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:

- Sponsors:
  - 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 Loans Maturity Date;
- Mortgage Loans Underwritten Capitalization Rate; and
- motivation in the Propertys investment compared to the Borrowers other investment alternatives.

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Glossary

A

Acquisition	Any Purchase of either the: • Propertys 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

G

Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

I

Improvements	Buildings, structures, improvements, and alterations, including the multifamily housing dwellings, now or hereafter constructed or placed on the Property, including all fixtures (as defined in the UCC). **Synonyms** • Improvements'

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

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.