

Multifamily MBS – Catastrophic Events

Frequently Asked Questions (FAQs)

The following questions provide guidance to market participants on how Fannie Mae generally handles catastrophic events affecting Multifamily properties and the potential impact to Multifamily MBS.

Our thoughts are with the families and communities inundated by Hurricane Harvey. Fannie Mae is committed to supporting our customers, renters, and homeowners impacted by the storm, and providing transparency to our investor partners.

Following a disaster, including weather-related disasters such as Hurricane Harvey, Fannie Mae relies on our servicers to implement our disaster relief policy. We require servicers to assess property damage and the needs of borrowers in order to provide appropriate relief. In addition, whether the event impacts a single building or a large geographical area, each loan is addressed on a case-by-case basis by our internal business teams, as required by our role as the special servicer.

As described in our Multifamily MBS Prospectus, Fannie Mae will advance timely payments of principal and interest in the event of loan level delinquency. Our guarantee also applies to securities backed by loans on properties that are affected by catastrophic events regardless of a property's ability to support monthly mortgage payments. There will be no delay in payments to holders of the MBS as we guarantee these payments. If the delinquency cures and the loan becomes current, the MBS will remain outstanding. If a loan continues to be delinquent, Fannie Mae may purchase the loan out of the MBS trust, resulting in a full prepayment of principal at par and any accrued interest due on the date of the prepayment.

1. How can I identify the multifamily properties that were affected or determine if the security that I own is impacted?

Fannie Mae provides certain property geographical information in the Download All Files on the [Multifamily Securities Locator Service](#) (SLS) website on [fanniemae.com](#). Investors can determine the likelihood of impact by comparing the location of the catastrophe to the disclosed location of the property backing the security.

2. Does Fannie Mae provide updated information about the properties affected by a catastrophic event and the related securities?

Investors can find the most recently available operating information for the properties backing their MBS on Fannie Mae's Multifamily SLS website. Data available can include ongoing Net Operating Income (NOI) and Debt Service Coverage Ratio (DSCR); in addition, Fannie Mae publishes a [Loan Level Delinquency Report](#) that lists any loans that are at least 60-days delinquent, allowing investors to monitor the performance of their security.

When a catastrophe occurs, Fannie Mae works to understand the impact to the affected properties in the troubled area by working with our network of servicers. Once we receive sufficient information to determine the impact on a mortgaged property, we will determine if it is appropriate to provide any additional information other than the ongoing performance information provided. If we determine that circumstances warrant additional information, we will publish such information on the Multifamily SLS website on [fanniemae.com](#).



3. After a catastrophe occurs, what are the prepayment implications for the loans backed by the affected properties?

As we disclose in our [Multifamily MBS Prospectus](#), if a property is damaged and receives insurance proceeds, there are generally three possible outcomes:

- a. The borrower could use the insurance proceeds to make repairs on the property. There would be no prepayment of the MBS, and investors would continue to receive their scheduled principal and interest payments.
- b. In cases where there is partial damage that only affects a portion of the mortgaged property, insurance proceeds could be used to partially prepay the loan. If this occurs, the related MBS is partially prepaid, no prepayment premium is paid by the borrower and the loan may be re-amortized to reduce the monthly payment on the mortgage.
- c. In cases where damage is more significant, the borrower may use the insurance proceeds to pay off the mortgage loan in full. If this occurs, the loan backing the MBS is fully prepaid and no prepayment premium is collected or passed through to MBS investors.

As a general rule, if a property's value is reduced by 5% or more as a result of a catastrophic event, Fannie Mae, at its discretion, may remove the loan from the MBS trust and prepay the loan backing the security without a prepayment premium. In determining whether to remove a loan from an MBS trust following a casualty, we consider many factors, including the potential for the property to continue to support the loan, the need for the loan to be restructured, the interests of MBS investors and other relevant factors.

4. What happens if a property is affected by a catastrophic event that is not covered by insurance?

When a catastrophe occurs, Fannie Mae works to understand the impact on the affected properties in the troubled area by working with our network of servicers. If a property suffers a catastrophic event that is not covered by insurance, Fannie Mae will continue to work with the borrower. In the meantime, Fannie Mae will advance timely payments of principal and interest to the MBS investor on the MBS backed by the underlying loan in the event of loan level delinquency.

5. What is Fannie Mae's policy on purchasing loans from the trust that have become delinquent as a result of a catastrophic event?

Loans that become delinquent after being affected by a catastrophic event receive the same treatment as loans that become delinquent for other reasons. As stated in our Multifamily MBS Prospectus under Optional Purchase by Issuer, Fannie Mae has the right, but not the obligation, to purchase a delinquent loan out of the MBS trust (resulting in a prepayment at par) when the loan becomes 4 months delinquent. Fannie Mae is generally obligated to purchase the loan after 24 consecutive missed payments. Generally, Fannie Mae will purchase the loan from the trust when it reaches 4 months delinquent.