

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.¹ 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 qualifications² such as:

Property Eligibility:

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

² 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.

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 requirements³ 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.

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