

## Deed-for-Lease™ Instructions for Borrowers

These instructions are intended for borrowers who may be eligible for a Deed-in-Lieu of Foreclosure (DIL) and are considering a Deed-for-Lease with Fannie Mae.

You may be eligible to lease your property following a DIL.<sup>1</sup> Additionally, if you have tenants in the property, they may be considered for a continuing lease.

Once the lease consideration process is initiated with your mortgage servicer, your cooperation is critical in order to obtain a lease decision within 10 business days. The lease consideration process is independent of the DIL process and shall be considered initiated when you agree to be referred to a third-party property management firm (property manager).

This instruction sheet provides an overview of the lease process.

### ***Lease Process Initiation***

- The servicer sends your property address and contact information to a property manager. The property manager is responsible for determining if the property and its occupants meet the eligibility criteria for a lease under the Deed for Lease program.
- The property manager contacts you within three business days of receiving your information to collect the information necessary to qualify you or your tenant for a lease and to set up an appointment to view the property. **It is very important that you respond promptly to the property manager.**
  - A \$75 non-refundable lease application fee per occupied unit, payable to the property manager, is required.
  - If the property manager has not contacted you within three business days, please call 1-800-732-6643.
  - If a tenant occupies the property and he or she is interested in entering into a lease with Fannie Mae, provide the property manager a copy of the current lease (if written) and facilitate contact between the tenant and the property manager.
- If the property manager is unable to make contact with you within five business days of obtaining the referral, he or she will assume you are not interested in a lease. You will no longer be considered for a lease, although your servicer will continue working with you on your Deed-in-Lieu of Foreclosure.

Additionally – if there are tenants, and they do not cooperate with the qualification process, they will not be considered for a lease.

### ***Summary of Approval Conditions***

The property and the occupant must meet certain general qualifications<sup>2</sup> such as:

#### ***Property Eligibility:***

<sup>1</sup> The Deed for Lease program is currently unavailable for the following loan types: HECM (reverse), USDA Rural, FHA, VA, and second (2<sup>nd</sup>) lien loans.

<sup>2</sup> This list does not include all conditions, which may vary by location.

- There are no zoning or homeowner's association (HOA) rental limitations that would prohibit a lease.
- Repairs required to make the property habitable are deemed to be in an acceptable amount based on the property value.
- The property is in compliance with local rules and laws or can be brought into compliance within 30 days.
- The property is not within a target area for any corporate, government or community neighborhood stabilization plan which may need the property as part of the plan for purposes other than residential.
- The market rental income is anticipated to cover ongoing maintenance and management costs.

#### *Occupant Eligibility:*

- Income is sufficient to cover rental payments of not more than 31 percent of gross income. If the current market rent is greater than 31 percent of the occupant's monthly gross income, a lease will not be offered.
- Inspection of the property indicates that the occupants have been keeping the property in good condition.
- The number of occupants is appropriate for the home and in compliance with local laws and homeowner association rules.
- If pets are present, renter's insurance is obtained, if required.
- The occupants signing the lease must agree to a credit review and all occupants over the age of 18 must have an acceptable background check, including receiving clearance from the Office of Foreign Assets Control ("OFAC").
- There are no signs or reports of illegal activities conducted at the property.
- The property is to be used as a primary residence.

#### ***Meeting with the Property Manager***

During the meeting, the property manager will:

- Discuss the lease process and requirements.
- Bring a copy of the lease application for review and completion.
- Inspect the property to ensure that it meets local codes and regulations for leased properties, has been adequately maintained, and is in acceptable physical condition.

## Deed for Lease™ (D4L) – Frequently Asked Questions

November 4, 2009

**Q1. What are the terms of the lease?**

Fannie Mae will offer lease terms of up to 12 months at market rates.

**Q2. How are investor properties with tenants handled?**

Once the servicer determines that a borrower is eligible for deed-for-lease consideration, the servicer will discuss the possibility of a D4L with the borrower. If the borrower indicates that his or her tenants might be interested in a D4L, the servicer will provide the borrower's contact information to the property management company. The property management company will work with the borrower to contact the tenants. If the tenants and the property meet rental qualifications, the lease will be executed with the tenants. A tenant's failure to cooperate or meet the lease requirements will prevent the execution of a lease, but the borrower may still be eligible for a deed-in-lieu of foreclosure.

**Q3. If the borrower initially says that he or she is not interested in a lease, but changes his or her mind, when is it too late to submit the request to Fannie Mae?**

Fannie Mae's property manager needs 10 business days to process the lease application. If the Deed in Lieu (DIL) completion date is more than 10 days away, we may be able to accommodate the request; however, we reserve the right to consider these situations on a case-by-case basis.

**Q4. What if the borrower (or tenant) tells the servicer that he or she is unavailable to meet with the property manager during the 10- day lease consideration window?**

Please indicate in the "special notes" field of the Deed-for-Lease™ Program Referral Form (Form 187) when the borrower (or tenant) will be available. We may be able to make accommodations for the schedule of the borrower (or tenant); however, the servicer must make sure the DIL completion date is scheduled to allow ten days for lease consideration taking into account the schedule of the borrower (or tenant).

**Q5. How should servicers handle questions about the lease?**

Please provide the Deed for Lease™ Instructions for Borrowers to all interested borrowers (available on eFanniemae.com). The property manager will answer all lease questions once contact is made with the borrower (or tenant).

**Q6. What if the servicer discovers that the borrower does not meet the eligibility requirements after referring the borrower for D4L consideration?**

If the servicer discovers that the borrower does not meet all the screening requirements – for example, a second lien on the property or other title issue is discovered – please complete the Deed for Lease™ Cancellation Form (Form 188) and e-mail it to the address on the form.

**Q7. What is the OFAC check requirement?**

The Office of Foreign Asset Control ("OFAC") of the Treasury Department administers and enforces economic sanctions programs primarily against countries and groups of individuals, such as terrorists and narcotics traffickers. OFAC maintains a list of specifically designated individuals, and Fannie Mae may not rent to an individual on the list. The OFAC check is handled by the property manager. Information on OFAC can be found on the Department of Treasury's website at [www.ustreas.gov/ofac](http://www.ustreas.gov/ofac).

**Q8. Is renters insurance required for pet owners?**

Certain pets may pose a liability threat to the tenant and the landlord. For this reason we may require tenants with pets to secure renters insurance, which includes liability coverage for pets and names Fannie Mae as an additional insured.

**Q9. If a tenant occupies the property, who pays the \$75 lease application fee?**

Either the borrower or the tenant may pay the \$75 lease application fee.

**Q10. If it is a multi-unit property occupied by both the borrower and tenant(s) does one \$75 check cover everyone?**

No. \$75 should be collected for each occupied dwelling unit. For example, if it is a four-unit apartment with four tenants, \$300 will be collected.

**Q11. Are sublets allowed?**

No. Subleasing is prohibited by the terms of the lease.

**Q12. If the borrower does not qualify for the D4L program, will the \$75 application fee be refunded?**

The \$75 fee is not refundable. The fee covers the cost of evaluating the property and the borrower (or tenant), including any background and credit checks.

**Q13. Does the borrower still qualify for any relocation assistance (Cash for Keys) if he or she agrees to the D4L?**

No. Cash for Keys is intended to cover relocation assistance, and a D4L borrower is not relocating.

### ***Meeting Follow-up/Next Steps***

After inspecting the property and reviewing the lease application, the property manager establishes the rental rate, sets the lease conditions, and approves the lease based on applicable laws and requirements<sup>3</sup> and market conditions.

Next steps:

- The property manager notifies the occupant if the property and lease application meet the program criteria and, if so, informs the occupant of the monthly rental rate.
- If the occupant agrees to the rental rate and lease terms, the property manager presents the lease agreement for signature. Although signed, the lease only becomes effective upon acceptance of the DIL by the servicer.
- Upon acceptance of the DIL by the servicer, the occupant is required to immediately provide a prorated rental payment for the period between the date of the acceptance of the DIL and month end plus the first full month's rent. Payment instructions will be provided by the property manager.
- Prior to the servicer's acceptance of a DIL in connection with the D4L, you must execute a general release of all claims arising prior to the acceptance of the DIL which relate in any way to the loan or the property.

### ***Lease Declined***

If either the occupant or the property is declined for a lease:

- The property manager will provide notice of the declination.
- You may continue to work with the servicer to complete the DIL process and must vacate the home as part of the DIL process.

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<sup>3</sup> These include all federal, state, and local laws and Homeowners' Association (HOA) requirements.