

Multifamily Selling and Servicing Guide

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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		For each of the most recent trailing 3 months before conversion:		
		 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	 Economic vacancy using the higher of original Forward Commitment underwriting, or actual annualized trailing 3-month operating statements.¹ Include: concessions if they 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. exercise the property has short term leases. 		



For an MAH Property, include annualized other income per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703.01: Underwritten NCF. PLUS Commercial income per Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF). EQUALS EFFECTIVE GROSS INCOME MINUS Line-by-line operating expenses using the higher of: • actual annualized trailing 3-month operating statements; or • original Forward Commitment underwriting, adjusted by substituting the following actual expenses, if known: - real estate taxes; - property liability and other insurance; and - management fees. MINUS Replacement Reserve expense per Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF). EQUALS STABILIZED NCF	STABILIZED NCF			
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: • actual annualized trailing 3-month operating statements; or • original Forward Commitment underwriting, adjusted by substituting the following actual expenses, if known: - real estate taxes; - property liability and other insurance; and - management fees. 6 MINUS Replacement Reserve expense per Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).	3	PLUS	other income per Part III, Chapter 7: Multifamily Affordable Housing Properties,	
5 MINUS Line-by-line operating expenses using the higher of: • actual annualized trailing 3-month operating statements; or • original Forward Commitment underwriting, adjusted by substituting the following actual expenses, if known: - real estate taxes; - property liability and other insurance; and - management fees. 6 MINUS Replacement Reserve expense per Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).	4	PLUS	Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten	
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Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).	5	MINUS	higher of: • actual annualized trailing 3-month operating statements; or • original Forward Commitment underwriting, adjusted by substituting the following actual expenses, if known: - real estate taxes; - property liability and other insurance; and	
EQUALS STABILIZED NCF	6	MINUS	Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow	
		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.

Effective: 11/04/2025

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.

Effective: 11/04/2025

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.

Effective: 11/04/2025

Synonyms

Underwritten NCF