



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## Section 206

## Borrower Business Plan

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### Requirements

For Acquisitions or refinances where the Property is being repositioned through a substantial capital improvement plan, you must analyze (and document in your Transaction Approval Memo) the:

- Sponsor's:
  - business plan (either through a written plan or by a conversation with the Sponsor), including
    - market rent growth expectations,
    - any planned capital improvements,
    - any expected rent premiums after renovations,
    - operating expense management, and
    - value appreciation through capitalization rate compression;
  - expected ownership period for the Property relative to the Mortgage Loan term; and
  - expected investment returns from owning/operating the Property, assuming
    - Acquisition at the Underwriting Value, and
    - a hypothetical disposition at the Mortgage Loan's Maturity Date;
- Mortgage Loan's Underwritten Capitalization Rate; and
- motivation in the Property's investment compared to the Borrower's other investment alternatives.



# 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

## B

### Borrower

Person who is the obligor per the Note.

#### **Synonyms**

- Borrowers
- Borrower's

## M

### Maturity Date

Date all Mortgage Loan amounts become fully due and payable per the Loan Documents.

#### **Synonyms**

- Maturity Dates

### 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

## P



**P**roperty      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

**S**

**Sponsor**      Principal equity owner and/or primary decision maker of the Borrower (often the Key Principal or the Person Controlling the Key Principal).

**Synonyms**

- Sponsors
- Sponsor's

**U**

**Underwriting Value**      Value of the Property determined by the Lender to size the Mortgage Loan per Part II, Chapter 2: Valuation and Income, Section 202: Appraisal and Valuation.

**Underwritten Capitalization Rate**      Ratio, expressed as a percentage, of the  
• Underwritten Net Cash Flow, divided by  
• Underwriting Value.