

# Multifamily MBS Roadmap

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Version as of April 2025



Fannie Mae®

# Introduction to Multifamily MBS Roadmap

This document provides guidance for determining what types of Mortgage Loan structures, features, and modifications are permissible under Fannie Mae's Multifamily Mortgage-Backed Security (MBS) execution. Fannie Mae's form Loan Documents are designed to be compliant with federal income tax requirements and MBS Trust Agreement requirements. Each newly issued Multifamily MBS is structured as a Fixed Investment Trust (FIT) that has made a Real Estate Mortgage Investment Conduit (REMIC) election for tax purposes. **Mortgage Loan Document modifications, whether made at the Mortgage Loan Origination Date or during the life of the Mortgage Loan, must comply with the disclosure and tax requirements for the MBS execution and REMIC election.**

**Document Purpose:** This document is intended to supplement, and not be a substitute for, compliance with Fannie Mae's Charter and the Multifamily Selling and Servicing Guide, including the rules for Additional Disclosure and Form 4098. Also, any items noted as Additional Disclosure should be included on the Form 4097, which is required when trading an MBS.

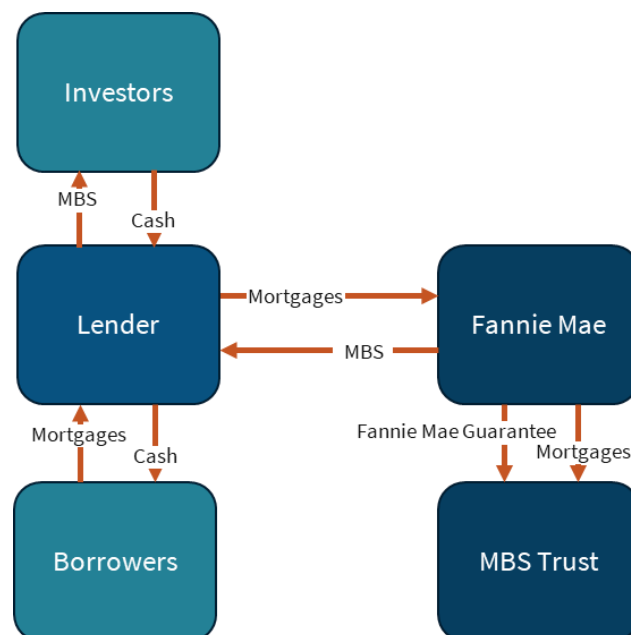
This document addresses MBS legal issues only and does not change the rules for Lender delegation.

**Disclaimer:** While this guidance document contains many of the most frequent inquiries related to our MBS, it should not be interpreted as a comprehensive list of all potential situations and outcomes. Importantly, a Fannie Mae response indicating that a specific non-standard term or characteristic is MBS-compliant does not constitute Fannie Mae Deal Team approval for that term. Separate Fannie Mae Credit and/or Legal approval must also be obtained for such a request. **Any questions should be directed to your Fannie Mae Deal Team or Asset Manager.**

## Understanding MBS

Fannie Mae securitizes the Mortgage Loans purchased from Lenders via an MBS Swap, in which we acquire the Mortgage Loan, securitize it, and then return the resulting MBS to the Lender.

The Lender first executes a trade with an Investor, receiving cash in return for the MBS. Therefore, Investors serve as the ultimate source of liquidity for our Lenders. To support the liquidity and reputation of our MBS, we must take the needs and expectations of our Investors into account as we manage our MBS.





## Understanding the Investor Perspective

### Loan Structuring

The Lender explores options for financing of a Mortgage Loan with Fannie Mae

### Commitment

Lender enters required commitment data into C&D

### Securitization

Disclosure is published and MBS is settled with Investor



When an MBS is issued, it is generally accompanied by a set of disclosure data and documents:

- **Prospectus/Annex A\***
- **Master Trust Agreement**

Such data and documents are used by Investors to understand and price the risk associated with our securities. Because of this, we generally do not permit changes to a Mortgage Loan in an MBS (or to the related Property) that would change the original disclosure terms or introduce new risks that were not previously disclosed. Allowing such changes would undermine Investor confidence in our MBS and could adversely affect liquidity.

## Master Trust Agreement Overview

The Fannie Mae issued MBS represents an undivided beneficial interest in a pool of Mortgage Loans or participation interests in Mortgage Loans held in trust pursuant to the terms of a governing trust document.

The Master Trust Agreement, or the Trust Indenture, including its exhibits and supplements, generally set forth the terms relating to an issuance of MBS, including the Mortgage Loans or participation interests in the pool, and payment terms on the MBS securities issued. The Master Trust Agreement also outlines the conditions under which Fannie Mae may repurchase or cause the repurchase of a Mortgage Loan from its MBS, resulting in a prepayment to the Investor without any prepayment premium.

The Master Trust Agreements have been updated several times over the years and certain actions allowable for pools issued under one Master Trust Agreement may not be permissible for pools issued under a different Master Trust Agreement.

## REMIC Election Overview

Fannie Mae began making a REMIC election for its Multifamily MBS issued on or after January 1, 2021. Any Multifamily MBS issued prior to January 1, 2021 was not affected by this change.

Current forms of the Multifamily MBS Trust Agreement and MBS Prospectus documents\* include language referencing the REMIC election. This election does not change the structure of the Mortgage Loans backing our MBS or the security itself. Our MBS continue to be single class mortgage pass-through certificates which use the same prefixes and provide Investors with guaranteed timely payments of principal and interest.

\*Please review Additional Information on the [MBS Trust Agreements](#) and [MBS Prospectuses - Multifamily](#).



# Pre-Securitization Rules for REMIC Election MBS - Issued On or After 1/1/21

## REMIC Election Requirements

Multifamily Mortgage Loans delivered to Fannie Mae must meet some key criteria related to **loan to value** to be REMIC-election eligible – the "LTV test."

### LTV Test:

- The fair market value of the **real property** collateral securing the Mortgage Loan must meet a 100% LTV ratio test:
  - Real property generally includes land, buildings, or other inherently permanent structures.
  - Real property must generally be owned as fee ownership, co-ownership, or leasehold ownership.
  - Real property does not include allocated value for personal property and intangibles.
- For the LTV test for **cross-collateralized Mortgage Loans**, the **combined LTV** for all the crossed-collateralized Mortgage Loans must not exceed 100%.
- For the LTV test for **Seniors Housing Property**, while the appraised value of a Seniors Housing Property is based on three value allocations (real property, intangibles and goodwill, and Furniture, Fixtures, and Equipment (FF&E)), the LTV test is based **ONLY** on the real property value.
- For the LTV test for **first Liens**, all real property collateral value applies. For the LTV test for **subordinate Liens**, **ONLY** real property collateral value left after fully satisfying any **first Lien** applies.
- The following scenarios will **NEVER** meet the LTV test:
  - Mortgage Loans secured by pledges of stock, partnership or membership interests (even if the partnership/limited liability company owns real property).
  - Mortgage Loans secured by other loans (even if the underlying loan is secured by real property).



## Lender Requirements, Representations, and Warranties

To ensure REMIC election eligibility, the Lender must represent that the following items have not been modified between the Mortgage Loan origination and the MBS securitization.



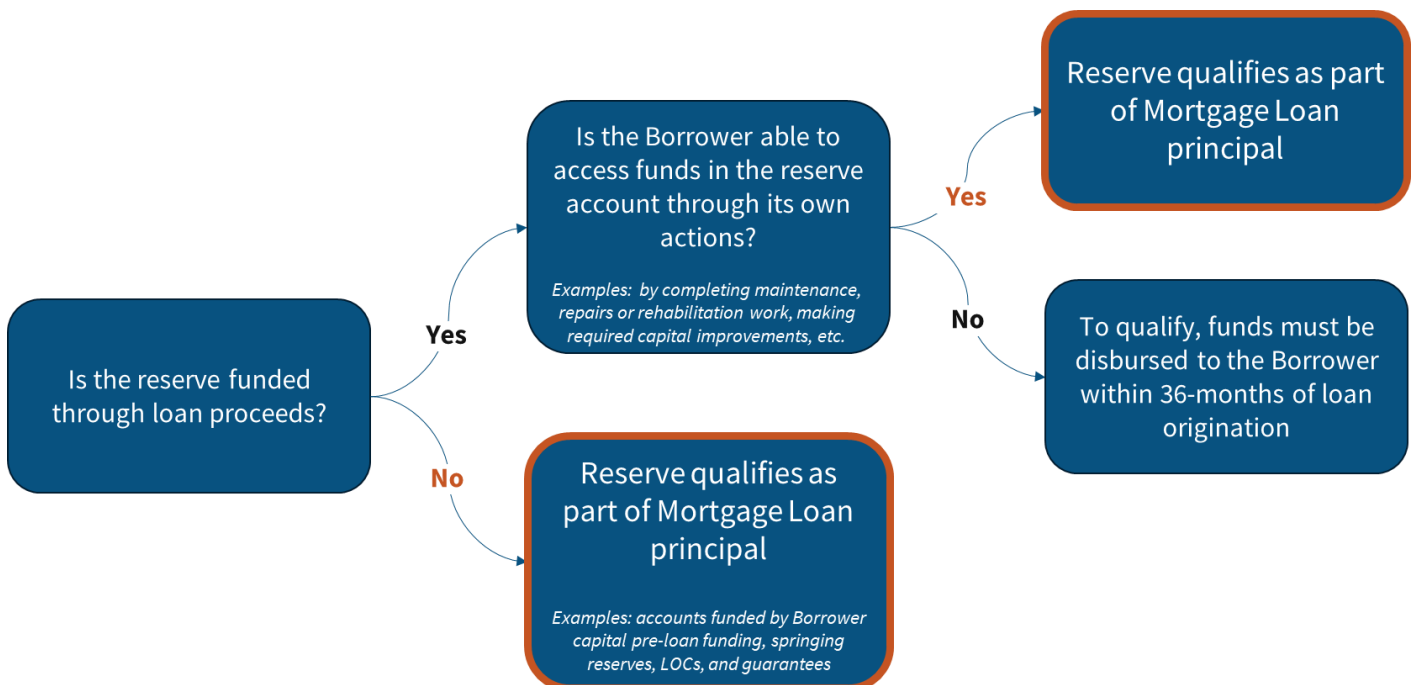
Additionally, the Lender represents that all Mortgage Loan proceeds were fully funded on the Mortgage Loan Origination Date to the Borrower directly and/or to reserve accounts or escrows required by Loan Documents.

Contact your Fannie Mae Deal Team for questions regarding REMIC eligibility compliance.

**Note:** Fannie Mae policy states that the REMIC election is required for all Mortgage Loan transactions.

## Reserves

For tax purposes, it is important that a reserve qualifies as part of Mortgage Loan principal. Certain types of reserves present a more significant tax concern than others. The decision tree below provides guidance when analyzing whether a Mortgage Loan reserve qualifies as part of Mortgage Loan principal for tax purposes:





## Additional Disclosure Requirements

As described in Part IV, Chapter 5: Purchase, Section 504: MBS Mortgage Loan Disclosure, when a Mortgage Loan backing a new MBS issuance is expected to have any non-standard terms or characteristics, the Lender must work with the Fannie Mae Deal Team and the Lender's legal counsel to determine if Additional Disclosure is required before:

- circulating the applicable Form 4097 – Multifamily Required Trade Information for Cash or MBS Loans; or
- entering into a Rate Lock.

Any Additional Disclosures included on Form 4097 at the time of the MBS trade must also be entered into the Additional Disclosure section in C&D when creating the Mortgage Loan Commitment.

If you have any questions regarding Additional Disclosure requirements, consult the [Form 4098](#) (Additional Disclosure Guidance) and your Fannie Mae Deal Team.

## Prospectus Overview

Each Fannie Mae MBS Prospectus contains general information about MBS issued during its effective period. Specific transaction information is included in the Additional Disclosure section and Annex A.

This includes high level characteristics of different Mortgage Loan programs, Property types, and risk factors that Investors should consider when evaluating our securities.

There are several different base Prospectus templates that are used depending upon **the interest type** (e.g., Fixed Rate vs Adjustable Rate), **Mortgage Loan type** (e.g., whether the Mortgage Loan is originated as part of a Credit Facility or not) and **prepayment type** (e.g., Yield Maintenance vs Declining Premium).

Each Prospectus template may be updated from time to time and certain actions allowable under one Prospectus may not be permissible under a different Prospectus.

# Post-Securitization Asset Management Rules for All MBS

## Existing Loans – Rules of the Road

Regardless of the underlying structure of an MBS (FIT or REMIC election), no modification of a Mortgage Loan is permitted if the change would contradict the “at-issuance” disclosures or if the change introduces elements that would have required Additional Disclosure at the time of issuance or would otherwise have rendered the Mortgage Loan MBS-ineligible. Additionally, any potential tax implications must be considered.

When modifying an existing MBS Mortgage Loan, the Lender must work with its Fannie Mae Asset Manager and the Lender’s legal counsel to ensure that any proposed post-origination change to the Mortgage Loan or Property conforms to the related MBS disclosure documents and to the requirements within the related Trust Agreement.

## Mortgage Loan or collateral changes that are **not** permitted:

**New Event of Default:** Addition of a new Borrower event of default or Guarantor event of default.

**New Master Lease:** Introduction of a new Master Lease if it includes new Borrower events of default.

**Delaware Statutory Trust (DST) Changes:** Conversion or transfer of the Borrower from an LLC or other non-DST structure to a DST Structure. The conversion or transfer of the Borrower from a DST Structure to an LLC or other non-DST structure requires Fannie Mae approval.

**Prepayment Changes:** Waiver of the lockout period or modification of prepayment provisions prior to Yield Maintenance Period End Date or Prepayment Premium Period End Date.

**Ownership Interest Changes:** Change in type of Property ownership interest (e.g., conversion of the Borrower’s interest in the Property from fee simple to leasehold or from leasehold to fee simple).

**Changes in Cross-defaulted or Cross-collateralized Relationship:** Cross-default and/or cross-collateralization with a new Mortgage Loan or release of existing cross-default or cross-collateralization provisions (unless permitted in the Loan Agreement and indicated in prior Additional Disclosure).

**New Due on Sale:** Addition of a new due-on-sale clause either related to a cross-default or cross-collateralization relationship, transfer event, or other reason.

**Partial Pre-Payment:** Partial pre-payment not indicated as permitted in the Prospectus or Loan Agreement.

**Borrower Structure Changes:** Any changes that are made in the Borrower’s organizational structure between the Mortgage Loan Origination Date and the issuance of the MBS.

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

## Asset Management Requests

Any Borrower request that affects the collateral for the Mortgage Loan, whether reviewed on a delegated or non-delegated basis, must be evaluated on a case-by-case basis to determine if it is permitted under the REMIC rules.

### Partial Releases:

The Delegated Transaction Forms 4636.C and 4636.PR for condemnations and partial releases respectively, have been updated so that a collateral change that would violate the 100% LTV test would not be permitted. Lenders should consider if the condemnation/partial release will cause the UPB for the Mortgage Loan to exceed 100% of the value of the real estate (100% LTV).

### Loan Modifications:

Requests related to Supplemental Mortgage Loans that would otherwise delegate corresponding modifications to the Senior Mortgage Loan are not permitted if it would:

- Contradict the Senior Mortgage Loan's MBS disclosures;
- Introduce any element that would have required Additional Disclosure at time of issuance; or
- Otherwise have rendered the Senior Mortgage Loan REMIC ineligible

Any modification request made in conjunction with a Transfer/Assumption, whether considered on a delegated or non-delegated basis, is not permitted if it would:

- contradict the at-issuance MBS disclosures;
- introduce any element that would have required Additional Disclosure at the time of issuance; or
- otherwise have rendered the Mortgage Loan REMIC ineligible.

**Tax Relief Program:** A tax arrangement where the Property benefits from an elimination or reduction in property taxes (i.e., Tax Exemption or Tax Abatement, Payment in Lieu of Taxes (PILOT) or Tax Increment Financing (TIF)). Adding a Tax Relief Program post-MBS issuance may be allowed in specific circumstances and will require the submission of a request with supporting documentation. Requests should be submitted through the Multifamily Asset Management Portal for MBS transactions that included Additional Disclosure language about a potential future tax relief program; or were issued on/after 1/1/2025.

Fannie Mae prohibits the addition of a Tax Relief Program with an associated event of default on transactions that do not fit into the above two categories. The Asset Management Team will engage with Fannie Mae teams to review the request and will communicate the final decision.

**Borrower Structure Changes:** Changes to the Borrower's ownership structure are generally only permitted after MBS issuance. However, review will be required to ensure the change in the Borrower structure does not introduce other elements that could contradict our original disclosures or introduce REMIC Tax issues. Changes to affordability, reserves, or the introduction of new events of default (such as a conversion to a Delaware Statutory Trust or introduction of a new Master Lease) are generally not permitted.





# Post-Securitization/Asset Management Rules for Fixed Investment Trust MBS - Issued Prior to 1/1/21

## REMIC Significant Modifications

Significant modifications can result from changes to the value in the underlying collateral, changes in recourse, or a change in payment expectations (e.g., the addition or a partial release of collateral) not originally contemplated in the Loan Documents.

Some changes in collateral may not rise to the level of a "significant" modification. A change that represents less than, for example, 10% of the total collateral value may not result in a significant modification. However, a change that represents 10% or more of collateral value will generally be deemed to result in a significant modification unless it satisfies the LTV test (or is "no worse off" - i.e., the change has either a neutral or positive impact on the value of the real property collateral) post-change.

For releases of collateral specifically, any release will result in a significant modification unless it satisfies the LTV test or is "no worse off" post-release.

**Any questions should be directed to your Asset Management representative.**

### Loan or collateral changes that **require review**:

1

#### **Non-Recourse Carve Outs:**

For a non-recourse loan, the addition of any new non-recourse carve-out

2

#### **Collateral Addition or Release:**

Addition or release of collateral, whether real property, cash, or letter of credit that is 10% or more of the total collateral value

3

#### **Lien Release:**

Partial release of a Lien on real property collateral (not in connection with a condemnation and not contemplated in the Loan Documents for the Mortgage Loan)

4

#### **Changes to Guaranty:**

For a non-recourse Mortgage Loan, the addition of or expansion of a limited guaranty for completion of repairs or other identified Property issues



5

### **Borrower Changes:**

For a recourse Mortgage Loan, the addition or deletion of a co-obligor (without release of all original Borrowers)

6

### **Modifications related to Transfers and Assumptions:**

Modification of permitted and non-permitted Transfers/Assumptions for a non-recourse Mortgage Loan; Fannie Mae review required unless delegated under the Guide or current published Form 4636.TA – Multifamily Asset Management Delegated Transaction: Transfer/Assumption

7

### **Loan Modifications:**

The addition of new covenants or other modifications (not otherwise addressed in this Guidance document) to Loan Documents upon a Transfer/Assumption or for asset management requests, unless permitted by Part V of the Guide

8

### **Tax Relief Program:**

The addition of tax arrangement (i.e., Tax Exemption or Tax Abatement, Payment in Lieu of Taxes (PILOT) or Tax Increment Financing (TIF)) where the mortgaged property benefits from an elimination or reduction in property taxes given no new events of default or changes to affordability.

## **Mortgage Loan or collateral changes that are **not** permitted:**

**In addition to the list above applicable to all MBS, FIT MBS have additional restrictions**

1

The addition of a new non-recourse carve-out resulting in full personal liability for the Mortgage Loan

*(Note: A new non-recourse carve-out that results in personal liability based on the Lender's loss would be permitted.)*

2

Changing a non-recourse Mortgage Loan to recourse, or a recourse Mortgage Loan to non-recourse

3

Any Transfer or Assumption, or any release of the original Borrowers and other obligors

4

Modification of original affordability restrictions for an MAH Property, or the conversion of the Property from Conventional to Affordable



## Additional Resources

- [Additional Disclosure Guidance \(Form 4098\)](#)
- [Affordable Housing Data Guidance Job Aid](#)
- [Data Guidance for Cross Defaulted and Cross Collateralized Mortgage Loans Job Aid](#)
- Multifamily Required Trade Information for Cash or MBS Mortgage Loans (Form 4097)
- [DUS Disclose](#) – To look up information on a specific security.
- [MBS Prospectuses - Multifamily](#) – To review the Prospectus templates. Please refer to the specific Prospectus associated with the at-issuance disclosure for the MBS.
- [MBS Trust Agreements](#) – To review the historical trust agreements. Please refer to the specific Trust Agreement associated with the at-issuance disclosure for the MBS.
- **Contact your Fannie Mae Deal Team or Asset Manager with transaction-specific questions and requests.**