Fannie Mae®

Multifamily Selling and Servicing Guide

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416.08 Capitalization Rate Derivation

For any required Capitalization Rate Derivation, the Servicer must:

- comply with Part II, Chapter 2: Valuation and Income, Section 202.02A: Appraiser Selection; and
- ensure the Capitalization Rate Derivation:
  - includes:
    - a capitalization rate derivation;
    - market analysis;
    - sales comparables; and
    - an analysis of property-specific characteristics;
  - describes capitalization rate pressures;
  - evaluates factors applying upward or downward pressure on capitalization rates, including:
    - market volatility;
    - investor demand;
    - property supply; and
    - rental growth projections;
  - is signed by the Appraiser;
  - includes the Appraiser's qualifications; and
  - is certified by the Appraiser to conform with current USPAP requirements.

Glossary

A

Appraiser	Person engaged to estimate a Propertys market value per USPAP. **Synonyms** • Appraiser's • Appraisers

C

Capitalization Rate Derivation	Independent determination of the appropriate capitalization rate for a specific Property. **Synonyms** • Cap Rate Study

I

Investor	MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan. **Synonyms** • Investors • Investor'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

Servicer	Primary Person servicing the Mortgage Loan, including • the originator, • seller, or • a third party. **Synonyms** • Servicers • Servicer's

U

USPAP	Uniform Standards of Professional Appraisal Practice