

# Multifamily Fixed-Income Securities: Disaster Resources

## Frequently Asked Questions (FAQs)

Following catastrophic events, we employ our servicers to implement our crisis response policies, assessing property damage and borrower needs to provide appropriate relief on a case-by case basis. This document offers guidance to market participants on Fannie Mae's approach for addressing potential impacts to Multifamily properties and Multifamily fixed-income securities due to catastrophic related events.

As described in our [Multifamily MBS Prospectuses](#), Fannie Mae will advance timely payments of principal and interest to investors in the event the loan becomes delinquent. If a delinquent loan becomes current, the MBS remains outstanding. In some instances, Fannie Mae may purchase delinquent loans out of the MBS trust, resulting in a full prepayment of principal and accrued interest due on the date of the prepayment.

Fannie Mae is committed to supporting our customers, renters, and homeowners impacted by catastrophic events, and providing transparency to our investor partners.

### 1. How do I identify the multifamily properties affected by a catastrophic event or determine if the security I own is affected?

Fannie Mae provides certain property geographical information on [DUS Disclose](#)<sup>®</sup>, our multifamily disclosure platform. Investors can assess potential impact by comparing the location of the disaster to the disclosed property location backing the security.

### 2. Does Fannie Mae provide updated information about the properties affected by a catastrophic event and the related securities?

Investors can evaluate operating information for the properties backing their MBS in DUS Disclose, including ongoing Net Cash Flow (NCF) and Debt Service Coverage Ratio (DSCR) data. Further, loan level delinquency reports listing loans that are 60-days or more delinquent are available in DUS Disclose.

Partnering with our network of servicers, Fannie Mae will provide additional information on DUS Disclose, such as a banner on the security's details page to inform investors of any forbearance, as necessary.

### 3. What are potential prepayment implications for the loans backed by the affected properties?

As we disclose in our Multifamily MBS Prospectuses, if a property is damaged and receives insurance proceeds, three possible outcomes generally exist:



- a. The borrower may use the insurance proceeds to make repairs on the property. This results in no prepayment of the MBS, and investors would continue to receive their scheduled principal and interest payments.
- b. In cases where there is damage that only affects a portion of the mortgaged property, insurance proceeds may be used to partially prepay the loan. If this occurs, the related MBS would be partially prepaid, no prepayment premium would be paid by the borrower and the loan may be re-amortized to reduce the monthly payment on the mortgage.
- c. In cases where damage is more significant, the borrower may use the insurance proceeds to pay off the mortgage loan in full. If this occurs, the loan backing the MBS would be fully prepaid and no prepayment premium will be collected or passed through to MBS investors.

As a general rule, if a property's value is reduced by 5% or more as a result of a catastrophic event, Fannie Mae, at its discretion, may remove the loan from the MBS trust and prepay the loan backing the security without a prepayment premium. Some factors we consider when determining whether a loan should be removed from the MBS Trust under these circumstances include the property's potential to support the loan, loan restructuring needs, and MBS investor interests.

#### **4. What happens if a property is affected by a catastrophic event that is not covered by insurance?**

If a property experiences a catastrophic event that is not covered by insurance, Fannie Mae will continue to leverage our servicers and work with the borrower. Until a resolution is reached, Fannie Mae guarantees timely payments of principal and interest to the MBS investor.

#### **5. What is Fannie Mae's policy on purchasing loans from the trust that have become delinquent because of a catastrophic event?**

These loans receive the same treatment as loans that become delinquent for other reasons. As disclosed in our Multifamily MBS Prospectuses, Fannie Mae has the right, but not the obligation, to purchase a delinquent loan out of the MBS trust (resulting in a prepayment at par) when the loan becomes four (4) months delinquent. Fannie Mae is generally obligated to purchase the loan from the MBS trust when it becomes 24 months past due.

## **Multifamily Credit Insurance Risk Transfer (MCIRT™) and Multifamily Connecticut Avenue Securities (MCAS™) Investors**

If a critical event impacts rental payments on multifamily properties such that the borrowers are unable to pay on their loans, Fannie Mae may implement remedies such as forbearance and repayment plans for such borrowers. As part of our forbearance agreements, we provide borrowers facing financial challenges with reduced payment plans or temporary payment suspensions and then allow borrowers to catch up on missed payments through structured repayment plans.

Credit risk transfer investors may access both the actual and scheduled unpaid principal balances (UPBs) in monthly investor reports [here](#) and quarterly Multifamily Loan Performance Data in [Data Dynamics®](#). If a loan defaults with a higher actual UPB than is scheduled due to a loan modification after a disastrous event, there may be an increased risk of loss.

Premium payments to MCIRT investors and interest payments to MCAS investors are not dependent upon interest collection on the Reference Obligations and will be made whether loans in the related reference pools have entered into forbearance agreements. If the borrower repays deferred interest (and principal, if applicable) prior to maturity or adds a deferred or delinquent balance to the final balloon payment which is paid in full at maturity, there will be no losses on the loan.



## Additional Resources

Fannie Mae takes proactive measures for loans indicating an increased risk of default, whether due to catastrophic events, loan modifications, or other reasons. More information and available resources are provided below and on our [website](#).

- [Multifamily Investor COVID-19 FAQs](#)
- [DUS Disclose](#)
- [Multifamily Loan Performance Data](#)
- [Multifamily DUS Prepayment History](#)
- [Multifamily Credit Risk Management Presentation](#)
- [Multifamily Credit Risk Management Primer](#)
- [Here to Help | Multifamily](#)
- [Renters Resource Finder](#)

For questions, please contact the Fannie Mae Fixed Income Investor Helpline at 1-800-2FANNIE, Option 3 or by [email](#).