Multifamily Mortgage Business Lender Letter 16-07

June 3, 2016

To: Multifamily Lenders

From: Michele Evans, Senior Vice President and Multifamily Chief Operating Officer

Subject: DUS Disclose Acquisitions Systems Release Update

HIGHLIGHTS

In preparation for DUS Disclose™, a new disclosure platform for Fannie Mae MBS, we are providing an update on the underwriting and data changes that will impact our acquisitions systems – the Committing and Delivery System and Multifamily Structured Facility Management System.

Overview

Fannie Mae is developing DUS Disclose, a new MBS Disclosure platform, which will align Fannie Mae’s MBS disclosure data with the industry and increase the amount of data disclosed to Investors. The enhancement of disclosure data will support the liquidity of Fannie Mae Multifamily MBS and can have a positive impact on the tradability and pricing of our securities. In preparation for the release of DUS Disclose, Fannie Mae is enhancing systems, and updating the Guide and associated Business Forms. Lender Letter 16-04 was distributed in March 2016 to provide a draft list of data changes for the acquisitions systems in support of DUS Disclose. This correspondence is to provide updated information about the changes along with the final release notes for the systems enhancements. This Lender Letter supersedes Lender Letter 16-04.

Committing and Delivery (C&D) System Release Notes

In preparation for the release of DUS Disclose, C&D Release 5.0 will be implemented. Enhancements will enable the collection of new data and change the terminology for certain existing data fields. Additionally, new DSCR fields, calculations, and instructions will be introduced. C&D 5.0 system enhancements are detailed in the Multifamily C&D Release Notes Version 5.0.

Multifamily Structured Facility Management System (MSFMS) Release Notes

In preparation for the release of DUS Disclose, MSFMS Release 4.0 will be implemented. Enhancements will enable the collection of new data and change the terminology for certain existing data fields. Additionally, new DSCR fields, calculations, and instructions will be introduced. MSFMS 4.0 system enhancements are detailed in the Multifamily MSFMS Release Notes Version 4.0.
Underwriting and Data Update

In the 1st quarter of 2016 Fannie Mae reviewed the draft underwriting changes and draft modifications to the acquisitions information with Lenders. During that review we received feedback and questions from Lenders on certain items. We are providing updates to the information shared previously to broadly address the feedback and questions received and to clarify certain points. Some additional information and updates to the new income and expense line item requirements and additional information on DSCR values from our Lender walkthrough sessions are outlined below. These updates do not impact Fannie Mae’s Debt Service Coverage requirements or its Pricing and Underwriting Tiers.

- **UW Line Items**: The categorization of Custodian Salary, initially listed in the Draft Data Spreadsheet as a subcategory expense for Professional Fees, has been changed, and is now included in the Payroll & Benefits expense line item.

- **UW Line Items**: The categorization of trash removal expenses has been clarified to include the subcategory of “trash removal (including contract)” in Utilities, as it represents typical ongoing trash pick-up, which is a utility expense. “Rubbish removal” is included in Repairs & Maintenance expense, and is related to any repair or rehab work where a dumpster or other temporary pick-up service would typically be obtained to haul away rubbish.

- **UW Line Items (Seniors Only)**: For Seniors Housing Mortgage Loans, Medicare/Medicaid income is now included as a component of Gross Potential Rent, and is categorized separately from “Other Income.”

- **UW Line Items (Seniors Only)**: For Seniors Housing loans, “Care Services Expense” and “Activities Expense” are now included in the “Other Expense” category, if applicable.

- **DSCR**: Existing DSCR values will continue to be collected in the acquisitions systems (C&D or MSFMS), along with the new DSCR values. Fannie Mae will continue to disclose the current DSCR values, but once DUS Disclose is released, the new values will be disclosed.

Training

Fannie Mae will schedule training sessions prior to and after the system releases to instruct Lenders on these changes.

Effective Dates

The expected effective dates for the upcoming system releases are as follows:

- **July 15, 2016**: Implementation of C&D Release 5.0, used to commit and deliver Mortgage Loans to Fannie Mae.

- **July 15, 2016**: Release of the Quote Sheet (Form 4661), with only one data field being relabeled “Net Operating Income” will become “Net Cash Flow”, but there will be no changes to the calculations.

- **July 24, 2016**: Implementation of MSFMS Release 4.0, which facilitates collateral delivery and securitization for Structured Transactions.
Questions

Please contact the following staff with questions:

- DUS Disclose general questions and operational readiness – Derrick Lindsey at 202-752-2426
- Quote Sheet and Underwriting – Paul Gembara at 312-368-8831
- DSCR – Patty Lafean at 202-752-6240
- C&D – Sandra Opon at 202-752-7118
- MSFMS – Elizabeth Redmond at 703-833-8677
- MAMP – Amr Fawzi at 202-752-6046

Associated Documents

- Multifamily C&D Release Notes, Version 5.0
- Multifamily MSFMS Release Notes, Version 4.0
- C&D Upload Template
- New and Modified C&D Data and Definitions List (containing clean and blackline data lists)
- New and Modified MSFMS Data and Definitions List (containing clean and blackline data lists)