

.01 INTRODUCTION

The Servicer must establish appropriate custodial accounts for the deposit of funds collected in connection with AHFC loans. All accounts and related records must be maintained in accordance with sound and generally accepted accounting practices and in such a manner as will permit representatives of AHFC, at any time, to examine and audit such accounts and records.

.02 REQUIRED ACCOUNTS

Separate agreements are required from the Servicer for each custodial account. The original form must be submitted to, and will be held by, AHFC's Servicing Department.

Account Type	Required Agreement Form	Account Title
AHFC ALCS P&I	Letter Agreement for Servicer's Principal and Interest Custodial Account (Form SER-15)	(Servicer), as agent for Mortgagor payments, and trustee of principal and interest custodial account for various AHFC mortgages
AHFC ALCS T&I	Letter Agreement for Servicer's Tax and Insurance Custodial Account (Form SER-16)	(Servicer), as agent for Mortgagor payment and trustee of tax and insurance custodial account for various AHFC mortgages
AHFC Multi-Family Special Purpose Escrow	Letter Agreement for Servicers Multi-Family Special Purpose Escrow Custodial Trust Account (Form SER-18)	(Servicer) as agent for mortgagor payments and Trustee of the Multi-Family Special Purpose Escrow Account for various AHFC mortgages.

.03 CUSTODIAL AND CLEARING ACCOUNTS

A. Custodial Account Requirements

The following conditions apply to the establishment and maintenance of custodial accounts:

1. The accounts must be established with a depository institution (commercial bank, mutual savings bank, savings and loan association or credit union) whose deposits are insured by FDIC, SAIF or NCUA. A Servicer whose accounts are insured by SAIF, FDIC or NCUA may establish and maintain custodial accounts within its own internal operating account.

Servicers must make sure the depository institution they select for their custodial account is rated by IDC Financial Publishing, Inc. (IDC) and meets the following eligibility criteria:

- a. The IDC rating must have a rating of 75 or better.
 - b. The review must use the ratings issued within the last three months for determining eligibility.
 - c. If a depository no longer satisfies our rating requirement, the Servicer must transfer the custodial account to an acceptable depository within 30 days.
2. The custodial accounts must be demand deposit accounts. The Servicer may establish general ledger accounts for internal control purposes only.
 3. The Servicer must maintain records clearly identifying each borrower's account and the payments included in all custodial account(s).

Note: A loan with a negative escrow balance cannot be offset against a loan with a positive escrow balance. The Servicer must advance its own funds on a daily basis to cover any negative escrow balance.

Multi-Family custodial accounts (whether they are established for P&I funds, T&I funds or special purpose escrows) may be interest-bearing accounts. However, all funds in a custodial account must be immediately available on demand unless other arrangements have been approved in writing by AHFC.

4. Custodial Account Letter Agreements ([Forms SER-15](#), [SER-16](#) and [SER-18](#)):
 - a. Existing Letter Agreement for Servicer's Principal and Interest Custodial Account ([Form SER-15](#)) and Letter Agreement for Servicer's Tax and Insurance Custodial Account ([Form SER-16](#)):

AHFC must be notified any time there is a change in account status, name, number or depository. A new Letter Agreement ([Form SER-15](#) or [SER-16](#)) must be submitted to AHFC within 10 business days of the custodial account being opened, changed or closed.

- b. Letter Agreement for Servicer's Multi-Family Special Purpose Escrow Custodial Trust Account ([Form SER-18](#)):

The Servicer is to submit the original Letter Agreement ([Form SER-18](#)) for each applicable account required on a Multi-Family loan within 10 business days of loan purchase by AHFC.

AHFC must be notified any time there is a change in account status, name, number or depository. A new Letter Agreement ([Form SER-18](#)) must be submitted to AHFC within 10 business days of the change or account closeout.

- 5. The Servicer must establish a reasonable daily cutoff to ensure that collections are credited to the appropriate custodial account no later than the business day following their receipt.
- 6. Upon sale of the loan to AHFC, the Servicer must transfer any funds related to the loan to the appropriate custodial accounts by the next business day.
- 7. Multi-Family loans require separate custodial accounts for special purpose escrow funds, such as operating deficit funds, replacement reserves, rent-up funds, Escrow for Completion and Escrow for Equity Extraction. Note, however, that AHFC's custodial account requirements do not supersede any insurer requirements that may be applicable.
- 8. Funds in the T&I custodial account should relate to escrow deposits. In addition, payments that are being held as "unapplied" such as partial payments, payment overages, insurance loss drafts, rent receipts or any other similar funds received, should be deposited into the T&I account by the next business day after receipt of funds until a determination has been made as to the proper application of said funds. Insurance loss drafts of \$10,000 or more may be placed in a Servicer controlled interest-bearing account, if the Servicer will hold the funds for more than 60 days.

B. Clearing Account Requirements

Where the system and procedures of the Servicer necessitate the use of clearing accounts, all such clearing accounts will be governed by the following conditions:

1. AHFC permits the use of separate clearing or disbursement accounts for the receipt and payment of funds, provided such amounts are cleared daily.
2. The titles of such accounts must reflect that they are custodial in nature and the depository in which the accounts are maintained must be informed, in writing, that they are custodial accounts.
3. A check drawn on a custodial account and its deposit to a disbursement clearing account must be concurrent with or prior to the issuance of any checks in the clearing account.
4. A single clearing account cannot be used as both a collection and disbursement clearing account.
5. The accounts must be established with depository institutions that are insured by SAIF, FDIC or NCUA and meet bond rating requirements of Fannie Mae and any other insurer as may be required.
6. The Servicer must maintain adequate records and audit trails to support all credits to, and charges from, the borrowers' payment records and accounts.