



Fannie Mae®

Multifamily Selling and Servicing Guide

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1903.07B Stabilized NCF

Requirements

You must:

- Confirm the Property will qualify for the full Commitment by
 - evaluating its performance, and
 - assessing whether it meets the projected
 - income,
 - expenses, and
 - NCF.
- Use the Forward Loan Conversion Analysis ([Form 4212](#)) to
 - annualize the certified project rent rolls,
 - compare pro forma and actual operating expenses, and
 - calculate the Property's stabilized NCF per
 - this Chapter, and
 - [Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis](#) or the applicable Part III chapter based on the specific product.
- Submit the Forward Conversion Analysis Summary ([Form 4618](#)) that verifies your Chief Underwriter's involvement and agreement with the analysis.

The permanent Mortgage Loan Delivery Package documentation must include:

- the percentage of the Property's occupied units categorized by
 - bedroom configuration,
 - square footage, and
 - rent type (low income or market rate) delineating any Section 8 or other subsidized rental program tenants;
- the Property's actual Effective Gross Income for each of the previous 3 months, including only rental income and permitted other income from the units less any



- rent concessions,
 - reductions,
 - inducements, or
 - forbearance; and
- rental income by rent type (low income or market rate).

You must use the following table to calculate stabilized NCF.

STABILIZED NCF		
Item	Function	Description
1		<p>For each of the most recent trailing 3 months before conversion:</p> <ul style="list-style-type: none">• determine the Gross Potential Rent from an executed Certification of Project Rent Roll; and• confirm that at least 90% of the units were physically occupied by a Qualified Tenant with an acceptable Lease.
	EQUALS	GROSS POTENTIAL RENT
2	MINUS	<ul style="list-style-type: none">• Economic vacancy using the higher of<ul style="list-style-type: none">- original Forward Commitment underwriting, or- actual annualized trailing 3-month operating statements.¹• Include:<ul style="list-style-type: none">- concessions if they<ul style="list-style-type: none">▪ are prevalent in the market, or▪ were used to achieve initial stabilization and will remain; and- a re-leasing cost allowance if the Property has short term leases.



STABILIZED NCF		
3	PLUS	For an MAH Property, include annualized other income per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703.01: Underwritten NCF.
4	PLUS	Commercial income per Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
	EQUALS	EFFECTIVE GROSS INCOME
5	MINUS	Line-by-line operating expenses using the higher of: <ul style="list-style-type: none"> • actual annualized trailing 3-month operating statements; or • original Forward Commitment underwriting, adjusted by substituting the following actual expenses, if known: <ul style="list-style-type: none"> - real estate taxes; - property liability and other insurance; and <ul style="list-style-type: none"> - management fees.
6	MINUS	Replacement Reserve expense per Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
	EQUALS	STABILIZED NCF
1 Assess if there was any decline in NRI per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.		



Glossary

C

Commitment Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan.

Synonyms

- Committed
- Commitments

E

Effective Gross Income On an annual basis or any specified period, the total of Net Rental Income plus other income per [Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis](#) and the applicable products and features in Part III.

Synonyms

- EGI

F

Forward Commitment Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property.

Synonyms

- Forward Commitment's
- Forward Commitments

G



Gross Potential Rent

On an annual basis or any specified period, the total actual and potential rent for a Property per [Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis](#) and the applicable products and features in Part III.

Synonyms

- GPR

L

Lease

Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent.

Synonyms

- Leases

M

Mortgage Loan Delivery Package

Loan Documents and underwriting material required in connection with the Delivery of a Mortgage Loan.

P

Project

Multifamily buildings

- on multiple Properties,
- owned by the same Borrower, and
- that comply with [Part II, Chapter 1: Attributes and Characteristics, Section 102.01: Single Borrower Ownership](#).

Synonyms

- Projects



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

R

Replacement Reserve

Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.

Synonyms

- Replacement Reserves

U

Underwritten Net Cash Flow

Net Cash Flow as adjusted by the Lender per [Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis](#) and the applicable products and features in [Part III](#).

Synonyms

- Underwritten NCF