



Multifamily MBS Roadmap

REMIC Election Overview

Fannie Mae will begin making a Real Estate Mortgage Investment Conduit (REMIC) election for its fully guaranteed Multifamily Mortgage-Backed Securities (MBS) issued on or after January 1, 2021. MBS issued prior to January 1, 2021 will not be affected by this change. We are making this change to align with the broader CMBS market and Fannie Mae single-family practices.

Fannie Mae is making modifications to the Multifamily MBS Trust Agreement and MBS Prospectus documents to include language referencing the REMIC election. However, this election does not change the structure of loans backing our MBS or of the MBS itself. Our Multifamily MBS will continue to be single class mortgage pass-through certificates; will provide investors with the same guaranteed payments of principal and interest as they do today; and will use the same prefixes.

Pre-Securitization Rules for MBS - Issued on or After 1/1/21

REMIC Eligibility - LTV Test

To be REMIC eligible, the loan must be principally secured by real estate. Principally secured by real estate means that the real estate collateral is sufficient to support a loan-to-value (LTV) that does not exceed 125%. However, since the REIT rules allow a maximum LTV of 100% for eligible investments, Fannie Mae has set the LTV threshold at 100% ("LTV test"). Our general underwriting criteria would be well within this requirement for a large majority of transactions. However, there are certain transactions such as Senior Housing deals and phased properties that are crossed that require special consideration.

- **Seniors Housing Property Value**

The value of a seniors housing property is based on three (3) value allocations in the appraisal as follows:

- 1) Real Property Value including Land and Improvements, which sometimes are broken out separately.
- 2) Intangibles and Goodwill and/or the Business Value; and
- 3) Furniture, Fixtures and Equipment Value.

The LTV Test for REMIC eligibility needs to be **applied to the Real Property Value only**. Accordingly, Fannie Mae has updated the Seniors Housing Chapter of the Guide to include this requirement. If the requirement is not met, the loan will become pre-review.

- **Phased Properties that are Crossed**

On certain phased properties, loans are crossed after origination upon the financing of a new phase. When this occurs, a new loan is crossed against an existing loan(s), the combined LTV across all the crossed loans must not exceed a maximum 100% LTV. An additional test has been added to the Guide to meet this requirement.

Determining REMIC Eligibility

Lender determines if a transaction is REMIC eligible per the Guide. Contact your Deal Team for questions regarding REMIC eligibility compliance.

Note: It is unlikely that a transaction will be allowed to be delivered without the REMIC election.

Per the Form 4098, if REMIC eligibility is not met and the transaction still is approved to be delivered additional disclosure will be required on the Form 4097 when trading the MBS to indicate that it is ineligible for resecuritization. Lenders should follow delivery requirements in the Acquisition systems for additional disclosure.



Additional requests that may be allowed, but may require review:

- Future partial release of real estate collateral (other than in connection with a condemnation)
- Introduction of a non-standard event of default (e.g., net worth and liquidity covenants, failure to comply with 1031 exchanges provisions)
- Phased properties and crossed loans: to ensure additional disclosure is provided correctly.
- Operating deficit reserves or guaranty: Lender should provide terms of reserve and/or guaranty agreement for review
- Completion guaranty: review is not required if Fannie Mae Form 6018 is used

Post Securitization/Asset Management Rules for MBS with REMIC Election - Issued on or After 1/1/21

Asset Management

The Delegated Transaction Forms 4636.c and 4636.pr for condemnations and partial releases respectively, have been updated to add a new question that would make the transaction not delegated if the collateral change violates the 100% LTV test. Lenders should consider if the condemnation/partial release cause the UPB for the Mortgage Loan to exceed 100% of the value of the real estate (100% LTV).

Any borrower request that affects the collateral for the loan will be evaluated on a case-by-case basis to determine if it is allowed under the REMIC rules.

Post Securitization/Asset Management Rules for MBS - Issued Prior to 1/1/21

What may be allowed but requires review?

- For a non-recourse loan, the addition of any new non-recourse carve-out
- For a non-recourse loan, the addition of or expansion of limited guaranty for completion of repairs or other identified property issues. Must use Fannie Mae form of completion guaranty
- Modification of permitted and non-permitted transfers for a non-recourse loan. Review required unless delegated under the Guide or current loan document modification guidance
- Addition or deletion of a co-obligor (without release of all original borrowers) for a recourse loan
- Other modifications (not otherwise addressed in this Guidance document) to loan documents upon transfer or assumption or for asset management requests (unless permitted by Part V of the Guide)
- Partial release of lien on real property collateral (not in connection with a condemnation and not contemplated in existing loan documents)
- Addition of collateral, whether real property, cash or letter of credit
- Addition of a new covenant

What loan or collateral changes are **not** allowed?

- For a non-recourse loan, the addition of a new non-recourse carve-out with a full recourse trigger
- Changing a loan from recourse to non-recourse, or vice versa
- For a recourse loan, any transfers, assumptions, or release of original borrowers and obligors
- Cross-default and/or cross-collateralization with new Fannie Mae loan
- Addition of a new event of default
- Addition of a new due-on-sale clause

This Guidance document is intended to supplement, and not substitute for, compliance with the Multifamily Selling and Servicing Guide, including the rules for Additional Disclosure and Form 4098. This document addresses MBS legal issues only and does not change the rules for delegating lenders and servicers the authority to make decisions, which are contained in the Guide and lender contracts. Modifications to loans that are implemented by using Fannie Mae Multifamily published form loan documents in accordance with the Guide do not raise MBS legal issues. Any items noted as additional disclosure should also be added to the Form 4097. Note Form 4097 is required when trading MBS.