Property Management Guidelines

October 18, 2009

This document is confidential and the information contained herein may not be shared without Fannie Mae’s approval.

These property management guidelines (hereinafter referred to as “PM Guidelines”) provide Fannie Mae's philosophy and expectations for Fannie Mae’s property managers (hereinafter referred to as “PM”) in the management of REO properties (hereinafter referred to as “Properties” or “Property”). Each PM is required to execute a Property Management Agreement with Fannie Mae and be knowledgeable of all terms, conditions, duties and obligations of the Property Management Agreement and these PM Guidelines. The PM is the Listing Broker as set forth in the Master Listing Agreement with Fannie Mae. These PM Guidelines supplement the NPDC Broker Guidelines and, except as modified by the PM Guidelines, the NPDC Broker Guidelines shall remain in full force and effect.

If a renter is interested in a lease and you are unable to provide property management services and comply with the terms of the Property Management Agreement and the PM Guidelines, notify your Sales Representative or Asset Management Company contact immediately so the Property assignment can be transferred. Questions about the rental process should be directed to the Rental Team at reo_rental@fanniemae.com.
Renter Interested in a Lease

Lease Eligibility and Requirements

The renter may have the right to continue occupying the property under a bona fide existing lease pursuant to the Protecting Tenants at Foreclosure Act of 2009. Existing leases must be submitted to you within 10 days of posting Knowing Your Options indicating their intent to remain as tenants. Forward the lease immediately to the Rental Team with the Lease Checklist, the required Rental Information Form and Property Management Report.

If the renter does not have a bona fide existing lease or has an existing month to month lease, the renter may also be eligible to continue renting this property through a Fannie Mae form lease agreement.

Whether there is an existing bona fide lease or a new lease is requested, several criteria must be met:

▪ Renter may not be the mortgagor, the spouse, parent or child of the former mortgagor
▪ Home Owners Association (hereinafter referred to as “HOA”) must allow rentals (if applicable).
▪ Property must be habitable and meet the standards of federal, state and local regulations and laws for rental property
▪ Potential renter must submit to a basic background check
▪ Certain properties subject to servicer repurchase, mortgage insurance (MI) acquisition, claims by third parties or that Fannie Mae determines may have an impact actual, potential or threatened litigation and as a result, may be ineligible for rentals. Also, there may be certain characteristics of the foreclosed loan, such as HECM (reverse mortgage) loans, that make the Property ineligible for rentals. Upon receipt of a Rental Information Form, Fannie Mae will provide PM with notice if a Property is not eligible.
▪ Credit check, rental payment history, and security deposit are not required.

NOTE: Properties will be assigned by either the Fannie Mae Sales Representative or an Asset Management Provider (AMP). Throughout this document, if assigned by an AMP, any required notification should go to the AMP, though reference may indicate to notify Fannie Mae. If notification to the REO Rental Team (reo_rental@fanniemae.com), is requested, the AMP agent should notify the REO Rental Team and copy their AMP representative. In order to process communications promptly, structure emails to the REO Rental Team with the two (2) letter state abbreviation followed by the Fannie Mae REO case # (e.g.: TX D09G234.) Any attached files must be named with the Fannie Mae REO case in this format:

REOID_Rental Documents_Application.pdf
REOID_Rental Documents_Lease.pdf

Letters in the REOID must be capital, everything else is per the layout above
Example: D09G234_Rental_Documents_Application.pdf
D09G234_Rental_Documents_Lease.pdf

If assigned by an AMP, obtain the Fannie Mae REO case number from the AMP before contacting the REO Rental Team.

It is mandatory to document the file that “Knowing Your Options” was posted or delivered along with the date of posting or delivery. Upon posting, it is also mandatory to take a date stamped photograph and retain in your file. Update Case Comments in the Asset Management Network (AMN) or, if assigned by an Asset Management Provider (AMP), contact the AMP to enter the comment. On the 11th day following posting or delivery, the file must be further documented with the response from the occupant. Please note any claims by the occupant that they are a bona fide tenant entitled to a 90 day notice pursuant to the Protecting Tenants at
Foreclosure Act. If there is no response, an eviction action will be started. Therefore, it is your obligation to timely post and report. **Do not continue to post if there is no response unless directed to do so by the Rental Team or the Asset Recovery Group (ARG) analyst overseeing the eviction process.** Drive by the property weekly and update the Occupancy Status Report (OSR) if the status changes.

If the OSR initially reported the property as Occupied-unknown, update the OSR immediately with the correct occupancy type. It is not necessary to post “Knowing Your Options” again if it was originally posted and documented.

In addition:

- The Property will be listed for sale and requires access by Real Estate Agents, Appraisers, and other contractors with 24 hours notice, or such notice as is required by applicable law or the existing bona fide lease.
- On Fannie Mae leases, the lease will be month-to-month and the renter must sign the Fannie Mae approved lease agreement (“Lease Agreement”), unless Section 8, rent control or other applicable law requires a different form lease.
- Rent for new leases will be determined by the Rental Team after considering market rents and property values unless Section 8 guidelines, rent control restrictions or applicable law dictates rent.
- If the renter accepts a lease, relocation assistance will not be offered during the tenancy.
- The lease will generally be assigned at closing to the new buyer and the new buyer will determine the further course of the occupancy after closing. A Notice of Termination, based on buyer’s request, shall not be issued to the renter prior to closing.

**Property Management Duties and the Rental Process**

- The Property Manager (“PM”) shall manage and lease Properties in full compliance with all applicable laws, including but not limited to the Fair Housing Act. Fannie Mae is relying on the Property Manager to manage and lease the properties in compliance with all federal, state and local laws, including executive orders and regulations.
- PM shall ensure that the Properties are in compliance with all local health, safety and sanitary codes.
- The PM shall comply with the terms of the Property Management Agreement, the PM Guidelines and the NPDC Listing Broker Guidelines.
- The PM shall promptly notify Fannie Mae of any orders or violations issued by any federal, state, county, or municipal authority affecting the Property.
- PM shall notify the REO Rental Team for approval of any costs associated with property management responsibilities or with issues of compliance.

**The Rental Process**

- The process is started when the renter notifies the PM within ten (10) days of receiving the “Knowing Your Options” flyer of the intent to pursue a new lease or to remain under an existing bona fide lease. PM shall provide the renter with a copy of the Rental Information form along with the Cash For Keys offer obtained from the Asset Management Network (AMN.) All occupants over the age of 18 will be required to complete and sign the form.
Provided the renter responded within ten (10) days of the posting of “Knowing Your Options”, the PM shall complete the Property Management Report and submit with the Rental Information Form to the REO Rental Team at reo_rental@fanniemae.com within two (2) days of receipt. **Contact the Rental Team for direction if the renter fails to respond timely and later expresses intent to remain.** Document Case Comments (or notify the AMP to document) with the information sent to the Rental Team.

- Upload the BPO if all units accessible or submit to the AMP to upload. Reminder: If the property has more than 1 unit, the 2-4 Family BPO form must be used or the BPO will be rejected.
- Submit a copy of the Rental Information form to Business Intelligence, Inc at info@businessintell.com. Document Case Comments and note submission.

**Review Property Condition**

PM shall inspect the Property in order to complete the BPO and the Property Management Report. The PM will determine whether the Property is generally a safe and sound place to live and note specific issues. PM shall also:

- Inventory all appliances and personal property and note whether owned by renter.
- Confirm utilities and services paid by renter and any paid by the owner.
- Thoroughly photograph the property.
- If the property is within the jurisdiction of an HOA, the PM is responsible for obtaining HOA bylaws and documents necessary to confirm that renters are allowed. Notify Fannie Mae of the cost of documents so a 571 Disbursement Request Approval can be entered into Case Comments.
- Confirm that the Property is in compliance with federal, state and local law and all code requirements for rental property and whether any inspections, registrations, or permits are needed for continued rental.
- Confirm that all smoke detectors are installed and operational in each unit and as otherwise required by applicable law.
- Confirm that the Property is used for residential purposes only and all units comply with zoning requirements.
- If a renter has children under the age of seven (7) residing at the Property and the Property was built prior to 1978, and the Property has not been de-leaded, the PM shall notify the REO Rental team immediately so that the REO Rental Team can order lead based paint testing.
- Itemize the repairs and maintenance necessary for continued rental and estimate the cost. Do not include cosmetic repairs unless they are currently in a condition that would make them a code violation.
- Describe any issues or concerns that could be a liability.
- If pets are present, confirm they were listed in section I of the application. Note whether any of the pets are designated service animals. Provide the Pet Addendum and Pet Application to renters requesting a new lease. A lease cannot be executed or rent accepted without the Pet Addendum and proof of insurance on new leases.
  - Required Evidence of Insurance:
    “Fannie Mae, its successors and assigns, as owner and landlord of premises occupied by the named insured” must be named as an additional insured on Tenant’s certificate of liability insurance (Accord 25). **Tenant’s insurance policy must be endorsed to add Fannie Mae as a named insured** using identical language, and **a copy of the endorsement must be provided**, together with a photocopy of the policy provision pertaining to animals, verifying that the particular animal owned by Tenant is not excluded from coverage.
- If the renter has provided a copy of an existing lease, note whether pets are allowed and if the existing pets correspond to the lease.
**Recommended Monthly Rental**

- PM shall project a rental value based on local market conditions which may be different than the current amount paid by the renter.
- Provide a monthly market rent payment recommendation to Fannie Mae by utilizing various methods such as: MLS comparables, survey neighborhood rents, P&I equivalent, third party software or database (e.g., rentometer.com), etc.
- If utilities or other services, such as swimming pool maintenance, are to be paid by the owner, be sure that the rent compensates for this. If there is a shared meter for any utilities, estimate the proportionate share per unit and include in the rent projection.
- Document the renter’s current rent amount as stated by the renter or reflected on the existing lease.
- If the renter has a Section 8 voucher or Property is located in rent-controlled, area, PM should request that the renter provide valid documentation regarding the current lease terms. Verify information through an independent, third party source such as the local municipality, rent control board or housing authority.

**Rental Team Review of Documents**

The REO Rental team will review the BPO, Rental Information Form, Property Management Report, existing lease, if applicable, and other supporting documentation and notify the PM of acceptance or rejection.

*If an Existing Bona Fide Lease is approved*:

- The Rental Team will notify the PM to begin rent collection
- The Rental Team will notify the PM as to whether the property will be marketed or held from market for the duration of the lease.
- The Property Manager will send the tenant the Letter to Tenants-Existing Lease

*If a New Fannie Mae Lease is approved*:

- An approved rent amount will be provided to the PM. The PM shall complete the Lease Agreement for execution by all renters age 18 and over. All household members’ names should be entered in the appropriate line on the Lease Agreement. The PM shall not make changes to the Lease Agreement unless approved by Fannie Mae in writing. Contact the Rental Team if the renter requests changes to the Lease Agreement or does not respond within 10 days. Failure to receive an executed lease and rent will constitute rejection of the lease.
- The PM shall ensure that all blanks are completed in the Lease Agreement, including but not limited to the utility chart and all appropriate contact information.
- The first month’s rent shall be collected at the time the Lease Agreement is signed and is not be prorated. Do not execute the lease if tenant is unable to pay the rent or requests a modification to the terms approved by the Rental Team.
- The PM will execute the Lease Agreement and associated documents on behalf of Fannie Mae as set forth in the Property Management Agreement.
- In the event that a Public Housing Authority (PHA) requires execution of a lease other than the Lease Agreement, provide a copy of the PHA lease to the REO Rental Team for review. After review by Fannie Mae, the PM shall execute the documentation required by the PHA. PM shall
comply with any required inspections by the PHA and provide the PHA with all required documents in order for the PM to receive rent on behalf of Fannie Mae.

- The PM shall be responsible for providing the renter with any disclosures and notices required by federal, state, or local law, including, but not limited to, the “Disclosure Of Information on Lead-Based Paint And/Or Lead-Based Paint Hazards”, and executing the disclosures and notices on Fannie Mae’s behalf as necessary. The disclosures should be noted in the “Additional Disclosure” section of the Lease Agreement.
- The PM shall be responsible to perform any postings at the Property that are required by applicable law.
- The PM shall obtain copies of state issued photo identification for each renter age 18 and over and retain in their file.
- The PM shall forward a copy of the Lease Agreement and any associated documents to the REO Rental team at reo_rental@fanniemae.com within two (2) days of execution. Address the subject line with the two (2) letter state abbreviation followed by the REO case # (e.g.: TX D091234 executed lease attached.) Retain the original in your file.
- PM shall provide the renter with a signed copy of the Lease Agreement and all lease documentation immediately and in accordance with applicable law.

If Fannie Mae rejects the Lease:

- The REO Rental Team will send notification to the PM. The PM may be notified to make an offer of Relocation assistance.
- If the renter does not execute the lease within 10 days or declines Relocation assistance, notify the REO Rental Team and update the OSR. The REO Rental Team will refer for eviction.

Property Management Following Lease Execution

**Property Management Fees**

Upon the successful execution of a lease, the Property Manager will be entitled to the following compensation:

- Initial set up fee of $250 per lease (Example: obtaining four new leases on a four plex would be $250 x 4.)
- A management fee in the amount of $250 per month per unit, until such time that the lease is terminated or Property is transferred to a third party.
- Compensation as set forth in the listing supplement to the Master Listing Agreement plus an additional 1% listing compensation.
- From the rent collected, the PM will deduct both the first month set up fee in the amount of $250.00 and the first month management fee in the amount of $250.00.

**Rent Collection**

- The PM shall collect all rent, charges and other income when due from the renter in accordance with the terms of the Lease Agreement, PHA lease or other applicable lease.
- The first month’s rent is due at time that Lease Agreement is executed and is not prorated. The rent cycle begins on the first day of the following month for leases executed prior to the 15th of the month. If executed on the 15th of the month or greater, the next rent is due the 1st day following the next full month.

  Example:
1) Lease executed May 6, 2009. Rent is next due on June 1, 2009.

- All rent payments from the renter must be payable to the Property Management Company, not Fannie Mae. This includes payments made from housing agencies.
- PM shall not accept cash from the renter.
- PM shall deposit all rent into a trust account or such account as is required by applicable law. After the payment clears, the net rental amount is to be forwarded within 10 days to:
  Fannie Mae
  PO Box 277672
  Atlanta, GA 30384-7672

It is vital that you write directly on the check:
- The 10 digit Fannie Mae loan number and the REO ID
- Property address
- Specify that the check is “Rental Proceeds-Code 319”

- The PM shall keep detailed records of all rent received from the renter.
- The PM shall execute all documents or receipts reflecting receipt of said rent in accordance with applicable law.
- Any rental abatement concessions, rebates, allowances or concessions of any type must be approved in advance by Fannie Mae in writing.

**NOTE:** Property Managers assigned by AMPs will send the rental proceeds direct to Fannie Mae and not to the AMP.

PM shall document in Case Comments any late payments, missed payments or insufficient funds received from the renter. Advise the REO Rental Team if the rent is delinquent for more than ten (10) days or if the check is returned as insufficient funds.

PM shall notify renters of any rent delinquency, as approved by Fannie Mae. The REO Rental Team will make a determination to refer to our local attorney for Lease termination and collection. In the event of a referral for eviction, the PM shall cooperate with Fannie Mae and the selected attorney with any eviction or lease termination proceedings.

**Nonmonetary Breach of Lease**

Breach of lease terms may also result in an eviction referral. Contact the Rental Team if you believe a breach has occurred. The date and reasons will require careful documentation.

The Tenant Notification for Nonmonetary Breach form may only be posted/delivered if directed by the Rental Team.

Examples of situations for use:

- Failure to allow Owner/Property Manager access to Premises for marketing purposes.
- Failure to allow Owner/Property Manager access for Premises repairs.
- Occupancy by unauthorized person for more than 7 days.
- Unauthorized assignment or subletting.
- Conduct of an unauthorized business at the Premises.
- Damage to or unauthorized alteration of the Premises.
- Storage of dangerous, flammable, explosive, or other hazardous materials.
- Excessive noise or other activities that disturb neighbors.
- Excessive accumulation of trash or debris, or failure to maintain interior or exterior areas, appliances, or utility services that are your responsibility.
- Violation of condominium or homeowners’ association rules.
- Parking or maintenance of vehicle in unauthorized area, or parking of unlicensed vehicle on Premises.
- False information was provided on Rental Application, Rental Information Form, Lease, or otherwise.
- Occupancy of the Premises by unauthorized pet or other animal.
- Apparent abandonment of the Premises.

**Rekey**

At the time the Lease Agreement is signed, rekey should immediately take place with proper notice to the renter pursuant to the Lease Agreement terms. The renter should immediately be provided with a key to the new locks and the PM should be available 24 hours to provide a key. The rekey is at the expense of Fannie Mae and cost approval required if the preapproved amounts outlined in the NPDC Broker Guidelines are exceeded. The rekey should be to a random key code and not the Fannie Mae master key code. All occupants and the PM should receive copies of the key. Upon sale and closing, no rekey will be required since the master key is not used. **Lockboxes are not permitted.** The PM will need to control access and provide the key to agents with a confirmed appointment.

**Utilities**

Utilities are to be paid by the renter, unless local ordinances or applicable laws mandate otherwise. PM should take specific notice as to whether the utilities have separate meters. In the event they do not, generally Fannie Mae will be responsible and will expect the PM to pay these expenses. In these instances, the Property Manager will pay utilities and submit expenses by way of the 571 Disbursement Request process. Payment of pre-foreclosure delinquent utility bills is described in the NPDC Broker Guidelines. The PM should ensure that the utility chart in the Lease Agreement properly reflects the renters and Fannie Mae’s obligations for utilities, services and appliances and is fully completed. In the event the lease is a Section 8 lease or other applicable lease, the PM shall pay utilities as set forth in the lease terms.

**Exterior and Common Area Property Maintenance**

- Common area maintenance should be arranged by the Property Manager utilizing designated field services companies (i.e., Safeguard Properties or FAS), or, if there is no designated field services company, a SAM maintenance vendor. PM shall ensure that common areas are maintained and do not present any safety hazards.
- If no designated companies, the Property Manager may choose a maintenance company as described in the NPDC Broker Guidelines.
- Exterior lawn and maintenance (i.e., snow removal, swimming pool service, etc.) that is permitted by law to be the responsibility of the renter, will remain their responsibility.
- In the event that the Property Manager determines that Fannie Mae should pay for these services, contact the REO Rental Team and ensure this is approved and reflected in the Lease Agreement.
- PM shall document Case Comments every 30-45 days in AMN and include information to confirm that property is being maintained in accordance with federal, state, and local requirements as well as being maintained to standards acceptable to Fannie Mae.

**Repairs**

- The PM shall provide 24 hour contact information to the renter for the reporting of repair and safety concerns.
- The PM shall ensure the Property remains in a habitable condition, in compliance with all applicable laws and is in good repair.
- PM shall ensure that all repairs required by law are made to the Property, ensure there is not lead paint present with children under 7 and ensure all safety requirements are met.
- PM shall immediately respond to all emergencies to a Property, emergencies shall include: conditions which may lead to personal injury or loss of life; significant damage to the Property (i.e., storm damage, major water leaks, etc.); danger to the health and safety of the Tenant or interruption of essential services to renter.
- The repair process is described in the NPDC Broker Guidelines. Bids required for approval shall be submitted to the REO Rental Team. However, when occupied by a renter, emergency repairs (such as those repairs described above) are time critical. Utilize SAM repair contractors, whenever available and consider using field services companies for emergency securing and property preservation measures if the SAM repair Contractor is not available.
- Notify the REO Rental Team immediately of any emergency repairs performed and/or activities which affect the health and safety of the occupants.
- If repairs are the result of renter damage, notify the REO Rental Team.
- The Fannie Mae Lease Agreement provides that the renter will provide access to Fannie Mae or its agents with 24 hours notice, although a longer notice is required in some states. The Lease Agreement provides that no notice is required in the event of an emergency. If the lease in place is not the Fannie Mae form of Lease Agreement, the PM shall comply with the notice requirements set forth in the lease for necessary repairs. PM shall notify the REO Rental Team immediately if the renter interferes with repairs or refuses access to PM or its agents and contractors in order to make repairs.

**Real Property Taxes and HOA/Cooperative Maintenance Fees**

As on all properties acquired by Fannie Mae, the servicing lender is responsible for paying property taxes and HOA maintenance fees, assessments and dues. The PM shall forward any bills related to these payments directly to the servicing lender. The servicing lender contact information can be found in the Contact section of the Property Information screen in AMN.

**NOTE:** Fees to obtain HOA bylaws and related documents should be paid by the property manager and submitted for reimbursement. Contact the REO Rental Team for fee approval.

**Listing and Marketing**

- The PM will review the Contacts section of the Property Information screen in AMN and locate the appraiser information. Contact the appraiser and coordinate an appointment with the renter so the appraisal can be performed.
- The listing and marketing of the property will be directed by the assigned Sales Representative or AMP, not the REO Rental Team. Upon receiving the Master Listing Supplement, review and
confirm the listing agent commission reflects the current incentive of an additional 1% offered for marketing a rented property. Notify the Sales Representative of any discrepancies. Failure to request a corrected listing supplement prior to selling the property shall disqualify the property for the incentive.

- The renter must be given 24 hours notice of a scheduled showing or open house, unless longer notice is required by applicable law or the existing lease. The PM may request that the renter vacate the property of all occupants and pets when the property is shown if it is beneficial to the showing. If the renter denies access or interferes with marketing of Property, document in Case Comments and send an email to the REO Rental Team.
- Continue to document Case Comments with the monthly marketing information as outlined in the NPDC Broker Guidelines. Include information to confirm that property is being maintained in accordance with federal, state, and local requirements as well as being maintained to standards acceptable to Fannie Mae. If the property becomes vacant, update the OSR and notify the REO Rental Team.

**Sale and Closing**

- Sales negotiations cannot include any provisions to have the property vacant at closing. **Notice to terminate the tenancy cannot be issued prior to closing.**
- Notify the renter when an offer is accepted by sending the Notice of Property Sold form and provide the estimated closing date. Additionally, notify the renter when the property closes.
- Alert the settlement agent that the closing documents will need to include an assignment of lease and a rent proration calculation. Provide the Assignment of Lease form to the settlement agent for execution as part of the closing. Report prorations only on actual rent received. If rent is not received or is delinquent, the purchaser should be made aware that there will be no proration.
- Upon sale and closing, no rekey will be required since the master key was not used.
- Upon closing, terminate all services/utilities paid by Fannie Mae and complete final billing as per the NPDC Broker Guidelines.