Multifamily Mortgage Business Guide Update 17-10

December 15, 2017

To: Multifamily Lenders

From: Michele Evans, Senior Vice President and Chief Operating Officer
Bob Simpson, Vice President, Multifamily Affordable and Green Business

Subject: Guide Update 17-10 | Enhancements to Streamlined Rate Lock and Green Mortgage Loans

HIGHLIGHTS

Effective December 18, 2017, Fannie Mae is expanding the availability of the Streamlined Rate Lock option and updating the underwriting requirements for Green Mortgage Loans, affecting the following chapters of the Multifamily Selling and Servicing Guide (Guide):

- Part IIIB, Chapter 11 – Green Mortgage Loans;
- Part IVB, Chapter 1 – Early Rate Lock; and
- Part IVB, Chapter 2 – Streamlined Rate Lock.

Changes – Streamlined Rate Lock

To provide maximum flexibility for Lenders in committing and underwriting Mortgage Loans, Fannie Mae is enhancing the Streamlined Rate Lock option to permit its use for all Mortgage Loans, except Adjustable Rate Mortgage Loans (ARM Loans) and Structured Adjustable Rate Mortgage Loans (SARM Loans). For all eligible Asset Classes and loan products, the Streamlined Rate Lock may be used with either the Fannie Mae Multifamily Desk or Third-Party MBS Investors.

To use the Streamlined Rate Lock for a Green Mortgage Loan on which the required underwriting for qualification as a Green Mortgage Loan (e.g., Fannie Mae-recognized Green Building Certification; High Performance Building Report or Module) is not yet complete, the Lender must:

- disclose to each Investor that the Lender intends to deliver the MBS Mortgage Loan as a “Green MBS”; and
- request the Fannie Mae Deal Team provide an alternative quote for the Guaranty Fee and Servicing Fee to be included in the Gross Note Rate if, upon the completion of full underwriting, the Property fails to qualify as a Green Mortgage Loan.

If the Property fails to qualify as a Green Mortgage Loan after completing underwriting, the Lender must:

- prior to originating the Mortgage Loan, (i) notify the Fannie Mae Deal Team, and (ii) make any necessary changes to the Mortgage Loan amount and interest rate in the Loan Documents; and
- prior to the Delivery Deadline, submit a data change request in the applicable Fannie Mae acquisition system (i.e., Multifamily Committing and Delivery C&D™ or Multifamily Structured Facility Management System (MSFMS)) to (i) update the Gross Note Rate for the Mortgage Loan to
include the alternative Guaranty Fee Rate and Servicing Fee Rate provided by the Fannie Mae Multifamily Deal Team, and (ii) make any required change in the Mortgage Loan amount.

Because the Streamlined Rate Lock option permits maximum flexibility to the Lender, concurrently with this update, Fannie Mae will require Lenders to use the Streamlined Rate Lock option rather than the Early Rate Lock option.

**Changes – Green Mortgage Loan**

In addition to the corresponding revisions to Part IIIIB, Chapter 11 to permit the use of the Streamlined Rate Lock option, this update also:

- increases the required minimum annual projected reduction in either energy or water consumption necessary to qualify as a Green Rewards Mortgage Loan from 20% to 25%; and
- incorporates into the Guide the increased Lender delegation for the review of Green Building Certifications, and the review and scoring of certain High Performance Building (HPB) Reports for Green Mortgage Loans, from Lender Memo 17-01, as well as other clarifying guidance for Green Mortgage Loans.

With this increased delegation, the HPB Module/HPB Report and Form 4099.H (Appendix H: HPB Module Report Tables) must now be included by the Lender in Folder II through DUS DocWay.

Please refer to the Guide chapters for complete details.

**Superseded Lender Memos**

Lender Memo 17-01: Increased Delegation for Green Mortgage Loans, Updated Form 4099, and Updated Form 4099.H.

**Effective Date**

This Guide Update is effective December 18, 2017.

**Questions**

Please contact Kelly Mitchell at (202) 752-2533 (or kelly_a_mitchell@fanniemae.com) with questions on the Streamlined Rate Lock option, and Chrissa Pagitsas at (202) 752-6554 (or chrissa_pagitsas@fanniemae.com) with any questions regarding Green Mortgage Loans.

**Associated Documents**

On the Effective Date, the updated Guide chapters will be published on AllRegs.

- Part IIIIB, Chapter 11 – Green Mortgage Loans (clean and blackline)
- Part IV, Chapter 1 – Early Rate Lock (clean and blackline)
- Part IV, Chapter 2 – Streamlined Rate Lock (clean and blackline)