



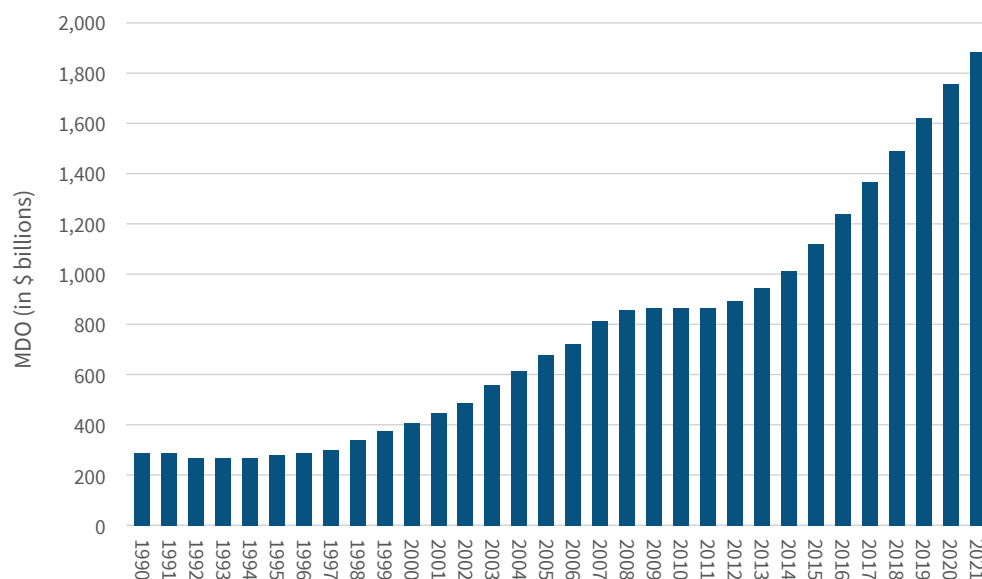
CELEBRATING OVER 30 YEARS OF THE  
Fannie Mae DUS Program

# CELEBRATING OVER 30 YEARS OF THE Fannie Mae DUS Program

## Updating the investment community on Fannie Mae mortgage products and programs

According to the Federal Reserve's December 2021 mortgage debt outstanding (MDO) release, Fannie Mae guaranteed approximately 21% of the \$1.882 trillion total Multifamily MDO, or \$404 billion. **Figure 1** displays the growth of multifamily MDO since 1990.

**Figure 1: Multifamily MDO from 1990 to 2021\***



\* Includes debt and commercial mortgage-backed securities.

### September 2022

DUS® MBS offer Fannie Mae's guaranty of timely payment of principal and interest, lower-spread volatility relative to many other products, liquidity enhanced by the large number of dealers engaged in market making, stable cash flows that are easy to model, and superior call protection.

Fannie Mae, the largest government-sponsored enterprise provider of financing for the multifamily market, supports affordable multifamily housing by providing financing for acquisition or refinance of individual properties or groups of properties.

Furthermore, Fannie Mae provides financing to the commercial mortgage market by acquiring multifamily loans primarily from its national network of Delegated Underwriting and Servicing (DUS) lender partners. These loans are secured by several types of multifamily properties with five or more individual units, including apartment buildings, manufactured housing communities, seniors housing, dedicated student housing, military housing, and cooperatives. Fannie Mae securitizes those loans into Fannie Mae DUS Mortgage-Backed Securities (DUS MBS) and enables the lenders to auction the securities to the market. In addition, Fannie Mae participates in the secondary market, buying and selling DUS MBS and enabling investors to create structured securities backed by DUS MBS.

Nearly 35 years ago, in 1988, Fannie Mae began purchasing multifamily loans through its DUS program and holding these loans in portfolio. In August 1994, the company began securitizing DUS loans and created DUS MBS. Alongside Fannie Mae's guaranty of timely payment of principal and interest, DUS MBS offer lower-spread volatility relative to many comparable products, stable cash flows that are easy to model, superior call protection, and liquidity enhanced by the large number of dealers engaged in market making. In 2021, Fannie Mae multifamily MBS issuance volume was approximately \$69.4 billion.

This DUS Program Overview details the growth and development of Fannie Mae's DUS program over the years. Specifically, we review the notable characteristics of Fannie Mae's DUS program, highlighting the DUS MBS product and exploring the performance features of these securities that fixed-income investors may find beneficial. We also examine the key aspects of other types of Fannie Mae Multifamily securities.

## The DUS program

The DUS program grants approved lenders the ability to underwrite, close, and sell loans on multifamily properties to Fannie Mae without prior Fannie Mae review. These DUS lenders must abide by rigorous credit and underwriting criteria, and their firms are continuously subject to ongoing credit review and monitoring. Additionally, DUS lenders generally retain a risk position in the loans that they sell to Fannie Mae. Under the DUS program, approved lenders can originate fixed-rate, adjustable-rate, balloon, fully amortizing, and partial- and full-term interest-only multifamily mortgage loans. These DUS loans can be financed through MBS or Bond Credit Enhancement.<sup>1</sup> **Table 1** identifies the types of multifamily properties used as collateral for loans that may be securitized into DUS MBS.

Affordable housing loans may be securitized into DUS MBS. A mortgage loan with affordable housing characteristics is generally secured by a mortgaged property encumbered by a housing assistance payments contract (HAP contract), other regulatory agreement, deed restriction, or similar provision that limits rents, imposes income restrictions on tenants, or places other restrictions on the property in exchange for property tax assistance, interest reduction payments, or other subsidies from federal, state, or local agencies or organizations.

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<sup>1</sup> Our Bond Credit Enhancement product provides credit enhancement for tax-exempt bonds issued by state and local housing finance agencies and is often used to finance Low-Income Housing Tax Credit (LIHTC) properties and preserve older, HUD-assisted properties.

The most common final balloon maturities for fixed-rate multifamily loans are 5, 7, 10, 12, and 15 years, while adjustable-rate mortgage loans usually have final balloon maturities of 5, 7, or 10 years. The most common DUS MBS is a 10/9.5 fixed-rate loan (a 10-year balloon with 9.5 years of yield maintenance), while the second most common is the 7/6.5 fixed-rate (a 7-year balloon with 6.5 years of yield maintenance).

**Table 1: Types of multifamily mortgaged properties eligible for DUS MBS**

Property type	Description
Multifamily	A multifamily loan secured by a residential property composed of five or more dwelling units and in which generally no more than 20% of the net rentable area is rented to, or to be rented to, non-residential tenants.
Cooperative	A multifamily loan made to a cooperative housing corporation and secured by a first or subordinate lien on a cooperative multifamily housing project that contains five or more units.
Manufactured Housing	A multifamily loan secured by a residential development that consists of sites for manufactured homes and includes utilities, roads, and other infrastructure. In some cases, landscaping and various other amenities, such as a clubhouse, swimming pool, and tennis and/or sports courts, are also included.
Seniors	A multifamily loan secured by a mortgaged property that is intended to be used for elderly residents for whom the owner or operator provides special services that are typically associated with either “independent living” or “assisted living.” Some Alzheimer’s and skilled nursing capabilities are permitted.
Dedicated Student	A multifamily loan secured by multifamily properties in which college or graduate students make up at least 80% of the tenants.
Military	A multifamily loan secured by any multifamily rental property in which 40% or more of the units are occupied by individuals serving in, or employed by, the United States military.

To review specific details of each multifamily mortgage loan and property type, please refer to our Multifamily MBS Prospectus documents, which can be found under [Prospectus & Related Documents](#) on our website.

## DUS lenders

As of December 31, 2021, Fannie Mae had 23 DUS lenders, which are listed in **Table 2**.

**Table 2: List of DUS lenders**

Arbor Commercial Funding I, LLC
Bellwether Enterprise Real Estate Capital, LLC
Berkadia Commercial Mortgage LLC
Capital One, National Association
CBRE Multifamily Capital, Inc.
Citi Community Capital
Colliers Mortgage LLC
Grandbridge Real Estate Capital, LLC
Greystone Servicing Company, LLC
HomeStreet Capital Corporation
JLL Real Estate Capital, LLC
JP Morgan Chase and Co.
KeyBank National Association
Lument
M&T Realty Capital Corporation
National Cooperative Bank <sup>2</sup>
Newmark
Newpoint Real Estate Capital LLC
NorthMarq Capital
PGIM Real Estate Finance
PNC Real Estate
Regions
Walker & Dunlop, LLC
Wells Fargo Multifamily Capital

There are stringent qualifications for consideration to be a DUS lender. Each lender must maintain acceptable levels of capital and liquidity in relation to its Fannie Mae obligations. Generally, each lender must demonstrate growth in its net worth and improvement in its liquidity as the size of its Fannie Mae servicing portfolio and its exposure relating to any other business activities increase. Lenders must also:

- Maintain an established business of originating and servicing multifamily mortgage loans.
- Hold a license or other authority to do business in each jurisdiction where required, and the license or other authority must not be suspended or revoked by any governmental body or regulatory entity.
- Employ qualified underwriting, originating, and servicing personnel, as it is the lender's responsibility to underwrite and service the mortgage loans it sells to Fannie Mae.
- Continue adequate internal audit and management control systems to evaluate and monitor the overall quality of its multifamily loan production and servicing activities.
- Possess a financial condition acceptable to Fannie Mae.
- Maintain fidelity/surety bonds with errors and omissions insurance in amounts acceptable to Fannie Mae.

Furthermore, DUS lenders are subject to quarterly and/or annual reviews to ensure that they continue to meet Fannie Mae's DUS lender eligibility requirements.

<sup>2</sup> National Cooperative Bank is a non-DUS lender approved for cooperative property financing.

## Credit quality of DUS mortgage loans

Eligible multifamily properties must be income-producing multifamily rental properties or cooperatives with a minimum of five individual units. These multifamily properties must be existing, recently completed, or in need of moderate rehabilitation. A DUS mortgage loan tends to range in size from \$1 million to \$50 million, with an average loan size of \$14 million as of March 31, 2022, and is generally “non-recourse”<sup>3</sup> to the borrower. Additionally, DUS loans generally are assumable after a review of the proposed transferee, although a 1% transfer fee payable to Fannie Mae is commonly charged, which is not passed on to the MBS investor.

Each mortgage is underwritten to a three-tier credit structure based on debt service coverage ratio (DSCR) and loan-to-value ratio (LTV). **Table 3** provides generalized LTV and DSCR values for each tier for standard conventional multifamily loans. DSCR and LTV requirements are subject to change based on market conditions, and ranges can vary for affordable housing transactions. The prospectus published at MBS issuance will provide details about each specific transaction.

If a DSCR or LTV value rises above any tier level, investors should refer to Fannie Mae disclosure of the DSCR and LTV for each MBS to determine the credit performance of the loans backing the security. Stricter underwriting standards may apply to other property types such as seniors housing, student housing, and manufactured housing. Various property types are described in the associated Multifamily MBS Prospectus.

**Table 3: Tier level credit characteristics\***

Rating	Minimum DSCR	Maximum LTV
Tier 2	Not lower than 1.25	Not higher than 80%
Tier 3	Within a range of 1.35 – 1.55	Within a range of 65% – 55%
Tier 4	In excess of 1.55	Below 55%

\* These figures provide general values only and are not an indication of the DSCR or LTV characteristics that will apply to any given MBS, regardless of tier. The DSCR, LTV, and tier for each MBS are disclosed in the prospectus and related Annex A for that MBS.

In addition to tier assignments, each property underlying the multifamily MBS is subject to three assessments:

1. An appraisal of the property is performed by a licensed appraiser selected by the DUS lender. Appraisals must conform to Uniform Standards of Professional Appraisal Practice (USPAP) standards. Fannie Mae does not approve specific appraisers. The DUS lender is responsible for selecting the appraiser and is solely accountable for their performance.
2. Either an environmental assessment or an American Society for Testing and Materials (ASTM) screen is required, and an ongoing operations and maintenance plan may also be required to ensure the property is operated in an environmentally sound manner.

<sup>3</sup> Non-recourse: In the event of default, the lender agrees to take the pledged property as satisfaction for the debt and to have no claim on any other assets of the borrower.

3. A physical needs assessment must be completed by a qualified evaluator designated by the DUS lender. If tenant safety, property marketability, or property conditions are compromised by unacceptable circumstances, repairs may be ordered. Generally, if the repairs are not completed by the time of closing, a reserve fund for payment of the repairs may be established.

DSCR and Net Cash Flow (NCF) information is collected by Fannie Mae and disclosed on an annual basis. It is important to note that the underwriting guidelines in the DUS Guide are guidelines, and actual transaction data may vary slightly. A waiver or exception may be granted on a specific transaction if it is deemed by Fannie Mae to be prudent given the applicable circumstances.

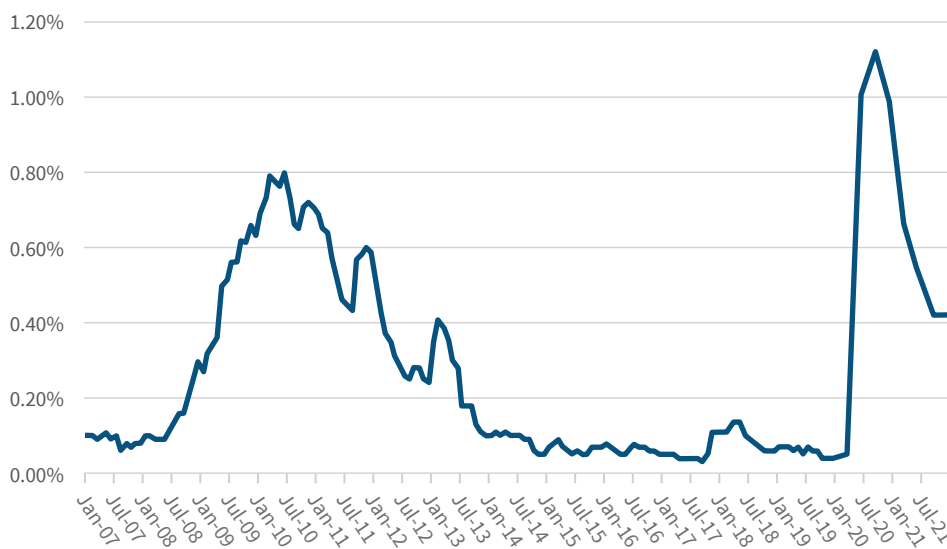
## DUS loss-sharing arrangements

Fannie Mae delegates the responsibility for underwriting and servicing DUS loans to the DUS lenders. Lenders agree to enter into loss-sharing arrangements with Fannie Mae that specify the method of sharing any losses that may occur on the loans that they deliver and/or service.

These arrangements vary among transactions, ranging from the DUS lender bearing a specified first-loss percentage for a transaction to the DUS lender having no loss-sharing obligation for a transaction. The most common loss-sharing of DUS loans is pari-passu, in which the lender bears one-third of the losses and Fannie Mae is responsible for the remaining two-thirds.

This loss-sharing element is an incentive for DUS lenders to monitor and manage credit exposure on an active basis. As seen in **Figure 2**, the Fannie Mae multifamily serious delinquency rate reflects the company’s rigorous standards with rates at 0.42% as of December 31, 2021.

**Figure 2: Serious delinquencies rates\***



\*Includes multifamily loans 60 days or more past due and is calculated based on the UPB of delinquent multifamily loans owned by Fannie Mae or underlying Fannie Mae-guaranteed securities, divided by the UPB of family loans owned by Fannie Mae or underlying Fannie Mae securities. SDQ rate includes loans that received a forbearance as a result of COVID-19-induced hardships.

## DUS MBS securities

DUS MBS securities carry Fannie Mae's guaranty of timely payment of principal and interest. Principal and interest payments are paid on the MBS monthly on the 25th calendar day (if the 25th calendar day is not a business day, then the next business day). Upon maturity, the entire outstanding unpaid principal balance is paid to the investor on the 25th day of the month of maturity.

The Fannie Mae guaranty on DUS MBS mirrors that provided for single-family Fannie Mae MBS. Fannie Mae has never missed a scheduled payment of principal and interest on any of its mortgage-backed securities, single-family or multifamily. It is important to note that Fannie Mae DUS MBS are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae. Fannie Mae alone is responsible for making payments under its guaranty.

To align with the broader MBS market, Fannie Mae began making a Real Estate Mortgage Investment Conduit (REMIC) election for its fully guaranteed Multifamily MBS issued on or after January 1, 2021. MBS issued prior to January 1, 2021, were not affected by this change.

The Multifamily MBS Trust Agreement and MBS Prospectus documents now include language referencing the REMIC election. However, this election does not change the structure of loans backing our MBS or of the security itself. Our Multifamily MBS continue to be single-class mortgage pass-through certificates which use the same prefixes and provide investors with guaranteed timely payments of principal and interest.

DUS MBS are classified by a multifamily prefix to identify the type of multifamily mortgage loans that are included in a specific pool. **Table 4** lists the top three most commonly assigned multifamily pool prefixes from 2019 – 2021.

**Table 4: Top three most commonly assigned multifamily pool prefixes from 2019 – 2021**

Prefix	Definition	At-issuance UPB (\$ billions)	% of total MBS/DUS
HY	Conventional, Balloon, Actual/360 interest day basis calculation; Multifamily; maturing or due in greater than seven years and less than 30 years.	\$171.2	80%
HX	Conventional Short-Term, Balloon, Level-Payment Mortgages; Actual/360 interest day basis calculation; Multifamily; maturing or due in seven years or less.	\$18.1	8%
HF	Conventional Adjustable-Rate Mortgages, Secured Overnight Financing Rate, Actual/360 interest day basis calculation; Multifamily.	\$9.0	4%



DUS MBS pools are not restricted to a minimum or maximum unpaid principal balance (although they typically range in size between \$1 million and \$50 million), nor is there a restriction on the number of loans allowed into a single DUS MBS pool at issuance. Typically, each DUS MBS pool contains one DUS loan but can incorporate multiple DUS loans made by the same lender to the same or affiliated borrowers.

## Multifamily Megas

Fannie Mae introduced the DUS MBS Mega program in August 1996 to provide the ability to combine DUS MBS pools into a single, larger pool, which facilitates additional geographic and collateral diversity as well as ease of operational administration. In a DUS MBS Mega, DUS MBS securities with the same prefix are pooled together. The combination of Fannie Mae MBS coupons typically will be restricted to an inclusive 100-basis-point range from the highest to lowest Fannie Mae MBS coupon.

## Multifamily REMICs

Fannie Mae enables investors to pool and structure their DUS MBS into a multiclass mortgage-related security in which interest and principal payments from a pool of multifamily mortgages are structured into separately traded securities. The primary source of underlying collateral is Fannie Mae DUS securities, and REMICs may be structured as straightforward pass-through or in sequential structures with fixed-rate classes and/or floater and inverse floater classes.

## Fannie Mae GeMS™ Program

Fannie Mae Guaranteed Multifamily Structures (Fannie Mae GeMS) are structured multifamily securities created from multifamily MBS collateral selected by Fannie Mae's Multifamily Capital Markets Desk. The program was launched in 2011 and includes Multifamily Megas and REMICs. The program attracts additional capital to multifamily finance from larger institutional investors who might not find the characteristics of smaller, single-loan DUS MBS attractive. GeMS provide par-priced, block size, structured securities with collateral diversity and customized cash flows to meet investor demand. In 2021, Fannie Mae issued \$8.5 billion in GeMS.

## Alternative Credit Enhancement Securities® (ACES®)

Alternative Credit Enhancement Securities (ACES) are REMICs created by a broker-dealer, while Fannie Mae's Multifamily

Capital Markets desk similarly structures REMICs under its Fannie Mae GeMS™ Program. ACES are a type of multiclass mortgage-related security in which interest and principal payments from multifamily mortgages are structured into separately traded securities. The primary source of underlying collateral is Fannie Mae DUS securities. Structures may include straightforward pass-through or sequential structures, with fixed-rate classes and/or floater and inverse floater classes.

## Interest accrual method for payment of interest

The interest accrual method defines the convention by which accrued interest and coupon payments are calculated. DUS MBS have one of two interest accrual methods: 1) Actual/360 — calculated using the actual days per month and a 360-day calendar year; or 2) 30/360 — calculated using 30 days for each month and 360 days per year. The difference between the two methods is that the amount of each monthly payment that is allocated to interest will be based on 30 days in a month for the 30/360 method and on the actual number of calendar days during the month for the Actual/360 method. In a 31-day month, more of the monthly payment amount will be allocated toward interest using the Actual/360 method than will be allocated toward interest using the 30/360 method. Because there are actually 365 or 366 days in a year, loans using the Actual/360 method amortize more slowly and generate more interest than loans at the same note rate using the 30/360 method. As a result, a fully amortizing loan accruing interest on an Actual/360 basis is likely to have an outstanding principal balance on the stated maturity date of the loan.

Fully amortizing loans constitute a small portion of the DUS MBS population, while a majority of our loans are balloon loans and use the actual/360 accrual method. Consult [DUS Disclose](#) to see if the related loan has an interest basis of Actual/360 or 30/360 and to ascertain the interest accrual method. For both interest accrual methods, the investor is paid principal and interest on the 25th calendar day of each month. If the 25th calendar day is not a business day, the payment is made on the next business day.

## Prepayment Premium

As part of the DUS program, each DUS loan generally has prepayment premium provisions. For fixed-rate loans, the prepayment premium is usually a yield maintenance premium

or a declining percentage of the unpaid principal balance. For adjustable-rate loans, the prepayment premium may be a declining percentage or a fixed percentage of the unpaid principal balance. Other methods for calculating prepayment premiums are also possible. The prospectus will specify the prepayment premium for the loan in the MBS and the method for calculating the prepayment premium. The prospectus will also state whether certificate holders share in any prepayment premiums collected on prepaid loans and, if so, will describe the method of allocation.

## **Yield Maintenance**

Yield Maintenance, the most common form of prepayment protection, allows for full voluntary prepayments along with a yield maintenance prepayment premium payable by the borrower. The yield maintenance prepayment premium for each mortgage loan is payable during a period of time — the yield maintenance period. If a borrower voluntarily prepays a mortgage loan during the yield maintenance period, the yield maintenance prepayment premium is based on a standard calculation. Please refer to Page 11 for calculation details and examples.

It is important to note that Fannie Mae calculates the share of the prepayment premium to be retained by the company and the share of prepayment premium to be passed on to the investor. Fannie Mae will pass the yield maintenance prepayment premium to the investor only to the extent that collected premiums remain after the company has deducted its full portion. Fannie Mae does not guarantee payment of any prepayment premiums, and Fannie Mae will only pass through the MBS investor's portion of a yield maintenance payment to the extent it is collected. If a borrower prepays a mortgage loan on or after the yield maintenance end date, no prepayment premium is due to the investor.

The yield on the Treasury reference note or securities used to compute the yield maintenance prepayment premium effectively increases this premium by the present value of the spread differential between a DUS MBS and the associated reference U.S. Treasury security. If the yield on the Treasury reference note or securities is calculated to be zero, the number 0.00001 may be deemed to be the yield on the Treasury reference note for the purposes of the prepayment premium calculation.

If the borrower prepays during the first three months after the yield maintenance end date, the borrower may be charged a 1% prepayment premium based on the amount of prepaid

principal. Prepayment premiums paid in connection with prepayments occurring after the yield maintenance end date are not passed through to MBS investors. Fannie Mae publishes monthly yield maintenance information on [DUS Disclose](#), which investors can use to calculate their share of yield maintenance for those MBS paying yield maintenance in the current month. The information is described in greater detail in the appendix of this document.

## **Declining Premium**

Another prepayment premium option is a variable premium schedule known as a declining premium or a fixed premium. The declining premium is based on a percentage of the current unpaid principal balance and the percentage declines over the loan term.

The declining premium option can be used on fixed-rate or ARM loans. ARM loans with declining premiums typically also have a prepayment lockout period for the first 12 months of the loan term. Prepayment lockouts prohibit the borrower from voluntarily prepaying a loan for any reason, except for payments resulting from casualty or condemnation. The prospectus will describe the lockout term and the schedule for the declining prepayment premium.

## **Defeasance**

Defeasance is an alternative to prepayment premium that is selected by the borrower at the time of origination that allows a property to be released from the mortgage lien prior to maturity in exchange for a pledge of collateral in the form of Fannie Mae or U.S. Treasury securities.

Defeasance reduces the risk of reinvesting prepayment proceeds in an uncertain interest rate environment, since the property release does not interrupt the original expected cash flow to investors in securities backed by loans with defeasance.

The various prepayment premium methods on DUS loans provide compensation to investors and reduce the incentive for a DUS loan to be repaid before the prepayment end date (curtailment). Voluntary partial prepayments generally are prohibited on DUS loans. Involuntary prepayments such as condemnation awards or insurance proceeds may occur. Investors can determine the prepayment premium or yield maintenance formula that applies to the loan underlying a particular MBS by reading the prospectus for that MBS.

# Illustration of the yield maintenance fee calculation for a 15-year DUS loan with 14.5 years of yield maintenance

## Characteristics of multifamily loan to be voluntarily prepaid:

- Fannie Mae multifamily mortgage loan note rate = 5.43%.  
MBS pass-through rate = 4.08%.
- \$7,317,411.35 of principal prepaid voluntarily.
- Expected actual paydown date of May 26, 2022.
- Yield maintenance end date = June 30, 2028.
- Remaining term of yield maintenance = 6.0833 years<sup>4</sup>.

## Constant maturity treasury (CMT) rate calculation:

The CMT rate date for this example is April 21, 2022, which is the 25th business day prior to the payoff date of May 26, 2022. The rate is calculated for the remaining term of yield maintenance by interpolating between two CMT rates. In this example, interpolating a 6.0833 year period between the 5-year CMT rate and the 7-year CMT rate.

CMT rate data is sourced from the U.S. Treasury Statistical Release H.15 (Selected Interest Rates), which can be found at the following link: [FRB H15: Data Download Program - Choose](#)

If publication of the Fed Release is discontinued by the Federal Reserve Board, Fannie Mae will determine the yield rate from another source selected by Fannie Mae.

## CMT interpolation equation and calculation:

Where:  $\frac{[(a-b)/(x-y)] \cdot (z-y)}{1} + b$  (rounded to three decimal places)

a = yield for the longer U.S. Treasury constant maturity

b = yield for the shorter U.S. Treasury constant maturity

x = term for the longer U.S. Treasury constant maturity

y = term for the shorter U.S. Treasury constant maturity

z = number of years remaining until the yield maintenance end date (months divided by 12)

### Example:

a = 2.96%, the yield for the 7-year U.S. Treasury constant maturity on April 21, 2022.

b = 2.96%, the yield for the 5-year U.S. Treasury constant maturity on April 21, 2022.

x = 7, the term for the longer U.S. Treasury constant maturity.

y = 5, the term for the shorter U.S. Treasury constant maturity.

z = 6.0833 (or 73/12), the number of years remaining until the yield maintenance end date (months divided by 12).

Yield rate =  $\frac{[(2.96-2.96)/(7-5)] \cdot (6.0833-5)}{1} + 2.96 = 2.96$

## Yield maintenance example using interpolated CMT rate:

Since the borrower voluntarily prepays during the yield maintenance period, the yield maintenance amount payable equals the greater of:

(a) 1% of the amount of principal being prepaid  
= 1% x \$7,317,411.35 = \$73,174.11 **OR**

(b) the product obtained by multiplying

(1) the amount of principal being repaid  
= \$7,317,411.35 **by**

(2) the result of

(a) the interest rate on the mortgage loan minus the yield rate (interpolated CMT)  
= 5.43% - **2.96%** = 2.47% **by**

(b) the present value factor calculated by using the present value formula.

$$\frac{1 - (1+r)^{-n/12}}{r}$$

where r = yield rate on the interpolated CMT and where n = number of months remaining between (A) the effective date of prepayment (last day of the month in which the loan is being prepaid and (B) the prepayment premium end date

=  $[1 - (1 + 2.96\%)^{-73/12}] / 2.96\% = 5.49323$

**Total** = \$7,317,411.35 x 2.47% x 5.49323  
= \$992,847.60

The total yield maintenance prepayment premium due from the borrower is **\$992,847.60**.

## Investor portion of yield maintenance:

Incorporating variables above, the investor's share of the yield maintenance prepayment premium will equal the following:

1. The amount of principal being repaid (UPB at the date of prepayment), multiplied by
2. The difference between (A) the MBS pass-through rate and (B) the yield on the applicable U.S. Treasury constant maturity, multiplied by
3. The present value factor  
= \$7,317,411.35 x (4.08% - 2.96%) x 5.49323  
= \$450,198.10

In this example, the investor receives \$450,198.10 as compensation for prepayment.

<sup>4</sup> Calculated using May 31, 2022, as the effective paydown date, as interest accrues through the end of the month and needs to be excluded from the YM calculation.

## DUS MBS investor benefits

A wide range of investors, including asset managers, commercial banks, credit unions, insurance companies, corporate pensions, endowments, and state and local municipalities, find Fannie Mae DUS MBS to be an attractive investment.

DUS MBS offer Fannie Mae's guaranty of timely payment of principal and interest, lower-spread volatility relative to many other comparable fixed-income products, liquidity enhanced by the large number of dealers engaged in market making, stable cash flows that are easy to model, and prepayment protection.

## Other Fannie Mae Multifamily MBS

In addition to the types of DUS MBS already described, Fannie Mae issues the following types of Multifamily MBS:

### *Multifamily DUS Credit Facilities*

Credit Facilities permit a combination of variable- and fixed-rate debt with laddered maturities and flexible post-closing features, so borrowers can manage complex and changing business strategies to achieve their long-term goals. Commonly executed with large REIT customers, multifamily credit facilities provide both long-term and short-term flexible financing for a pool of cross-collateralized and cross-defaulted multifamily mortgage loans. The properties securing the mortgage loans within the pool may be substituted, added, or released based on certain criteria, and additional borrowing on existing properties may be permitted if certain conditions are met. Credit Facilities are typically \$50 million and over in size and have a minimum term of five years.

## *Multifamily Green Financing*

Fannie Mae Green Mortgage loans are generally securitized as a single Green Fannie Mae DUS Mortgage-Backed Security (Green MBS). This allows investors to know that the Green MBS is either backed by a property with a Green Building Certification or a property with improvements to reduce energy and water usage. Our Green MBS has all the benefits of our traditional DUS MBS, including transparency, superior call protection, stable cash flows, and more.

Since inception in 2012, Fannie Mae has surpassed \$100 billion in green bond issuance and issued over \$14 billion in re-securitizations. According to Climate Bond Initiative, Fannie Mae was the largest cumulative issuer of green bonds in the world through December 2021, and we have published three [Green Bond Impact Reports](#) alongside our [Sustainable Bond Framework](#). In 2021, Fannie Mae issued \$13.5 billion in green bonds and \$2.4 billion in green re-securitizations (a full summary of Multifamily Green MBS and Green REMIC issuances can be found [on our website](#)).

## *Multifamily Social Financing*

In January 2021, we began issuing multifamily social bonds backed by certain types of multifamily loans in alignment with our [Sustainable Bond Framework](#). Fannie Mae social mortgage loans are generally securitized as a single Social Fannie Mae DUS Mortgage-Backed Security (Social MBS) and adhere to one of the programs outlined in the Sustainable Bond Framework, including restricted affordable housing, unrestricted affordable housing, manufactured housing communities (MHC), and Healthy Housing Rewards.

We issued approximately \$10.5 billion in multifamily Social MBS and \$955 million in multifamily social resecuritizations in 2021. (A full summary of Multifamily Social MBS and Social REMIC issuances can be found [on our website](#).)

# Appendix

## Multifamily MBS disclosures

This document describes many of the general characteristics of Fannie Mae Multifamily MBS. Before investing in any Fannie Mae MBS, one should read and be sure to understand the disclosure documents published at issuance. These disclosure documents provide at-issuance information that allows potential investors to evaluate the risks and benefits of investing in Fannie Mae Multifamily MBS. Fannie Mae also provides ongoing disclosure about the performance of the loans that underlie the MBS. Disclosure documentation and other online resources are available on [DUS Disclose](#).

## Multifamily Master Trust Agreement and Multifamily MBS Prospectus

Fannie Mae fixed-rate and adjustable-rate multifamily MBS are issued under our Multifamily Master Trust Agreement. The [Master Trust Agreement](#), together with its exhibits and supplements, is the principal authority that defines the rights and responsibilities of Fannie Mae and of the MBS certificate holders in relation to each MBS trust created under that particular master document. In general, the Trust Agreement sets forth the terms related to the MBS issuance, the loans or participation interests in the MBS pool, and the payment terms for the MBS certificates.

All Multifamily MBS are offered pursuant to our [Multifamily MBS Prospectus](#), which describes the general terms of the Multifamily MBS program, the general characteristics of the Multifamily MBS, the policies for purchasing delinquent loans out of MBS trusts, and other important aspects of our Multifamily MBS program. Additionally, the related disclosure documents are accessible online.

## DUS Disclose

DUS Disclose, Fannie Mae's multifamily disclosure platform, allows investors to obtain comprehensive information about multifamily securities, including the performance of the loans

backing multifamily MBS and related delinquency statistics and financial information.

DUS Disclose provides the following features:

- Industry-aligned at-issuance and ongoing disclosure.
- Detailed information for Credit Facility and Bulk Delivery transactions.
- Property financial statement disclosure that aligns with the industry at large.
- Transparent property, loan, and security-level information including interactive maps of the property location.
- Detailed affordable housing data, including breakdown of units by Area Median Income (AMI) based on rent rolls submitted at acquisition.
- Advanced search filter options, including the ability to select green and social bonds using Green or Social flag indicators.
- Portfolio creation options to allow advanced searches to be saved for future reference.

- Notification options to create alerts for changes in specific transactions or portfolios, such as new issuances based on search criteria, deal paydowns, delinquency increases, and more.
- Additional security, loan, and property information in a downloadable format.
- User-friendly interface and an intuitive web experience.

Training materials, including videos, quick reference guides, and job aids, are located on the Learning Center page in DUS Disclose.

By entering the multifamily pool number or CUSIP, an investor can quickly obtain at-issuance disclosure documents for a specific security. The advanced search feature allows investors to customize a downloadable search result, which will include extensive pool information, such as factors, loan details, and weighted-average statistics. Investors can also search terminated pools using the advance search functionality.

The following example shows the new screen for Security Details and Loan Information backing the Multifamily DUS MBS 10/9.5 pool BS5536 in DUS Disclose.

## Fixed pool example — BS5536

Transaction ID	CUSIP	Product	Int. Type	Status	Issuance UPB	Loans	Properties	Resecuritization
BS5536	3140LGEJ7	DUS	Fixed	Active	\$7,300,000.00	1 (1)	1 (1)	Eligible

[Add to Portfolio](#)
[Download Data](#)
[Documents](#)
[Notifications](#)
[Security Detail](#)

Security Timeline				
Issue	Settlement	First Payment	Next Distribution	Maturity
06/01/2022	06/07/2022	07/25/2022	07/25/2022	06/01/2032

### Security Details

Current Balance & Rate (updated on the 4th business day of the month)

UPB	Factor	Paying PTR	WA Accruing Note Rate
\$7,300,000.00	1.000000000	3.510% (3.510%)	4.470% (4.470%)

Issuance				Current DSCR & Terms	
WA Loan Term	WA Amort. Term	WA Orig. I/O Term	WA LTV	WA NCF DSCR	WA Remaining Term
120 months	0 months	120 months	48.00%	2.26x	120 months

### Loan 1720006445 [Loan Detail](#)

Loan Seller	Original UPB	Current UPB	Lien Position	Purpose
Walker & Dunlop, LLC	\$7,300,000.00	\$7,300,000.00	First	Refinance
Payment Status	Tier	Cross-Collateralized Loan(s)	Cross-Defaulted Loan(s)	Future Cross Eligible
Current	Tier 4			Y

Loan Timeline			
Note Date	First Payment	I/O Period End	Maturity
05/05/2022	07/01/2022	06/01/2032	06/01/2032

Loan Terms			
<b>Fixed Rate</b>			
Paying Note Rate	Paying PTR	Accrual Method	
4.470% (4.470%)	3.510% (3.510%)	Actual/360	
<b>Term</b>			
Original	Remaining	Amortization	Original I/O Term
120 months	120 months (120)	0 months	120 months

At Issuance DSCR & LTV		
UW NCF DSCR	UW NCF DSCR (I/O)	LTV
2.26x	2.26x	48.00%

Prepayment Protection		
Prepayment Type	Term	End Date
Yield Maintenance	114	11/30/2031
1% Fixed Prepayment	3	02/29/2032
No Prepayment (Open)	3	06/01/2032

## Fixed pool example — BS5536

(continued)

Transaction ID: BS5536, CUSIP: 3140LGEJ7, Product: DUS, Int. Type: Fixed, Status: Active, Issuance UPB: \$7,300,000.00, Loans: 1 (1), Properties: 1 (1), Resecuritization: Eligible.

Properties: AZALEA HILL APARTMENTS, 5801 E Shirley Lane, Montgomery, AL 36117, Montgomery, AL MSA.

Property Value	Year Built	Total Units	Ownership Interest	General Property Type	Specific Property Type	Affordable Housing Type
\$15,200,000.00	1988	144	Fee Simple	Multifamily	Multifamily	

**Affordability Breakdown** % of Units by Area Median Income (AMI) range. Data is at issuance and includes regulatory restrictions, where applicable, and rent roll data as of acquisition.

AMI	Restricted	Based on Rent Roll
≤ 50%		2.78%
> 50% - 60%		13.19%
> 60% - 80%		82.64%
> 80% - 100%		1.39%
> 100% - 120%		0.00%
> 120%		0.00%

Units welcome or Rent Restrictions: No, Age Restricted: No.

Year	Total Units per Phase Year
1988	144

Property Condition Rating

### Daily/monthly New Issuance file

The New Issuance file contains security, loan, property, and Credit Facility deal-level information on newly issued Fannie Mae Multifamily Mortgage-Backed Securities (MBS), as well as security- and collateral-level information for newly issued Fannie Mae Mega securities. The daily file is a cumulative file of all the securities published that day. The monthly file is a cumulative file of all securities published for the month.

### Daily/monthly Corrections file

The daily New Issuance Corrections file is a file created to communicate corrections to securities made within the first 90 days of issuance. The file contains security, loan, property, and Credit Facility deal-level information on newly issued Fannie Mae Multifamily Mortgage-Backed Securities (MBS). The daily file is a cumulative file of all securities that had a correction for that day. The monthly file is a cumulative file of all securities that had a correction during the month.

### Monthly Ongoing file

The monthly Ongoing file is a collection of current security, loan, and property information to users. The file will be available on or around the 23rd calendar day of each month.

### Ongoing Supplemental file

The Ongoing Supplemental file contains additional security, Credit Facility deal, loan, and property information that Fannie Mae would like to provide to users but are not available in the monthly Ongoing files.

### Multifamily DUS prepayment history information

DUS prepayment information, available in [Data Dynamics](#)<sup>®</sup>, includes a view of prepayment activity by either original balance or loan count and is presented with the ability to view the data by a single cohort or a combination of two cohorts simultaneously (with additional filter selections to further isolate the loan population). This prepayment information shows active loans and liquidated loans

acquired from January 2000 to the stated calendar quarter for each given category. It also includes the type of prepayment, including voluntary and involuntary prepayment, as well as loans that have paid at maturity.

The Multifamily DUS Prepayment History includes DUS and Non-DUS loans from active lenders in the following prepayment segments.

- Standard: DUS fixed-rate MBS and cash loans with yield maintenance terms ending six months prior to maturity
- SARM: DUS structured adjustable-rate (SARM) MBS and cash loans with an initial 12-month lockout followed by 1% prepayment premium
- Non-Standard: DUS fixed-rate MBS and cash loans with other yield maintenance terms (e.g., 5/3, 7/5, 10/7, 18/15, 30/15)
- ARM 7-6: DUS 7-year, adjustable-rate MBS and cash loans with a maximum lifetime interest rate capped at 6% and an initial 12-month lockout followed by 1% prepayment premium
- Fixed Rate, Declining Premium: DUS 10-year, fixed-rate MBS and cash loans with a percentage of UPB prepayment provision of 5%-5%-4%-4%-3%-3%-2%-2%-1%-1%

Investors, researchers, and other market participants use this information to analyze the performance of Multifamily MBS and whole loans including prepayment behavior, credit performance, and other multifamily market trends. This provides investors insight into the credit performance of the Multifamily DUS fixed-rate loan business and may help in analyzing the risks associated with an investment in Multifamily MBS.

Data Dynamics®, Fannie Mae's free analytical tool, provides greater transparency to market participants with the ability to evaluate and analyze prepayment information for our multifamily securities.

### **Multifamily Loan Performance Data**

The Multifamily Loan Performance Data (MFLPD) provides information to market participants that can be used to further analyze our historical loan performance. MFLPD is accessible in [Data Dynamics](#), where users can access the full dataset as well as a dashboard that allows market participants to more easily analyze the loan performance data across several dimensions as well as compare risk profiles and performance from delinquency, prepay, default, and loss perspectives.

Currently, the dataset contains 60 data attributes for Multifamily loans acquired on or after January 1, 2000, and is updated approximately two weeks after the end of each calendar quarter with the previous quarter's information. Additionally, the dataset includes more than 60,000 loans, comprising of DUS or Non-DUS loans from active lenders, bulk delivery, and credit facility transactions. Each loan has a record for each month, identified by the "Reporting Period Date" attribute. The published dataset consists of nearly 4.0 million records.

### **Fannie Mae Quarterly Financial Supplement**

Fannie Mae publishes the Financial Supplement quarterly as part of the 10-Q and 10-K. This provides detailed information about Fannie Mae's financial results and certain credit characteristics of single-family and multifamily securities.



## Other Multifamily MBS resources for market participants

Information about Fannie Mae Multifamily MBS is easily obtainable from a number of other sources as well:

Website: [fanniemae.com](https://fanniemae.com)

Email: [fixedincome\\_marketing@fanniemae.com](mailto:fixedincome_marketing@fanniemae.com)

Investor helpline: 1-800-2FANNIE

Mail: Fannie Mae

c/o Fixed-Income Securities Marketing

1100 15th Street, NW

Washington, DC 20005

## Top Fannie Mae multifamily disclosure website links

### Daily/monthly New Issuance file

The New Issuance file contains security, loan, property, Credit Facility Deal-level information on newly issued Fannie Mae Multifamily MBS, as well as security and collateral-level information for newly issued Fannie Mae Mega securities.

[mfusdisclose.fanniemae.com/#/resources/datacollections](https://mfusdisclose.fanniemae.com/#/resources/datacollections)

### DUS Disclose

Provides pool information, loan information, collateral information, and at-issuance documents (including the Annex A and Prospectus) for a specific pool or CUSIP.

[mfusdisclose.fanniemae.com/#/home](https://mfusdisclose.fanniemae.com/#/home)

### Fannie Mae Financial Supplement

Fannie Mae publishes the Financial Supplement quarterly as part of the 10-Q and 10-K. This provides detailed information about Fannie Mae's financial results and certain credit characteristics of single-family and multifamily securities.

[fanniemae.com/portal/about-fm/investor-relations/quarterly-annual-results.html](https://fanniemae.com/portal/about-fm/investor-relations/quarterly-annual-results.html)

### Fannie Mae GeMS Archives

This page provides links for News Releases and Term Sheets for GeMS deals beginning from January 2011.

<https://capitalmarkets.fanniemae.com/mortgage-backed-securities/multifamily-mbs/fannie-mae-gems-archives>

### Monthly Ongoing file

The monthly ongoing file communicates current security, loan, and property information to users.

[mfusdisclose.fanniemae.com/#/resources/datacollections](https://mfusdisclose.fanniemae.com/#/resources/datacollections)

## Multifamily Loan Performance Data — Data Dynamics

Provides information on a population of Multifamily loans to help investors further analyze our loan performance history. Located in the HP (Historical Performance) tile under the Multifamily tab.

<https://datadynamics.fanniemae.com/data-dynamics/>

## Multifamily Master Trust Agreements and Trust Indentures

Provides a link to the Trust Agreements and Trust Indentures for Fannie Mae MBS, both single-family and multifamily.

<https://capitalmarkets.fanniemae.com/mortgage-backed-securities/mbs-trust-agreements>

## Multifamily Prepayment History Information — Data Dynamics

Provides multifamily prepayment history information to help investors analyze DUS prepayment behavior. Located in the MBS tile under the Multifamily tab.

<https://datadynamics.fanniemae.com/data-dynamics/>

## Multifamily Prospectuses

Provides a link to Fannie Mae MBS Prospectuses, both single-family and multifamily.

<https://capitalmarkets.fanniemae.com/mortgage-backed-securities/mbs-prospectuses>

## Ongoing Supplemental file

Provides additional security, Credit Facility Deal, loan, and property information.

[mfdusdisclose.fanniemae.com/#/resources/datacollections](https://mfdusdisclose.fanniemae.com/#/resources/datacollections)

## TIPS: Bloomberg and Fannie Mae MBS/DUS

1. To view security-level information for a DUS pool on Bloomberg, type in the following:

**FN (pool number) <MTGE> <GO>** and then type in **<DES>**

for data, including coupon, maturity date, current amount, and factor.

Field	Value
FN 465947	100-00
Yield	1.918/1.918
Coupon	3.550%
BVAL	
As of	28 Oct
Prepay	0CPY
Fannie Mae Pool	
FN 465947 Mtge	
US POOL	4.840(2)118 CUSIP 31381N1C7
Pool Level	Buy Sell
Pool	FN 465947
Type	(HY) Actual / 360 Balloon Conv >7 years Level pay
Traits	Balloon, ACT/360 NOM
IS Seller	Wells Fargo Bank, N.A. Issuer FNMA
Coupon	3.550 WAC+ 4.840
Factor	0.82170257
Orig Amt	13,949,000
Cur Amt	11,461,929
Maturity Date	12/01/2020
WALS	11,461,929
Rem ID	--
Prop Name	Metro Art Luxury Apart.
Prop Addr	10901 Whipple Street
City	North Hollywood, CA
Prop Subtype	Multifamily
Units	66
Green Bond	N
Delinquency	0.0
Percent	0.0
Origin	12/01/2010
Tier	--
DSCR (Cur)	1.56
DSCR (2019)	1.56
NCF (2019)	\$1.48MM
Units c60%	--
18 States	MJPB
Orig Pen	YM(114),0(6)
Orig LTV	70.8%
Occ. (2019)	95%
Add. Info	--
California	100.0
Loans	1 Delay
Value calculated by Bloomberg	
Paydown Information	
Performance Hist	
1 Month CPR	0.0
3 Month CPR	0.0
6 Month CPR	0.0
12 Month CPR	0.0

Fannie Mae is not responsible for the information appearing on the Bloomberg screens.

2. To view the Annex A for a DUS pool, perform Step 1 above and then select **Notes**. The Annex A (Schedule of Loan Information) includes notable at-issuance data, such as:

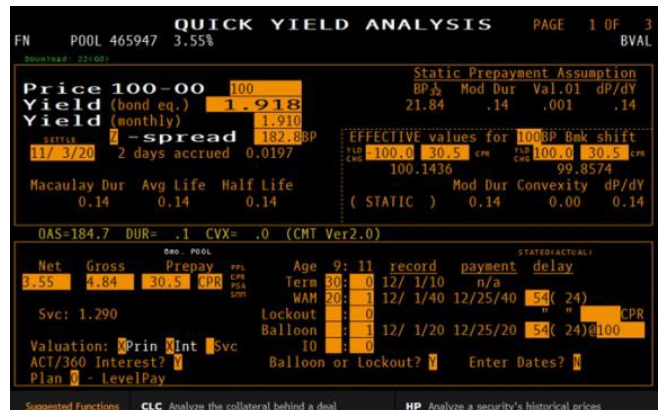
- Property type
- U.S. Treasury yield rate
- Prepayment premium term
- Interest day basis
- Annual net operating income
- Loan-to-value percent
- Debt service coverage ratio
- Tier
- Property characteristics:
  - i. Property city/state/ZIP code
  - ii. Total number of units
  - iii. Appraised value
  - iv. Occupancy percent
  - v. Year built

3. To run simple cash flow analysis, perform Step 1 above and then type in **<QY> <GO>**. This Bloomberg screen defaults to the appropriate delay and seasoning for the loan and provides simple price yield analysis to maturity. To price the security to call, Bloomberg allows you to shorten the balloon date to the end of the yield maintenance period.

The Cash Flow Table **<CFT>** is a screen Bloomberg implemented to provide users a different approach to model cash flows over the **<QY>** screen.



Fannie Mae is not responsible for the information appearing on the Bloomberg screens.



Fannie Mae is not responsible for the information appearing on the Bloomberg screens.

- Multifamily Green and Social pools can also be easily identified on Bloomberg with a green leaf indicator to denote Multifamily Green bonds and a blue circle over a heart indicator to denote Multifamily Social bonds.



Fannie Mae is not responsible for the information appearing on the Bloomberg screens.

## Disclaimer

This article is not an offer to sell any security or instrument or a solicitation of an offer to buy or sell any security or instrument. The information in this article is current as of the date hereof, but is subject to change, modification, or amendment from time to time without prior notice. The information in this article is intended to provide an introduction to Fannie Mae’s Multifamily MBS and related securities and its DUS program. It does not include all or even most of the information that is included in the Prospectus relating to any issuance of Fannie Mae Multifamily securities. Not all Fannie Mae Multifamily securities will have the characteristics discussed in this article, and some may have characteristics not mentioned in this article. Fannie Mae Multifamily MBS are complex instruments intended for sale only to sophisticated investors who understand and assume the risks involved with the purchase thereof. Before investing in any Fannie Mae-issued security, you should read the Prospectus pursuant to which such security is offered. You should also determine, in consultation with your own investment, legal, tax, regulatory, and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory, and accounting characteristics and consequences, of investing in any such security. In addition, you should read our most current Annual Report on Form 10-K and our reports on Form 10-Q and Form 8-K filed with the U.S. Securities and Exchange Commission (“SEC”), available on the Investors page of our website at [fanniemae.com](http://fanniemae.com) and on the SEC’s website at [SEC.gov](http://SEC.gov).

Fannie Mae advances equitable and sustainable access to homeownership and quality, affordable rental housing for millions of people across America. We enable the 30-year fixed-rate mortgage and drive responsible innovation to make homebuying and renting easier, fairer, and more accessible.