



Multifamily Selling and Servicing Guide

Effective as of November 25, 2019

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Section 204

Cash Out Analysis

Requirements

You must examine the risk of allowing cash out to the Borrower (see Form 4660 for a description of cash out transactions).

Guidance

When underwriting a cash out transaction you should consider:

- the amount of hard equity remaining in the Property;
- the length of time the Borrower has owned the Property;
- the effective age and current physical condition of the Property;
- any improvement in asset quality over the ownership period;
- any improvement in the Property's operations (i.e., its NCF) or value over the ownership period; and
- whether an increase in the Property's value resulted from an increase in NCF or a decrease in the capitalization rate.

Examples of factors that support cash out transactions include:

- retention by the Borrower of 10% or more hard equity in the Property;
- ownership of the Property for a period of time commensurate with the extent of cash out proceeds;
- maintenance of the Property in good condition, or improvement of its condition, during the ownership period;
- improvement in the Property's NCF over the ownership period; and
- an increase in the Property's value over the ownership period due to an increase in NCF.



Glossary

B

Borrower Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

F

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

Synonyms

- Multifamily Underwriting Standards

P

Property Multifamily residential property securing the Mortgage Loan and including the land (or Leasehold interest in land), Improvements, and personal property (as defined in the Uniform Commercial Code).

Synonyms

- Properties
- Property's