Fannie Mae®

# Multifamily Selling and Servicing Guide

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# TABLE OF CONTENTS

Part II Section 203.02 Underwritten DSCR ..... 3
GLOSSARY ..... 4

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## 203.02 Underwritten DSCR

### Requirements

You must calculate Underwritten DSCR per the following table.

| Item | Function | Description |
|---|---|---|
| 1 | | Underwritten NCF per Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF). |
| 2 | DIVIDED BY | Annual debt service for the Mortgage Loan amount.<br><br>You must base debt service on a level debt service payment, including amortization, and the greater of the<br><br>• actual note rate, or<br>• required Underwriting Interest Rate Floor per Form 4660 . |

When calculating Underwritten DSCR for a Mortgage Loan with an interest-only period, you must use the same level debt service payment, including amortization, regardless of the length of the interest-only period.

The Underwriting Interest Rate Floor, if applicable, is the lowest interest rate you may use to determine the Mortgage Loan amount.

If the Gross Note Rate is below the required Underwriting Interest Rate Floor, per Form 4660, you must use the Underwriting Interest Rate Floor to establish the permitted Mortgage Loan amount.

All underwriting Tier requirements must be based on the Underwritten NCF.

# Glossary

## D

| | |
|---|---|
| Debt Service Coverage Ratio | On an annual basis or any specified period, the ratio of Net Cash Flow to the total of: principal, interest, and required Mezzanine Financing or Hard Pay Preferred Equity payments.<br><br>**Synonyms**<br>• DSCR |

## F

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|---|---|
| Form 4660 | Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans.<br><br>**Synonyms**<br>• Multifamily Underwriting Standards |

## G

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|---|---|
| Gross Note Rate | Mortgage Loan interest rate stated in the Loan Documents. |
| Guide | Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise.<br><br>**Synonyms**<br>• DUS Guide |

## M

| | |
|---|---|
| Mortgage Loan | Mortgage debt obligation evidenced, or when made will be evidenced, by<br>• the Loan Documents, or<br>• a mortgage debt obligation with a Fannie Mae credit enhancement.<br><br>**Synonyms**<br>• Mortgage Loans<br>• Mortgage Loan's |

## N

| | |
|---|---|
| Net Cash Flow | At underwriting or for any specified period, the amount calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III.<br><br>**Synonyms**<br>• NCF |
| Note | Instrument evidencing a Mortgage Loan obligation, including<br>• Form 6010 series,<br>• any other Fannie Mae-approved note, and<br>• all applicable<br>  - addenda,<br>  - schedules, and<br>  - exhibits.<br><br>**Synonyms**<br>• Notes |

## P

| | |
|---|---|
| Pricing and Underwriting Tier | Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660).<br><br>**Synonyms**<br>• Tier |

## U

| | |
|---|---|
| Underwritten Debt Service Coverage Ratio | Ratio of Underwritten Net Cash Flow to the annual debt service for a Mortgage Loan amount based on a level debt service payment with the applicable amortization, and calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis, as adjusted for the applicable products and features in Part III.<br><br>**Synonyms**<br>• Underwritten DSCR |