



Frequently Asked Questions (FAQs)

Mortgage-Backed Security as Tax-Exempt Bond Collateral (M.TEB)

Fannie Mae Multifamily issues MBS that can be used as collateral for either (i) existing fixed-rate multifamily housing bond refundings, or (ii) new fixed-rate multifamily housing bond issues, in conjunction with 4% Low-Income Housing Tax Credits (LIHTC).

GENERAL INFORMATION

Q1. What is the advantage of credit enhancing a bond with a Fannie Mae MBS over a credit enhancement instrument?

This structure commands excellent pricing in the market. The Fannie Mae MBS has wide appeal in the taxable investor community, and the M.TEB brings those investors to the municipal bond market, increasing the bond investor base and resulting in lower bond pricing. Fannie Mae's guaranteed direct pass through of principal and interest is more attractive to bond buyers.

Q2. What is the cost of issuance reimbursement incentive?

Fannie Mae will reimburse the Lender up to 75 bps of the Mortgage Loan amount upon loan delivery if the Lender chooses to pay a portion of the bond costs of issuance (COI) incurred by the Borrower. Lender must request the COI reimbursement in DUS Gateway.

Q3. Is there different pricing to utilize the cost of issuance reimbursement incentive?

A pricing add-on to the Guaranty fee is charged if the COI reimbursement incentive is elected.

Q4. Is the M.TEB a Lender delegated execution?

No. The M.TEB is a Pre-Review Mortgage Loan as noted in the Fannie Mae Underwriting Standards (Form 4660). The M.TEB transaction is handled by the MAH Deal Team.

Q5. What rate options are available with the M.TEB?

Fixed- and variable-rate options are available.

Q6. What are the prepayment options on the M.TEB execution?

M.TEB offers flexible prepayment terms, such as: declining prepayment, yield maintenance, and lock-out provisions. The MBS prepayment terms must match the bond prepayment terms.



Q7. Are the issuer, trustee and other bond fees included in the MBS Gross Note Rate paid by the Borrower?

No. The Borrower pays these fees directly to the applicable third party as directed by the Lender. However, the Lender is required to include these fees in the underwritten DSCR calculation in accordance with the Multifamily Selling and Servicing Guide.

Q8. How is the MBS traded/rate locked?

Unlike a standard MBS rate lock, the Fannie Mae Lender does not determine pricing for the MBS by trading the MBS - either with Fannie Mae's Trading Desk or a third-party MBS Investor. Rather, the Investment Banker for the bond transaction finds buyers for the bonds, and Fannie Mae prices the MBS based on the interest rate on the bonds. The interest rate at which the bonds are sold is the MBS Pass-Through Rate the Lender enters into C&D at Commitment.

Q9. Is the MBS delivered when the Bonds are issued?

No. When the bonds are issued and sold, the Mortgage Loan is originated by the Lender or the bond issuer and assigned to the Lender. The bonds are secured by cash collateral (either bond proceeds or proceeds of the Mortgage Loan) until the MBS is issued and delivered to the Bond Trustee. The cash collateral for the bonds is used to purchase the MBS.

Q10. Explain the process of delivering the MBS to be held as collateral?

The MBS securitization and delivery follows the same time line as any Fannie Mae MBS. The MBS is delivered to the Bond Trustee, identified as the MBS Investor. Typically, the Trustee releases the cash collateral directly to the Lender in exchange for the MBS, which pays off the Lender.

Q11. How is the timing of the bond investor and MBS investor payment schedules reconciled?

The M.TEB structure is designed to mirror Fannie Mae's MBS execution. The Investor portion of the MBS Mortgage Loan payment is passed through to the Bond Trustee on the 25th of the month, then the Bond Trustee passes that payment through to the Bond Investor on the 26th.

Q12. Is the Lender required to use Same Month Pooling?

No. However unless the transaction is structured to deliver the MBS in the month following the month the bonds close, the transaction will be Same Month Pooling. It is ideal to minimize the time between bond closing and MBS delivery to reduce the period of time interest accrues on both the Mortgage Loan and the cash collateralizing the bonds.

Q13. Can a Lender utilize As Soon AS Pooled (ASAP) Funding for an M.TEB delivery?

Yes. A Lender who is currently approved for ASAP Funding is permitted to utilize this option. The Lender should work closely with their Deal Team to coordinate timing of the Bond closing and the MBS Issuance Date. C&D Wiring Instructions will not follow the



M.TEB Job Aid guidance, so the Lender should consult their Multifamily Acquisitions team for assistance.

Q14. Can I do a supplemental behind the M.TEB?

Yes. A taxable supplemental MBS can be issued as a second lien behind the tax-exempt bonds. Underwriting, terms and conditions of the Guide apply.

Q15. Is the M.TEB execution eligible for Forward Commitment financing methods?

Yes. The M.TEB execution is eligible for unfunded forward commitments, fixed-rate only. The execution enables the Borrower to lock in the Guaranty and Servicing fee and set the bond interest rate (the MBS pass through rate) for the permanent phase when the bonds are issued at construction loan closing. During the construction phase, the bonds are cash collateralized, then after the loan converts to permanent phase (and the construction loan paid off), the MBS is delivered as the collateral for the bonds.

REGISTRATION/COMMITTING and DELIVERY

Q16. What is the execution type in DUS Gateway™ and C&D?

The M.TEB is registered and committed as an MBS. At delivery, the Lender must add, Special Feature Code, 832 – MBS as Bond Collateral, to identify the transaction as an M.TEB.

Q17. How does the Lender request the Cost of Issuance (COI) reimbursement in DUS Gateway?

The Lender submits a pricing waiver in accordance with the DUS Gateway [M.TEB Lender Job Aid](#).

Q18. During the Committing Phase, what value does the Lender enter into the “Est. DSCR at Commitment” field on the C&D Commitment tab?

The Lender enters the DSCR as reported in the Pre-Review Approval Memo. Note this will not include the issuer, trustee or other ongoing bond fees utilized to calculate the Underwritten DSCR mentioned in Q8.

Q19. During the Delivery Phase, does the Lender change the pre-populated value in the, “Lender Underwritten DSCR per Guide Requirements” field on the Loan Page in C&D?

Yes. The Lender should enter the underwritten DSCR calculation as described in the Multifamily Selling and Servicing Guide, which adds the bond fees to the Gross Note Rate as described in Q8.



Q20. During the Delivery Phase, which DSCR value is entered into the “Actual DSCR” field on the Loan Page in C&D?

The ratio of Net Cash Flow and the annualized debt service. The annualized debt service is calculated using the Current Interest Rate as entered on the Loan Page in C&D, which does not include issuer, trustee or other ongoing bond fees discussed in Q8.

Q21. Does the M.TEB execution require Additional Disclosure?

Yes. Guidance for documenting the Additional Disclosure can be found in the [M.TEB Lender Job Aid](#). Lenders are reminded that all Additional Disclosure information should be identified based on the deal characteristics.

Q22. Is the Lender required to identify the M.TEB at delivery with a Special Feature Code?

Yes. The Lender must identify the transaction with Special Feature Code 832, “MBS as Bond Collateral”.

Q23. Is there anything the Lender must do at delivery to receive the COI reimbursement?

After the loan has been delivered to Fannie Mae, the Lender must upload the Settlement Statement and the M.TEB COI Invoice(s) to the DUS Gateway Deal Documents screen. The Lender must also “chatter” the Deal Team indicating the invoice is ready for review. The Lender should receive reimbursement within 30 days of their request.