



Multifamily Mortgage-Backed Securities (MBS) with a REMIC Tax Election Frequently Asked Questions (FAQs)

Q1. What is the change?

Fannie Mae will begin making a Real Estate Mortgage Investment Conduit (REMIC) tax election for its fully guaranteed Multifamily Mortgage-Backed Securities (MBS) issued on or after January 1, 2021. A REMIC tax election is made pursuant to provisions of the United States tax code. It is available for mortgage-backed securities backed by interests in real estate, such as mortgages.

Q2. Why are you making this change?

Adopting a REMIC tax election structure aligns our Multifamily business with our Single-Family business.

Q3. Will you issue a Multifamily Connecticut Avenue Security (MCAS) REMIC structure in the future?

Although it is premature to predict future enhancements to the MCAS program, this change will allow us the flexibility to explore an MCAS REMIC transaction in the future.

Q4. When will you make this change?

Multifamily MBS issued on or after January 1, 2021 will have a REMIC tax election.

Q5. Does this change the nature of the MBS trust? Does the MBS trust issue REMIC securities or pass-through securities?

There will be no changes to the structure of our Multifamily MBS. They will continue to be issued pursuant to a trust agreement and will continue to be single-class pass-through securities guaranteed by Fannie Mae as to timely payment of principal and interest. A REMIC tax election only changes the tax characterization of our Multifamily MBS, not their structure or payment characteristics.

Q6. Will there be new prefixes for MBS with the REMIC tax election?

No. The Multifamily MBS prefixes will remain the same.

Q7. Will there be any disclosure changes related to the REMIC tax election?

When we begin issuing Multifamily MBS with a REMIC tax election, we will make changes to the Multifamily MBS Prospectus and Trust Agreement to reflect that a REMIC tax election has been taken. In the coming weeks, we will publish draft versions of the Multifamily Prospectus templates and Master Trust Agreement which will include the updated language referencing the REMIC tax election. Final versions of these legal documents will be published at the end of the year, but the REMIC tax election language will be similar to the language in the draft versions.

Q8. Once Fannie Mae makes the transition to REMIC tax election on its Multifamily MBS, will you still issue MBS without a REMIC tax election?



The expectation is that the vast majority of Multifamily MBS will make a REMIC tax election. If an MBS is issued without a REMIC tax election, we will disclose that via a banner on DUS Disclose that this MBS is a fixed investment trust tax structure and it will be disclosed as “Ineligible” for resecuritization.

Q9. If an MBS has a REMIC tax election and then is resecuritized, does that mean that your structured REMICs (GeMS and ACES) would be re-REMICs?

Our Multifamily MBS will continue to be single-class pass-through securities. Some investors may have investment guidelines that do not distinguish between single-class pass-through securities designated as REMICs and more complex REMIC securities, which could result in our GeMS/ACES being treated as re-REMICs under those guidelines. We recommend reviewing this change with your appropriate internal team to ensure that our Multifamily MBS, GeMS and ACES will continue to meet your investment guidelines.

Q10. Does a REMIC tax election allow investors to carve up their large single-pool MBS and sell the pieces?

Each Multifamily MBS will continue to be a single-class pass-through security. As with the current MBS structure (before REMIC tax election), an investor can choose to sell portions or the whole of their MBS and they can choose to re-securitize their MBS using the ACES REMIC execution offered by Fannie Mae or a third party dealer’s shelf in a Private Label Securitization (PLS) execution.

Q11. Is there a restriction to re-securitizing MBS with the REMIC tax election along with MBS that have not taken the REMIC tax election?

Fannie Mae Multifamily MBS that are eligible for resecuritization are able to be structured together. This includes resecuritization-eligible Multifamily MBS without a REMIC tax election issued prior to January 1, 2021.

However, MBS without a REMIC tax election issued on or after January 1, 2021 will not be eligible for resecuritization and will be labeled as “Ineligible” for resecuritization in DUS Disclose.

Q12. How does a REMIC tax election change an investor’s accounting treatment for DUS MBS?

Holders of MBS with a REMIC tax election will be required to report income using the accrual method for tax purposes. Multifamily MBS investors should consult with their legal and/or tax advisors to understand any tax implications related to this election.

Q13. How can I be notified about the upcoming changes?

To receive email notification on upcoming changes related to the REMIC tax election, or other enhancements on our multifamily securities, please sign up [here](#).