



Residential Lease Standards

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Agenda

- Residential Lease Standards Overview
- Residential Lease Standards Implementation
- Monitoring and Enforcement of Residential Lease Standards
- Roles and Responsibilities for Inspectors, Servicers and Fannie Mae
- Case Study and Best Practices

Training Objectives

Learning goals for this training module:

- Explain the newly implemented tenant protections referred to as Residential Lease Standards.
- Explain Borrower, Inspector, Servicer and Fannie Mae responsibilities for applying the Residential Lease Standards.
- Identify asset management processes and responsibilities for Servicers.
- Recognize and understand Servicer actions for resolving issues with noncompliant Borrowers.



Residential Lease Standards Overview



Residential Lease Standards

Policy Overview



Safeguard the rights of renters



Ensure fair treatment by
property owners



Provide remedies for dispute



Introduction to Residential Lease Standards



Residential Lease Standards Requirements

1

30-Day Notice of Rent Increase

Written notice of at least 30 calendar days prior to a rent increase.

2

30-Day Notice of Lease Expiration

Written notice of at least 30 calendar days prior to the scheduled lease expiration date.

3

5-Day Grace Period for Late Rent Payments

Allow a 5-calendar day period from the rent due date before late fees or other penalties can be charged.



Residential Lease Standards Exemptions

**Manufactured Housing
Communities (MHC)**

**Credit Facilities
predating
February 28, 2025**

**Cooperative
Housing (Co-op)**

**Loans originated
using 3rd party or
non-Fannie Mae or
Freddie Mac form
loan documents**



Knowledge Check 1



Which of the following are NOT part of the Residential Lease Standards policy?

- A. 30-day notice of Lease expiration
- B. 3-day grace period
- C. Manufactured Housing Communities
- D. B and C
- E. All the above



Knowledge Check 1

A

**Answer D:
B and C**

Residential Lease Standards include a 5-Day Grace Period for Late Rent Payments and do not apply to Manufactured Housing loans.





Residential Lease Standards Implementation



Borrower Requirements

1

Within 6 months of closing

Add the Residential Lease Standards in new and renewing leases.

2

Within 6 months of closing

Inform all tenants of the new Residential Lease Standards policy, unless the same or longer time periods are already required under state or local law.

3

Within 24 months of closing

All leases must contain the three Residential Lease Standards.



Leases must be crafted to meet the Standards or their state or local law, whichever requires longer periods.



Servicer Resources

Fannie Mae Documents



Multifamily Selling and Servicing Guide



Quote Sheet



Loan Documents



The **MBA Standard Inspection Form** and corresponding **reference guide** were also updated to include a new question to support the monitoring of the Residential Lease Standards.



Knowledge Check 2



Under the Residential Lease Standards policy, which of the following is expected from Borrowers?

- A. Include Residential Lease Standards in all leases within 12 months of closing.
- B. Send notice to all tenants when current jurisdictional law includes more stringent policies.
- C. Provide annual Residential Lease Standards certification to Servicers.
- D. A and B
- E. None of the above



Knowledge Check 2

A

**Answer E:
None of the above**

Lease Standards must be in all leases within 24 months of closing. A notice is not required to tenants when current jurisdictional law requires more stringent policies. Annual certification to Servicers is not required.





Monitoring & Enforcement



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Monitoring

Servicers will monitor Borrower implementation and compliance within their respective inspection process.

Inspectors

Ask property staff if the Standards are in place

Mark 'yes', 'no', or 'not applicable' on the inspection report

Servicers

Review inspections

Contact Borrowers with non-compliant responses to identify potential issues

Fannie Mae

Monitor Servicer compliance through the Lender Assessment process



The MBA Inspection Form will be used to assess compliance with the Standards.



Compliance Enforcement Overview

Enforcement is designed to drive compliance through strategic escalation of non-compliance penalties.



When Servicers are unable to resolve non-compliance, written notice must be sent to the Borrower.



When Borrowers are unable to cure non-compliance within 30 days, a Reservation of Rights Letter must be issued.



When non-compliance continues beyond the deadline, the Borrower will be assessed a Residential Lease Standards Non-Compliance Fee.

Events of Default:

- **Noncompliance with Lease Standards**
- **Nonpayment of Residential Lease Standards Non-Compliance Fee**



Knowledge Check 3

Q

The Borrower is in monetary default if they fail to pay the Residential Lease Standards Non-Compliance Fee by the deadline.

- A. True
- B. False



Knowledge Check 3

A

**Answer:
True**

The Borrower is in monetary default if they fail to pay the Residential Lease Standards Non-Compliance Fee, an assessed penalty for non-compliance, by the deadline.



Roles & Responsibilities



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Inspector Roles & Responsibilities

Servicer will inform Inspector whether the Residential Lease Standards apply prior to inspection.

Inspectors must ask the property manager if the property is adhering to the Residential Lease Standards.

<input type="checkbox"/>	For those Fannie Mae or Freddie Mac loans for which new loan applications were signed on or after February 28, 2025, is the property adhering to the Multifamily Lease Standards Policy identified in the Loan Agreement and the Agency's Multifamily Selling and Servicing Guide? (5 day late rent grace period, 30 day rent increase notice, 30 day lease expiration notice)
If No, explain:	
<input type="text"/>	



While not a policy requirement, Servicers may request the inspector collect a copy of the lease agreement from the property manager as proof of compliance.



Servicer Roles & Responsibilities

Property Inspection and Non-Compliance

Pre-inspection

Determine if the property is subject to the Residential Lease Standards and inform the inspector.



Post-Inspection

Review the Borrower's response to the Residential Lease Standards compliance assessment question.



Non-Compliance

Immediately contact the Borrower to resolve the situation.



Borrower Non-compliance Escalations

Non-Monetary Default

Non-compliance discovered:

Provide Written Notice to Borrower

30 days

Non-compliance remains unresolved:

Send Residential Lease Standards Reservation of Rights and Demand Letter

30 - 60 days

Non-compliance remains unresolved:

Assess Residential Lease Standards Non-Compliance Fee

Include with next P&I payment

Monetary Default

Non-compliance remains unresolved:

Declare Event of Default and begin accruing interest at the Default Rate

90 days



Fannie Mae Roles & Responsibilities

Compliance Enforcement

Loan Documents,
Quote Sheet, and
Multifamily Guide

Training and
E-Learning

Non-Monetary and
Monetary Defaults

Sample
inspections and
documentation

**Ensure Compliance
with Residential Lease
Standards**

**Provide
Guidance and
Training**

**Assign
Defaults**

**Conduct Lender
Assessments**



Knowledge Check 4

Q What are the penalties for Borrowers who fail to implement the Residential Lease Standards?

- A. Residential Lease Standards Non-Compliance Fee
- B. Default interest
- C. Possible limitations on the ability to complete future transactions with Fannie Mae
- D. All the above
- E. None of the above



Knowledge Check 4

A

**Answer D:
All the above**

Borrowers who fail to implement the Residential Lease Standards may be subject to a non-compliance fee, default interest, and possible limitations on future transactions with Fannie Mae.



Knowledge Check 5



How will Servicers be assessed on compliance?

- A. Fannie Mae Lender Assessment
- B. Review of inspection form responses
- C. Review of documentation related to non-compliance
- D. Review of Borrower communication related to non-compliance
- E. All the above



Knowledge Check 5

A

**Answer E:
All the above**

Servicer compliance will be tested and reported within the Fannie Mae Lender Assessment. This process includes a review of a sample of inspection forms and review of all documentation and Borrower communication received related to non-compliance.





Case Study & Best Practices



Case Study

Loan and Property Details

Property

- Garden Style Apartment
- Located in a jurisdiction with stricter Residential Lease Standards

Loan

- Under Application Date is 3/10/2025
- Origination Date is 5/1/2025
- 1st post-closing inspection is due to Fannie Mae on or before 5/1/2026
- Fannie Mae Quote includes Residential Lease Standards
- Loan Documents include Residential Lease Standards covenants



Scenario 1

The Servicer informed the Inspector that the property was subject to the Residential Lease Standards.

Inspector

Received a “No” response to the compliance assessment question from the Property Manager.

Property Manager

Indicated they were issuing a 60-day notice of rent increase, 60-day notice of lease expiration, and allowing a 5-day grace period for late rent because they are required by their jurisdiction.

Borrower

Does not believe these three protections need to be expressed in the lease, nor does a notice need to be issued to tenants because the property already complies with the statutory requirements.



Is the Borrower compliant?



Scenario 1 Answer

Is the Borrower compliant?



Are Leases compliant? **NO!**

Leases must be updated with the Residential Lease Standards or the more stringent protections required by statute, even if applicable law does not require that the more stringent protections be memorialized in leases.



Is Notice policy compliant? **YES!**

When current property policies already meet or exceed the Residential Lease Standards, a notice does not need to be sent to tenants.



Scenario 2

The Servicer informed the Inspector that the property was subject to the Residential Lease Standards.

Property

The property was recently inspected.

Inspector

Indicated Residential Lease Standards compliance question was 'No' with comment: "The property manager is unable to implement the 5-day grace period for late rent due to a corporate policy".

Servicer

Contacted the Borrower to resolve the non-compliance; however, the Borrower said they were unable to implement the required Residential Lease Standard grace period at the Property.



What should the Servicer do?



Scenario 2 Answer

Servicer Next Steps

Is the Borrower compliant? NO!

1

Send written notice to the Borrower

stating they:

- Are non-compliant with the Residential Lease Standards policy
- Must cure all non-compliant lease terms within 30 days.

2

Issue Form 4804.LS **Reservation of Rights and Demand Letter** to the Borrower requiring all non-compliant lease terms be corrected within 30 days.

3

Submit a **Non-Monetary Default Borrower Request** to Fannie Mae in the MAMP.

4

Grant a **30-day extension** if Borrower's non-compliance cannot be reasonably cured within 30 days.

5

Collect the **Residential Lease Standards Non-Compliance Fee** if not cured before the deadline.



Scenario 2 Answer...cont'd

Fannie Mae Next Steps

When the Borrower is non-compliant, Fannie Mae will:

1

Assign Borrower Request to Fannie Mae Asset Manager and acknowledge receipt.

2

Collect 50% of any Residential Lease Standards Non-Compliance Fee from Servicer by wire transfer.

Servicer may retain the remaining 50%.

3

Declare a monetary default if the Borrower does not make the payment, and work with Servicer to collect default interest.

4

Collect all documentation and communication from the Servicer.

Review Servicer compliance with the Guide Residential Lease Standards during the Lender Assessment process.



Servicer Best Practices

Minimum Requirements



This training outlines the minimum monitoring and compliance requirements. Servicers are encouraged to obtain documentation such as a lease template, tenant communication or Borrower certification as proof the Residential Lease Standards were implemented.



In the event of possible non-compliance with the Residential Lease Standards policy, notify Borrowers in writing.



When non-compliance is determined:

- Ensure the servicing file includes all documentation, the Reservation of Rights and Demand Letter, and detailed Servicer narrative, and upload them to MAMP.
- Assess whether the Borrower has successfully resolved their non-compliance promptly after each applicable deadline.



Key Takeaways

Borrowers must include the Residential Lease Standards as required by their loan agreement.



FHFA is requiring the Agencies to establish best practices to promote an equitable multifamily housing environment.



Compliance is monitored using the inspection process and enforced with an escalation process.



Resources are available! Refer to the published FAQs and Policy Grid as well as updates to the MF Selling and Servicing Guide.



Knowledge Check 6

Q

The Borrower can be assessed a penalty for non-compliance of the Residential Lease Standards multiple times during the loan term.

- A. True
- B. False



Knowledge Check 6

A

**Answer:
True**

A Borrower can be assessed a noncompliance fee penalty multiple times. For example, when non-compliance is determined after the first inspection, then the non-compliance is cured after being assessed a penalty fee, then is found to be non-compliant again during a subsequent inspection. If the Borrower again does not cure the non-compliance before the cure period expires another penalty fee will be assessed.



Knowledge Check 7



How should a Servicer notify Fannie Mae if the Borrower fails to implement the Residential Lease Standards?

- A. Email Fannie Mae's Multifamily Credit Underwriting Group
- B. Email LeaseStandards@fanniemae.com
- C. Submit a Non-Monetary Default Borrower Request in MAMP
- D. B and C
- E. All the above



Knowledge Check 7

A

**Answer D:
B and C**

Servicers must submit a non-monetary default borrower request to Fannie Mae and notify Fannie Mae via email at LeaseStandards@fanniemae.com.



Contacts and Resources

Contact	LeaseStandards@fanniemae.com
Fannie Mae Address	Fannie Mae (Multifamily) Attn: Specialty Products Asset Management 1100 15 th St NW Washington, DC 20005
Fannie Mae Address	Fannie Mae (Multifamily) Certification and Custody 21240 Ridgetop Circle Suite 125-130 Sterling, VA 20166



Additional Resources

<u>Fannie Mae Multifamily Guide</u>	https://mfguide.fanniemae.com/
<u>Fannie Mae Form 4804.LS</u>	https://multifamily.fanniemae.com/doing-business-us/forms
<u>Multifamily Residential Lease Standards Policy: External FAQs</u>	https://multifamily.fanniemae.com/media/39816/display
<u>Multifamily Lease Standards Policy</u>	https://multifamily.fanniemae.com/media/39811/display
<u>Fannie Mae Multifamily Learning Center</u>	https://multifamily.fanniemae.com/learning-center



