



Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 206

Borrower Business Plan

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: <ul style="list-style-type: none">• Property's fee simple or leasehold interest via a deed transfer; or• Controlling Interest in the Borrower. Synonyms <ul style="list-style-type: none">• Acquisitions
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B

Borrower	Person who is the obligor per the Note. Synonyms <ul style="list-style-type: none">• Borrowers• Borrower's
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M

Maturity Date	Date all Mortgage Loan amounts become fully due and payable per the Loan Documents. Synonyms <ul style="list-style-type: none">• Maturity Dates
Mortgage Loan	Mortgage debt obligation evidenced, or when made will be evidenced, by <ul style="list-style-type: none">• the Loan Documents, or• a mortgage debt obligation with a Fannie Mae credit enhancement. Synonyms <ul style="list-style-type: none">• Mortgage Loans• Mortgage Loan's

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

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.