



# Bond Prepayments – Guidance and Best Practices

This Job Aid is designed to guide Servicers on the Bond Payoff process as well as best practices for engaging Fannie Mae on the submission and approval of payoff statements.

## Upon receipt of the Borrower’s notification of intent to prepay a Credit Enhancement Mortgage Loan:

- Review Notice of intended payoff from Borrower.
  - Validate that the Borrower has provided a minimum of 30 days advance notice of its intent to prepay on the intended redemption date as required by the Loan Documents.
  - If Borrower fails to provide the required 30 days advance notice of prepayment, but Fannie Mae agrees to accept prepayment on the intended redemption date, submit a waiver request to your Fannie Mae Servicing Representative.
- Provide the following items to your Fannie Mae servicing representative via email:
  - Mortgage Note;
  - Reimbursement Agreement;
  - Credit Enhancement Instrument or Collateral Agreement;
  - Trust Indenture;
  - Amendments associated with these documents;
  - Borrower’s letter of intent to payoff including the intended payoff date; and
  - Fannie Mae Loan Number, Property Name, Bond Number, Contact List of all relevant stakeholders.
- Submit a payoff quote in Payoff Calculator for any Supplemental Mortgage Loan associated with the Credit Enhancement Mortgage Loan being prepaid.
- If the Bond that is paying off is part of a Structured Facility:
  - Send an email to the following groups to notify them and request approval for the upcoming bond payoff:
    - Structured\_AM@fanniemae.com; and
    - Multifamily\_spot@fanniemae.com.
- Set up conference calls with all parties after Fannie Mae’s outside counsel is assigned. Fannie Mae’s outside counsel is assigned after all requested documents are received.
- Coordinate the preparation of release documents and send the release documents to Fannie Mae’s outside counsel for review.
- Confirm Bond balance and Principal Reserve Fund (PRF) balance with the Bond Trustee when providing payoff statement to Fannie Mae to approve the applicable Credit Enhancement Fees.
  - Provide evidence of Bond Trustee confirmation if those balances do not match balances previously reported in Form 4090 via CESIR, Credit Enhancement Servicing, and Investor Reporting system.
  - Fannie Mae approves only Credit Enhancement Fees and other fees due Fannie Mae. Fannie Mae approval is only for amounts due Fannie Mae.
- Provide Fannie Mae a payoff statement for approval of Credit Enhancement Fees at least 10 Business Days prior to the intended Bond redemption date.
- For prepayment of a Direct Pay Credit Enhancement Mortgage Loan, confirm the Bond Principal and Bond Interest with the Bond Trustee and include the confirmed amounts on the final payoff statement.



- Provide Fannie Mae and working group the final payoff statement at least 2 Business Days prior to the intended Bond redemption date.
- For Direct Pay Credit Enhancement Mortgage Loans, work with the Bond Trustee to ensure the Bond Trustee submits draw request for Principal and Interest in CESIR at least 2 Business Days before the intended Bond redemption date.
- Ensure the title company enters the correct payoff amounts due Fannie Mae and the Fannie Mae wire instructions on the title company's settlement statement.
- Work with the title company's escrow agent to ensure the title company wires payoff funds to Fannie Mae on the Bond redemption date per the final approved payoff statement.
- Report the Bond redemption and payoff in CESIR during Servicer Reporting Windows 1 and 2 in the month that the Bond redemption occurs.
  - Report zero Principal, Interest, and Credit Enhancement Fees due Fannie Mae.
  - No Principal, Interest, or Credit Enhancement Fees should be reported to avoid funds being automatically drafted.
  - Report zero ending balances.
- If the Bond redemption occurs outside the Interest Payment Date of either the 1st or 15th calendar day and outside Servicer Reporting Windows 1 and 2, report the Bond redemption and payoff in CESIR the following month.
  - Report zero Principal, Interest, and Credit Enhancement Fees due Fannie Mae.
  - No Principal, Interest, or Credit Enhancement Fees should be reported to avoid funds being automatically drafted.
  - Report zero ending balances.

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For questions, please contact your Fannie Mae Servicing representative or email MF Bond Credit Enhancement Team at [MF\\_Bond\\_Credit\\_Enhancement\\_Team@fanniemae.com](mailto:MF_Bond_Credit_Enhancement_Team@fanniemae.com)