To: Multifamily Lenders

From: Lisa F. Carlson, Vice President for Multifamily Policy and Lender Risk Management

Subject: Guide Update 17-05 – Changes to Lender Contractual Relationship Requirements

HIGHLIGHTS

Effective July 10, 2017, Fannie Mae is updating certain Lender Contractual requirements in the Multifamily Selling and Servicing Guide (the Guide), affecting the following:

- Part I – Glossary;
- Part II, Chapter 1 – Basic Lender Eligibility Requirements; and
- Part II, Chapter 5 – Maintaining Business Eligibility.

Changes to Lender Requirements

Fannie Mae is revising certain requirements in Part II of the Guide, including the following:

- Lenders will be required to maintain contingency plans to ensure that the Lender will be able to avoid a material disruption of business for any reason and continue to meet Fannie Mae’s requirements.
- Fannie Mae is removing the requirement for errors and omissions coverage at least equal to the highest unpaid principal balance in the Lenders’ servicing portfolio.
- To safeguard Nonpublic Personal Information (NPI), Lenders will be required to:
  - implement appropriate policies to ensure the security, integrity, and confidentiality of all physical and electronic storage, and access to systems containing Mortgage Loan files, payment records, and NPI;
  - report any data breach relating to NPI to Fannie Mae within 72 hours after the Lender becomes aware of the breach; and
  - perform an annual security assessment of the effectiveness of its data risk management by means of either an independent third party assessment or self-certification.
Glossary

In addition to revised terms related to the Information Security updates in Part II, Chapter 5, the Glossary was also updated to include new or revised definitions for:

- Affordable Regulatory Agreements (a term used in Part IIIB, Chapter 7);
- High Seismic Risk (a new term to be used in a future update to Part IIIA, Chapter 3);
- Margin (a term used in Part IIIC, Chapter 6); and
- Minimum 1% Prepayment Premium (a term used in Part IVA, Chapter 2, and Part V, Chapter 2).

Please refer to the Associated Documents for complete details and other editorial changes.

Effective Date

This Guide Update is effective July 10, 2017, provided, however, that full implementation and compliance with the new Information Security provisions of Part II, Section 506.04 is required by December 31, 2017.

Questions

Please contact Fannie Mae Multifamily Partner Risk Management with any questions.

Associated Documents

The updated documents are attached, and will be published in AllRegs on the Effective Date.

- Part I – Glossary (clean and blackline)
- Part II, Chapter 1 – Basic Lender Eligibility Requirements (clean and blackline)
- Part II, Chapter 5 – Maintaining Business Eligibility (clean and blackline)