

Multifamily Lease Standards Policy

Frequently Asked Questions

What is the new Multifamily Lease Standards Policy (the Policy)?

Under the new **Policy**, which will be effective beginning on February 28, 2025, borrowers with new Enterprise-backed financing must provide residential tenants the following three minimum standards (the “**Standards**”) which will be included in all residential leases at properties for which applications for new loans are signed on or after the **Policy**’s effective date.

The **Standards** are:

- **30-Day Notice of Rent Increases:** Written notice of a rent increase at least 30 calendar days prior to said increase;
- **30-Day Notice of Lease Expiration:** Written notice of the scheduled expiration of the residential lease at least 30 calendar days prior to said expiration;
- **5-Day Grace Period for Late Rent Payments:** A minimum five calendar day period from the rent due date before late fees or other penalties can be charged, e.g., if rent is due on the 1st day of the month, a late fee cannot be charged until the 6th day of the month if rent is still unpaid.

When does the Policy begin?

The **Policy** will apply to all new loans for which an application is signed on or after February 28, 2025. The Enterprises will also begin monitoring and enforcing the Policy, per the monitoring and enforcement schedule set forth below and in the Policy Grid.

Is the Policy retroactive?

No. The **Policy** will not apply to loans closed or for which an application is signed before February 28, 2025.

Are certain properties excluded?

The requirement will apply to all multifamily properties for which new loan applications with Fannie Mae or Freddie Mac are signed on or after February 28, 2025, unless one of the following exceptions is applicable.

The following exceptions from the **Policy** apply:

- Manufactured Housing Communities (MHCs), which fall under a separate tenant protections policy established by Duty to Serve;
 - Existing credit facilities including loans funded through credit facility agreements that pre-date February 28, 2025;
 - Loans for cooperative housing corporations;
 - Loans that were originated using third-party (i.e., non-Enterprise) form loan documents.
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How long do borrowers have to implement the Standards?

When current residential leases do not meet the minimum **Standards**, within 6 months of loan closing, Borrowers must begin incorporating the **Standards** in new leases and renewing residential leases.

If current property policies do not meet the minimum **Standards**, within 6 months of loan closing, borrowers must also inform all residential tenants that the **Standards** are in place as a policy at the property and apply to all residential tenants regardless of whether they are yet included within individual residential leases.

Within 24 months of loan closing, all residential leases must contain the **Standards**.

Will there be specific language prescribed for new leases?

Neither Enterprise will prescribe specific language for the new residential leases. Each borrower will be responsible for crafting lease language that meets, at a minimum, the protections provided in the **Standards**.

What if my state requires different or more stringent tenant protections than those required by Fannie Mae or Freddie Mac?

If there appears to be a conflict between any state or local requirements, including a longer time period for one or more of the required **Standards**, borrowers should follow the more stringent standard and/or incorporate the longer time period into their policies and individual leases with tenants.

For example, if the property is in a jurisdiction that requires a 7-day grace period for late rent payments, borrowers in that jurisdiction should allow for a 7-day grace period in addition to meeting the other minimum requirements.

Does the 30-day notice of lease expiration apply in situations with month-to-month tenancies?

The 30-day notice of scheduled lease expiration is not required if the existing term of the Lease is two (2) months or less. The 30-day notice of a rent increase and 5-day grace period for late rent payments will continue to apply.

Are there any adjustments for Seniors Housing?

For Seniors Housing, there is the following adjustment for the 30-Day Notice of Lease Expiration requirement:

- Written notice of the scheduled expiration of the term of the Lease at least 30 calendar days prior to said expiration, unless the Lease provides for a shorter notice period in connection with the Facility's being unable to provide the tenant the necessary level of care by virtue of its intended use.

How will borrowers know that the new requirements apply to their loans?

The new requirements will be included in Fannie Mae's Quote and Freddie Mac's Commitment. There will also be direct communications to our borrowers, lenders and servicers.

How will tenants know they have tenant protections?

When current property policies do not meet the minimum **Standards**, within 6 months of loan closing, borrowers must inform all residential tenants in writing that the required tenant protections are in place as a standard practice at the property and will apply to all residential tenants regardless of whether the protections have been included within their individual leases.

The Enterprises will continue to provide their look-up tools, so tenants can independently verify whether they live in an Enterprise-backed property, and will consider how these tools can be improved to identify where tenant protections are applicable, following implementation of the **Policy**.

Will there be changes to the Multifamily Selling and Servicing Guide and loan documents?

Yes, both Enterprise Guides and loan documents will be updated to reflect the requirement for the new **Standards**.

How will the Enterprises monitor the Standards at Enterprise-backed properties?

The Enterprises will monitor Borrower implementation within their respective inspection and reporting processes.

To determine whether the **Standards** have been implemented at properties where they are required, the Enterprises will include questions related to each borrower's implementation within their property inspection processes (i.e., servicers typically conduct inspections annually or bi-annually).

Servicers will review inspection and reporting forms to determine compliance, will then contact borrowers that may not be complying with the **Standards**, and will attempt to resolve issues.

Servicers will report unresolved issues to the Enterprises.

The Enterprises will monitor Servicer compliance through the existing Lender Assessment process.

What will happen if a property is out of compliance?

Borrowers who have been determined to be non-compliant will be provided at least 30 calendar days to become compliant (with additional time granted if warranted).

If borrower continues to be noncompliant, borrower will be assessed a penalty of 0.20% of the original loan amount.

Following an additional period during which the borrower is expected to come into compliance, the continued failure to comply will result in an event of default, which entails additional mortgage loan interest that accrues at a higher default interest rate. The borrowers' ability to complete future transactions with the Enterprise will also be jeopardized.

Will there be training on these new requirements?

Yes, the Enterprises will provide training to lenders prior to the Effective Date.

Do the Standards change or replace the requirement for borrowers with GSE-backed financing to provide 30-days' notice to vacate, per the CARES Act?

No, the requirement for borrowers to provide 30-days' notice to vacate per the CARES Act will remain in effect.
