



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of March 11, 2025

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 III Section 2003.07B Stabilized NCF	3
GLOSSARY	6



2003.07B 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	<p>Line-by-line operating expenses using the higher of:</p> <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; <p>and</p> <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
<p>1 Assess if there was any decline in NRI per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.</p>		



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