



Fannie Mae®

---

# Multifamily Selling and Servicing Guide

Effective as of February 2, 2026

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.



**TABLE OF CONTENTS**

---

Part II Section 205 Cash Out Analysis ..... 3

GLOSSARY ..... 6



## Section 205

### 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); and
- for New Construction, consider the Mortgage Loan amount relative to the Property's total development cost basis.

When underwriting a cash-out transaction, you must consider and document in the Transaction Approval Memo:

- the amount of hard equity remaining in the Property's debt structure, excluding prior permanent financing costs, such as interest or prepayment premium;
- the length of time the Borrower has owned the Property;
- the Property's
  - effective age, and
  - current physical condition;
- over the ownership period, any improvement in
  - asset quality,
  - the Property's operations (i.e., its NCF), or
  - value;
- if the Property's value increased due to an increase in NCF, rather than a decrease in the capitalization rate; and
- for New Construction, the Property's total development costs basis per the New Construction table:



New Construction	
For...	The Property's total development cost basis includes...
Land	<ul style="list-style-type: none"> <li>• Purchase price; plus</li> <li>• Value created since Acquisition from               <ul style="list-style-type: none"> <li>- zoning changes,</li> <li>- demolition,</li> <li>- infrastructure improvements,</li> <li>- parcel assembly over time, and</li> <li>- other subjective entitlements.</li> </ul> </li> </ul> <p>Note: Valuation should be supported by recent land sale activity on a market and cash basis.</p>
Hard Costs	<p>Expenses for:</p> <ul style="list-style-type: none"> <li>• items including               <ul style="list-style-type: none"> <li>- substructure,</li> <li>- shell,</li> <li>- interiors,</li> <li>- construction services,</li> <li>- equipment, and</li> <li>- furnishings;</li> </ul> </li> <li>• developer fee (8% maximum); and</li> <li>• general contractor fee (10% maximum).</li> </ul>
Soft Costs	<p>Fees for:</p> <ul style="list-style-type: none"> <li>• Appraisal, market studies, etc.;</li> <li>• professional services, including               <ul style="list-style-type: none"> <li>- architecture,</li> <li>- engineering,</li> <li>- consulting,</li> <li>- legal, and</li> <li>- accounting;</li> </ul> </li> <li>• review, impact, and testing (i.e., surveys, feasibility, environmental, geotechnical);</li> <li>• building permits and utility access; and</li> <li>• any HUD and LIHTC processing.</li> </ul>



New Construction	
For...	The Property's total development cost basis includes...
Construction Financing Costs	<p>Expenses for:</p> <ul style="list-style-type: none"> <li>• construction loan financing, including <ul style="list-style-type: none"> <li>- interest, and</li> <li>- origination fee;</li> </ul> </li> <li>• construction period <ul style="list-style-type: none"> <li>- real estate taxes,</li> <li>- insurance, and</li> <li>- utilities; and</li> </ul> </li> <li>• Bond related fees.</li> </ul>
HUD or LIHTC New Construction	Amount supported by the Cost Certification.

Cash Out Transaction Support	
Factor...	Must...
Cash Out Proceeds	Be commensurate with the length of the ownership period.
Property Condition	Have improved or been good over the ownership period.
Property NCF	Have improved over the ownership period.
Property Value	Have increased due to higher NCF over the ownership period.



# Glossary

## A

### Acquisition

Any Purchase of either the:

- Property's fee simple or leasehold interest via a deed transfer; or
- Controlling Interest in the Borrower.

#### **Synonyms**

- Acquisitions

### Appraisal

Written statement independently and impartially prepared by a qualified Appraiser stating an opinion of the Property's market value

- as of a specific date, and
- supported by the presentation and analysis of relevant market information.

#### **Synonyms**

- Appraisals
- Appraisal's

## B

### Borrower

Person who is the obligor per the Note.

#### **Synonyms**

- Borrowers
- Borrower's

## C

### Cost Certification

Independent third-party audit report itemizing the Property's construction and development costs, including a statement of eligible and qualified basis, submitted to the state housing finance agency to obtain IRS Form 8609(s).

## F



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.

**Synonyms**

- Multifamily Underwriting Standards

## H

HUD

U.S. Department of Housing and Urban Development

**Synonyms**

- HUD's

## M

Mortgage Loan

Mortgage debt obligation evidenced, or when made will be evidenced, by

- the Loan Documents, or
- a mortgage debt obligation with a Fannie Mae credit enhancement.

**Synonyms**

- Mortgage Loans
- Mortgage Loan's

## N

New Construction

Property recently developed/constructed with any certificates of occupancy received within 12 months before the Commitment Date.



## Note

Instrument evidencing a Mortgage Loan obligation, including

- [Form 6010 series](#),
- any other Fannie Mae-approved note, and
- all applicable
  - addenda,
  - schedules, and
  - exhibits.

### Synonyms

- Notes

## P

## Property

Multifamily residential real estate securing the Mortgage Loan, including the

- fee simple or Leasehold interest,
- Improvements, and
- personal property (per the Uniform Commercial Code).

### Synonyms

- Properties
- Property's