater of \$13.075 million or \$7.5 million).

In this example, the Lender must maintain a minimum Acceptable Lender Net Worth equal to \$13.075 million.

### C. Acceptable Lender Net Worth for Rated Financial Institutions

Fannie Mae will decrease the Acceptable Lender Net Worth requirement for a Lender that is either:

- rated investment grade; or
- a subsidiary or Affiliate of a company that is rated investment grade, but only if the rated company has provided a full and unconditional guaranty of the Lender's obligations to Fannie Mae.

The reductions in a Lender's minimum Acceptable Lender Net Worth for each rating are shown below.

S&P Rating (or Equivalent Moody's or Fitch Rating)	Percent of Acceptable Lender Net Worth Required
AAA	25%
AA	25%
A	50%
BBB	75%
Below BBB	100%

If the Lender, or the entity that provides an unconditional guaranty for the Lender, is downgraded to a new rating category, the Lender must notify Fannie Mae in writing within 5 Business Days after the downgrade.

If the Lender does not meet the Acceptable Lender Net Worth Test for the new rating level at the time of downgrade, the Lender will be out of compliance and in breach of the Lender Contract.

## II. Lender Liquidity Requirements

### A. Operational Liquidity

The Lender must maintain minimum Operational Liquidity equal to the following.

<b>OPERATIONAL LIQUIDITY</b>		
<b>Calculation</b>		
<b>LINE</b>	<b>FUNCTION</b>	<b>DESCRIPTION</b>
1		\$0.5 million
2	PLUS	0.05% of the UPB of each Mortgage Loan with DUS loss sharing in the Lender's Fannie Mae servicing portfolio (the "Floor Amount")
3	PLUS	0.05% of the UPB of each Mortgage Loan with DUS loss sharing in the Lender's Fannie Mae servicing portfolio adjusted by multiplying such amount by the applicable loss sharing rate for such Mortgage Loan (the "Adjustable Amount")
4	LESS	50% of the Adjustable Amount for any Mortgage Loan that has FHA Risk Sharing
<b>5</b>	<b>EQUALS</b>	<b>Operational Liquidity</b>

#### Operational Liquidity Calculation Example

Assume the following:

- a Fannie Mae servicing portfolio equal to \$1.0 billion;
- of which \$800 million has full loss sharing and \$200 million has 75% modified loss sharing; and
- \$100 million has full loss sharing and FHA Risk Sharing.

Calculation:

- Line 1: \$0.5 million
- Line 2: \$0.5 million (i.e., 0.05% x \$1 billion)
- Line 3: \$0.475 million (i.e., (0.05% x \$800 million x 100%) + (0.05% x \$200 million x 75%))
- Line 4: \$0.025 million (i.e., 50% x 0.05% x \$100 million x 100%)
- Line 5: \$1.45 million (i.e., \$0.5 million + \$0.5 million + \$0.475 million - \$0.025 million)

In this example, the Lender must maintain minimum Operational Liquidity equal to \$1.45 million.

B. Restricted Liquidity Requirements

1. Base Restricted Liquidity Amount. Unless the Lender Contract provides otherwise, the Lender's Base Restricted Liquidity Amount is \$0.5 million.
2. Risk-Based Restricted Liquidity Amount. The Lender's aggregate Risk-Based Restricted Liquidity Amount is the sum of the Lender's loan level Risk-Based Restricted Liquidity Amount determined as follows:

<b>LOAN LEVEL RISK-BASED RESTRICTED LIQUIDITY AMOUNT</b>		
<b>Calculation</b>		
<b>LINE</b>	<b>FUNCTION</b>	<b>DESCRIPTION</b>
1		UPB of Mortgage Loan
2	MULTIPLIED BY	a. loss sharing percentage of the Mortgage Loan (e.g., 100%, 75%, etc.); or b. 50% of the loss sharing percentage if the Mortgage Loan has FHA Risk Sharing
3	MULTIPLIED BY	applicable Risk-Based Rate from the Loss Sharing Table below
<b>4</b>	<b>EQUALS</b>	<b>Lender's loan level Risk-Based Restricted Liquidity Amount</b>

<b>LOSS SHARING TABLE</b>		
<b>Level I – III Loss Sharing</b>		
	<b>Tier</b>	<b>Risk-Based Rate</b>
<b>Loss Level I</b>	1	1.10% of the Mortgage Loan UPB
	2	0.75% of the Mortgage Loan UPB
	3	0.15% of the Mortgage Loan UPB
	4	0.05% of the Mortgage Loan UPB
<b>Loss Level II</b>	All Tiers	1.20% of the Mortgage Loan UPB
<b>Loss Level III</b>	All Tiers	1.40% of the Mortgage Loan UPB

**Risk-Based Restricted Liquidity Amount Calculation Example**

Assume the following:

- a Tier 2 Mortgage Loan has an unpaid principal balance of \$10 million; and
- such Mortgage Loan was delivered at Loss Level I with a 50% modified loss sharing.

Calculation:

- Line 1: \$10 million
- Line 2: 50%
- Line 3: 0.75%
- Line 4: \$37,500 (i.e., \$10 million x 50% x 0.75%)

3. In this example, the Risk-Based Restricted Liquidity Amount for this Mortgage Loan is equal to \$37,500. For a Mortgage Loan with FHA Risk Sharing, assuming the same facts, the Risk-Based Restricted Liquidity Amount would be \$18,750 (i.e., \$10 million x (50% x 50%) x 0.75%).

C. Liquidity for Rated Financial Institutions

Fannie Mae will decrease the Lender Liquidity Requirements for a Lender that:

- is rated investment grade;
- is a subsidiary or Affiliate of a company rated investment grade, so long as the rated company has provided to Fannie Mae a full and unconditional guaranty of all of the Lender’s Fannie Mae Multifamily obligations, not just DUS obligations; or
- has provided to Fannie Mae a full and unconditional guaranty from a rated company of all of the Lender’s Fannie Mae Multifamily obligations, not just DUS obligations, that is rated investment grade.

The Lender must be in compliance at the end of each calendar quarter. The Lender Liquidity Requirements for each rating is shown below.

**PERCENTAGE OF TOTAL LENDER LIQUIDITY REQUIREMENT**

<b>S&amp;P Rating (or Equivalent Moody’s or Fitch Rating)</b>	<b>Operational Liquidity Requirement</b>	<b>Restricted Liquidity Requirement</b>
AAA	25%	0%
AA	25%	0%
A	50%	50%
BBB	75%	75%
Below BBB	100%	100%

An entity’s rating is equal to the lowest of any of the long-term issuer ratings of nationally recognized rating agencies (i.e., Standard & Poor’s, Moody’s, and Fitch). In addition, rating categories are not affected by rating gradations, e.g., a rating of AA+ or AA- is categorized as AA.

If the entity is downgraded to a new rating category, the Lender must notify Fannie Mae within 5 Business Days after the downgrade. If the Lender does not meet the Lender Liquidity Requirements for the new rating level at the time of downgrade, the Lender will be out of compliance. The Lender must fully fund the Lender Liquidity Requirements in accordance with the new rating level not later than 30 days from the date of the downgrade. Failure to be in compliance is a breach of the Lender Contract and entitles Fannie Mae to exercise its contractual remedies.