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Fannie Mae Assigned ABOVE AVERAGE Commercial Loan Master, Special Servicer Rankings

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OVERVIEW

- We assigned our overall ABOVE AVERAGE rankings to Fannie Mae as a multifamily mortgage loan master servicer and special servicer. The outlook for both rankings is stable.
- The ABOVE AVERAGE ranking reflects our view of the company's experienced management team, comprehensive servicer oversight program, and robust technology systems.
- Fannie Mae's proactive special servicing strategies have, over time proven effective at minimizing portfolio-related losses.

NEW YORK (Standard & Poor's) Dec. 2, 2014--Standard & Poor's Ratings Services today assigned its ABOVE AVERAGE rankings to Fannie Mae (FNMA) as a mortgage loan master servicer and special servicer. The rankings pertain to the Multifamily Mortgage Business (MMB) that provides a secondary market for lenders financing multifamily housing. Our outlook is stable for both the master servicer and special servicer rankings, and the company's financial position is Sufficient.

FNMA has been a market leader in the multifamily mortgage industry for over 25 years and it continued to provide liquidity in the aftermath of the financial collapse of 2008. The MMB's primary mission in the multifamily housing market is to provide financing for affordable rental housing to families with annual incomes at or below the median income of the areas where they live.

Since 1988, Fannie Mae and its Delegated Underwriting and Servicing (DUS®) Lender network have provided more than \$315 billion in liquidity to the mortgage market to finance more than 6.6 million units of multifamily housing.

As of June 30, 2014, MMB actively managed a portfolio of 33,714 loans totaling \$195.8 billion. MMB includes over 350 employees, with 94 involved in master servicing and 39 participating in special servicing-related activities as of June 30, 2014.

KEY RANKING FACTORS

Strengths:

- Historically low mortgage loan delinquency rates;
- Integrated and effective technology systems;
- Financial support and implicit guarantee from the U.S. government;
- Experienced senior management team; and
- Comprehensive subservicer (Seller/Servicer) oversight program.

Weaknesses:

- Homogenous multifamily property portfolio, with no commercial property types; and
- Currently in conservatorship, with an uncertain future.

OUTLOOK

Our outlook on the commercial master servicing and special servicer rankings is stable. MMB has well established capacity, processes and systems and a demonstrated ability to administer the Fannie Mae Multifamily mortgage loan portfolio. Although the company is still in conservatorship, and so has limited opportunity to control its destiny, we believe there are adequate resources and commitment to ensure servicing standards and customer service levels are consistently achieved during our 12- to 18-month ranking surveillance cycle.

RELATED RESEARCH AND CRITERIA

- Revised Criteria For Including RMBS, CMBS, And ABS Servicers On Standard & Poor's Select Servicer List, April 16, 2009
- Servicer Evaluations: Servicer Evaluation Ranking Criteria: U.S., Sept. 21, 2004

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