Fannie Mae®

Multifamily Selling and Servicing Guide

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TABLE OF CONTENTS

Part III Products and Features 10
Chapter 1 Student Housing Properties 10
Section 101 Description 10
101.01 Student Housing Property 10
101.02 Dedicated Student Housing Property 10
Section 102 Generally 10
Section 103 Dedicated Student Housing Property 11
103.01 Eligible Property Characteristics 11
103.02 Ineligible Property Characteristics 12
103.03 Residential Leases 12
103.04 Properties on College/University Land 12
103.05 Additional Underwriting Documentation 13
Section 104 Underwritten NCF 13
Section 105 Replacement Reserve 19
105.01 Determining Replacement Reserve 20
105.02 Replacement Reserve Funding 20
Chapter 2 Military Housing Properties 21
Section 201 Description 21
Section 202 Ineligible Property Types 21
Section 203 Generally 21
Chapter 3 Moderate Rehabilitation Mortgage Loans 22
Section 301 Description 22
Section 302 Underwriting 23
Section 303 Rehabilitation Work Costing More than $20,000 Per Unit 24
303.01 Rehabilitation Work Evaluation Report 24
303.02 Rehabilitation Reserve Agreement 25
Section 304 Supplemental Mortgage Loans 25
Chapter 4 Green Mortgage Loans 27
Section 401 Generally 27
401.01 Description 27
401.02 High Performance Building Module 27
401.03 Technical Solar Report 28
401.04 Green MBS 29
401.05 Committing and Delivery 29
Section 402 Green Building Certification 29
Section 403 Green Rewards Mortgage Loans 29
403.01 Eligibility 29
403.01A Generally 29
403.01B HPB Module, HPB Report, and Technical Solar Report Scoring 30
403.01C HPB Module, HPB Report, and Technical Solar Report Approval 30
403.01D Non-Contiguous Parcels 31
403.02 Implementing Efficiency Measures 31

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403.02A Generally 32
403.02B Solar PV System 32
403.03 Underwritten NCF 33
403.04 Maximum Amount 34
403.05 Supplemental Mortgage Loans 34
Section 404 Annual Energy Reporting 34
Chapter 5 Seniors Housing Properties 36
Section 501 Generally 36
501.01 Description 36
501.02 Eligible Lenders 36
501.03 Key Principal/Sponsor Experience 36
Section 502 Eligible Properties 36
502.01 Eligible Properties 36
502.02 Ineligible Properties 37
Section 503 Continuing Care Retirement Communities (CCRCs) 37
Section 504 Seniors Housing Property Income 38
504.01 Underwritten NCF 38
504.02 Skilled Nursing NCF Test 43
504.03 Operating Lease Ratios 44
504.04 Operating Lease Analysis 45
Section 505 Replacement Reserve 45
Section 506 Medicaid Funds 46
506.01 Dependency and Medicaid Transition Reserve 46
506.02 State Medicaid 47
Section 507 Consultant Reports 47
507.01 Management, Operations, and Regulatory Compliance 47
507.02 Management and Operations Reports 47
507.03 Regulatory Compliance Report 48
Chapter 6 Manufactured Housing Communities 51
Section 601 Description 51
Section 602 Lender Eligibility 51
Section 603 Legal and Property Compliance 51
603.01 Borrower and the MH Community 51
603.01A Borrower Ownership 51
603.01B Collateral; Tenant-Occupied and Affiliate-Owned Homes 52
603.01C MH Community 53
603.02 MH Community Score 54
603.03 Code Standards 58
603.04 Flood Zone 59
603.04A Rising Water 59
603.04B Moving Water 59
603.05 Lease Terms 59
603.05A Master Leases 60
603.05B MH Site Leases 60
603.05C Loan Document Modification 61
Section 604 Property Insurance 61

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Section 605 Survey 62
605.01 Public Roadways, Private Interior Roadways, and Drives 62
605.02 Setbacks 62
605.03 Encroachments 63
Section 606 Property Income and Underwritten NCF 63
Section 607 Replacement Reserve 68
Chapter 7 Multifamily Affordable Housing Properties 69
Section 701 Generally 69
701.01 Description 69
701.02 Underwriting 69
701.03 Committing and Delivery 70
Section 702 MAH Property Eligibility 70
702.01 Eligibility Characteristics 70
702.02 Minimum Set Asides and Other Criteria 72
702.03 Affordability Types 73
702.03A LIHTC 73
702.03B HAP Contract 74
702.03C Properties with Both Rent Restrictions and Income Restrictions 74
702.03D Properties with Either Rent Restrictions or Income Restrictions 75
702.03E Special Public Purpose 75
702.03F Sponsor-Initiated Affordability 76
Section 703 Property Income and Underwriting 77
703.01 Underwritten NCF 77
703.02 Underwriting 87
703.02A Appraised Value and Underwriting Value 87
703.02B Market Study 88
703.02C 35-Year Amortization 88
703.02D LIHTC Average Income 89
703.02E Initial LIHTC Equity 90
703.02F Developer Fees 90
703.02G Rent-Stabilized Units 90
Section 704 Third-Party Financing 91
704.01 Interest Rate and Payments 91
704.02 Loan Term 91
704.03 Collateral and Credit Support 91
704.04 Soft Financing 92
704.05 Third-Party Lender 94
704.06 Developer's Notes 95
704.07 Subordination Agreement 95
704.08 Lien Priority and Title Insurance Policy 96
704.09 Form of Loan Documents for Third-Party Financings 96
704.10 Prepayment 96
704.11 LIHTC Equity Bridge Loans 97
704.12 Grant Funding 98
Section 705 Affordable Restriction Checklist and Subordination and Standstill Agreements 99

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Section 706 ROAR Loan 100
706.01 Generally 100
706.02 Timing 101
706.03 General Underwriting 101
706.04 Additional Underwriting and Loan Documents 101
Section 707 HAP Contract Properties 103
707.01 Properties with Both HAP Contracts and LIHTC Units 103
707.02 Restabilization Reserve 104
707.03 HAP Contract Review Sheet 105
Section 708 Refinancing Section 236 Properties – IRP is Maintained 105
708.01 No Additional Proceeds 106
708.02 Additional Proceeds from Mortgage Loan 106
708.03 Additional Proceeds from Other Sources 106
Section 709 LIHTC Properties – Lender Equity Interest 106
Section 710 Transactions with Fannie Mae Debt and Equity Interests 107
710.01 Transactions Funded with Tax-Exempt Bond Proceeds 107
710.02 Fannie Mae Credit-Enhanced Tax-Exempt Bond Issuance 108
Section 711 FHA Risk Sharing 108
711.01 Description 108
711.02 Eligibility 108
711.02A Borrowers, Key Principals, Guarantors, and Principals 109
711.02B Generally 109
711.02C Cash Out 111
711.03 Mortgage Insurance Premium 111
711.04 Subsidy Layering Review 111
711.05 Lender FHA Risk Sharing Reserve and Loss Sharing Modifications 112
Chapter 8 Cooperative Properties 113
Section 801 Description 113
Section 802 Eligible Mortgage Loans 113
802.01 Basic Conditions 113
802.02 Financial Conditions 113
802.03 Property Management Conditions 114
802.04 Other Considerations 115
Section 803 Underwriting 115
803.01 Financial Operation 115
803.02 Property Valuation 116
803.03 Subordinate Debt 116
Section 804 Income Analysis 116
804.01 Cooperative Market Rental Basis NCF (Underwritten NCF) 116
804.02 Cooperative Market Rental Basis DSCR (Underwritten DSCR) 116
804.03 Actual Cooperative Property NCF 117
804.04 Actual Cooperative Property DSCR 121
Section 805 Limited Equity Cooperative Properties 122
Chapter 9 Small Mortgage Loans 124
Section 901 Generally 124
901.01 Description 124

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901.02 Applicability 124
Section 902 Key Principal Guaranty Obligation 124
Section 903 Occupancy 124
Section 904 Corporate Leases; Leases to One Entity 125
Section 905 Property Income Analysis 125
905.01 Small Mortgage Loan Underwritten NCF (Underwritten NCF) 125
905.02 Underwritten DSCR 131
Section 906 Property Management 132
Section 907 Property Condition 133
907.01 Lender's Site Inspection and Lease Audit 133
907.02 Site Inspection by Borrower 133
907.03 PCA 134
Section 908 Replacement Reserve 134
Section 909 Environmental Matters and Inspections 134
Section 910 Borrower, Key Principals, Guarantors, and Principals 136
910.01 Borrower Organizational Structure 136
910.02 Co-Tenant Borrowers 136
910.03 Key Principals 136
910.04 Principals 137
910.05 Financial Statements 137
910.06 Net Worth and Liquid Assets 137
Section 911 Credit Reports 138
911.01 Credit Report 138
911.02 FICO Scoring 138
911.03 Reviewing the Credit Report 139
Chapter 10 Adjustable Rate Mortgage (ARM) Loans 140
Section 1001 Description 140
Section 1002 Underwriting 142
Section 1003 Prepayment Terms 143
1003.01 Generally 143
1003.02 1% Prepayment Premium Schedule 143
Section 1004 ARM 5/5 Loan Optional 5-Year Adjustable Rate Term Renewal ..... Eligibility 144
Chapter 11 Structured Adjustable Rate Mortgage (SARM) Loans 146
Section 1101 Description 146
Section 1102 Underwriting 147
Section 1103 Actual Amortization Calculation 148
Section 1104 Prepayment Terms 151
1104.01 Generally 151
1104.02 Prepayment Option 1 – Declining Prepayment Premium Schedule 151
1104.03 Prepayment Option 2 - 1% Prepayment Premium Schedule 152
Section 1105 Interest Rate Caps 153
1105.01 Generally 153
1105.02 Determining the Cap Strike Rate 154
1105.03 Establishing Interest Rate Cap Reserves 155
1105.04 Interest Rate Cap Contract Documentation and Delivery 155

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Chapter 12 Hybrid Adjustable Rate Mortgage (Hybrid ARM) Loans 157
Section 1201 Description 157
Section 1202 Interest Rate Conversion Date 159
Section 1203 Prepayment Terms 159
Section 1204 Monthly Principal and Interest Payments 161
1204.01 During the Fixed Rate Term 161
1204.02 On the Hybrid ARM Loan Conversion Date 161
1204.03 During the Adjustable Rate Term 161
Chapter 13 Supplemental Mortgage Loans 164
Section 1301 Description 164
Section 1302 Supplemental Mortgage Loans 164
1302.01 Description 164
1302.02 Coterminous and Non-Coterminous 166
1302.03 Loan Amount 167
1302.03A Maximum Loan Amount 167
1302.03B Calculating the Debt Service 167
1302.03C Calculating the DSCR and LTV 168
1302.03D New Loan Test 168
1302.04 Tier Dropping 169
1302.04A Designating 169
1302.04B Eligibility 169
1302.04C Ineligible Mortgage Loans 170
1302.05 Streamlined Underwriting 170
1302.05A Property 170
1302.05B Borrower, Guarantor, Key Principals, and Principals 172
Chapter 14 Split Mortgage Loans and Bifurcated Mortgage Loans 174
Section 1401 Description 174
Section 1402 Characteristics 174
Chapter 15 Mezzanine Financing; Preferred Equity and Structured Common .....
Equity 177
Section 1501 Mezzanine Financing 177
1501.01 Description 177
1501.01A Eligible Mortgage Loans 177
1501.01B Eligible Terms 177
1501.01C Loss Sharing 178
1501.01D Lender's Loan Application 178
1501.02 Underwriting 178
1501.03 Submission 180
1501.03A Materials 180
1501.03B Data 180
1501.04 Intercreditor Agreement 181
1501.05 Servicing 181
Section 1502 Preferred Equity and Structured Common Equity 181
Chapter 16 Structured Transactions 183
Section 1601 Description 183
Section 1602 Credit Facilities 183

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Section 1603 Bulk Deliveries 184
Chapter 17 Choice Refinance Loans 188
Section 1701 Eligibility 188
Section 1702 Prepayment Premiums 189
Section 1703 Streamlined Underwriting 190
1703.01 Environmental Site Assessment 190
1703.02 Radon Testing 190
1703.03 Survey 191
1703.04 Borrower Structure and Experience 191
1703.05 Borrower Credit 191
1703.06 Property Management 192
1703.07 Replacement Reserve 192
1703.08 Real Estate Tax and Insurance Escrows 193
Section 1704 Property Ownership Change 193
Chapter 18 Bond Transactions and Credit Enhancement Mortgage Loans 195
Section 1801 Description 195
Section 1802 Outside Counsel 196
1802.01 Engagement 196
1802.02 Fees 197
Section 1803 Third Parties 197
1803.01 Generally 197
1803.02 Remarketing Agent 198
Section 1804 Legal Documents 198
1804.01 Generally 198
1804.02 Credit Enhancement Instrument 198
1804.03 MBS for Bonds 199
1804.04 Affordable Regulatory Agreements 199
Section 1805 Fannie Mae LIHTC Investment in Credit-Enhanced Bonds 200
Section 1806 Credit Enhancing Fixed Rate Bonds 200
1806.01 Terms 200
1806.02 Multiple Fixed Rate Bonds 202
Section 1807 Credit Enhancing Variable Rate Bonds 202
1807.01 Terms 202
1807.02 Principal Reserve Fund 205
1807.03 Interest Rate Cap 206
1807.04 Cap Strike Rate 207
1807.05 Cap Cost Factor Included in Maximum Note Rate 208
1807.06 Interest Rate Cap Reserve 208
1807.07 Interest Rate Cap Reserve Adjustments 209
1807.08 Interest Rate Cap Contract Documentation and Delivery 209
Section 1808 Facility Fee 211
Section 1809 Taxable Tails and Supplemental Mortgage Loans 212
1809.01 Taxable Tails 212
1809.02 Supplemental Mortgage Loans 213
Section 1810 Third-Party Subordinate Financing 213
Section 1811 Moderate Rehabilitation Mortgage Loan with Side-by-Side Bond

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Financing 213
Chapter 19 Forward Commitments 215
Section 1901 Generally 215
1901.01 Description 215
1901.02 Eligible Properties 215
Section 1902 Funded Forward Commitments 215
Section 1903 Unfunded Forward Commitments 215
1903.01 Terms and Interest Rate Determination 215
1903.01A Terms 215
1903.01B Interest Rate Determination and Rate Lock 216
1903.02 Good Faith Deposit and Fees 216
1903.02A Good Faith Deposit 216
1903.02B Fees 217
1903.03 Forward Commitment Underwriting 218
1903.03A Generally 218
1903.03B Construction and Feasibility Review 219
1903.03C Third-Party Reports 220
1903.04 Commitment 223
1903.05 Construction Period 225
1903.05A Monitoring 225
1903.05B Reporting 226
1903.05C Forward Commitment Extensions 226
1903.06 Construction Completion 228
1903.07 Permanent Loan Final Underwriting 229
1903.07A Generally 230
1903.07B Stabilized NCF 232
1903.07C Final Permanent Mortgage Loan Amount 234
1903.07D Third-Party Reports 236
1903.08 Conversion 236
1903.08A Eligibility 236
1903.08B Timeline 237
1903.09 MBS Issuance 238
1903.10 Forward Commitment Termination 238
Chapter 20 Condominium Properties 240
Section 2001 Eligible Mortgage Loans 240
Section 2002 Control 240
Section 2003 Loan Documents 244
Chapter 21 Sponsor-Dedicated Workforce (SDW) Housing Properties 246
Section 2101 Description 246
Section 2102 Compliance 247
GLOSSARY 249

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Part III Products and Features

Chapter 1 Student Housing Properties

Section 101 Description

101.01 Student Housing Property

Requirements

- A Student Housing Property is a multifamily rental property in which 40% or more, but less than 80%, of the units are leased to undergraduate or graduate students.
- A student with sufficient income to pay rent does not count toward the student unit concentration required for a Student Housing Property.

101.02 Dedicated Student Housing Property

Requirements

A Dedicated Student Housing Property is a multifamily rental property in which 80% or more of the units are leased to undergraduate or graduate students.

Guidance

A Dedicated Student Housing Property typically:

- caters to a student population due to its location;
- was specifically constructed as a student property or, although built as conventional multifamily housing, is now leased primarily to students; or
- is not readily rentable as conventional multifamily housing.

Section 102 Generally

Guidance

When underwriting a Student Housing Property or Dedicated Student Housing Property, you should consider the following questions:

- What percentage of units are leased to graduate students versus undergraduate students?

- Has the ratio of student to non-student tenants changed over the past several years?
- Is the Property marketable to non-student tenants, given the size, mix, and quality of the units?
- What is the rent structure? For example, are rents charged on a by unit basis or by bed basis?
- Who are the parties to the lease agreements? For example, are they typically signed by 1 tenant or all tenants, and/or co-signed by parents?
- What is the typical lease term?
- What is the enrollment outlook at the college/university?
- What is the student composition (i.e., full-time versus part-time) at the college/university?
- What are the current and forecasted supply and demand for student housing at the college/university? Will there be any college/university-sponsored construction?
- What is the Key Principals experience with operating Student Housing Properties and Dedicated Student Housing Properties?
- What is the Propertys proximity to campus? Can students walk to class and other campus locations?
- Is the Property conveniently located to a college/university-sponsored transportation line?
- Is the Property subject to a Ground Lease? If so, what are the structure and terms of the Ground Lease?

☑ Requirements

If a Student Housing Property or Dedicated Student Housing Property is subject to a master lease, you must complete the Master Lease Review Checklist (Form 6480).

Section 103 Dedicated Student Housing Property

103.01 Eligible Property Characteristics

☑ Requirements

You must ensure that a Dedicated Student Housing Property:

- caters to a campus with at least 10,000 students, the majority of whom are full-time students;
- is

- located within 2 miles of a campus boundary line, as determined by the local municipality, or
- near a college/university-sponsored transportation line; and

- has operated for at least 1 full school year (i.e., August/September through April/May).

Guidance

The Dedicated Student Housing Property should have stabilized occupancy no later than the month preceding the start of the first semester/quarter of the second full school year.

103.02 Ineligible Property Characteristics

Requirements

Fannie Mae will not purchase any Mortgage Loan secured by a Dedicated Student Housing Property that offers food service.

103.03 Residential Leases

Requirements

You must ensure that at least 80% of the units in a Dedicated Student Housing Property are leased for a minimum term of 12 months.

Guidance

Each student lease agreement should have

- a parental guarantee of the rent, or
- student tenants with sufficient income or other documented financial means to pay the rent.

103.04 Properties on College/University Land

Requirements

You must ensure that a Dedicated Student Housing Property located on college/university land meets the following:

- the Borrower has control over all economic decisions affecting the Property (such as financing, leasing, and management);

- the Key Principal
  - has at least 5 years of operating experience with Dedicated Student Housing, and
  - operates at least 1 other Dedicated Student Housing Property located on college/university land; and
- any Ground Lease complies with Part II, Chapter 1: Attributes and Characteristics, Section 106: Ground Leased Properties.

103.05 Additional Underwriting Documentation

☑ Requirements

Your underwriting must include the following:

- name of the college/university and its current total enrollment;
- current enrollment percentages of full-time graduate and undergraduate students;
- location of the Property relative to the campus;
- whether the Property is part of the college/universitys housing referral program;
- details of the Propertys amenity package;
- whether the Property is convenient to a college/university-sponsored transportation line;
- detailed description of the related rental housing market, including
  - the amount of on-campus rental housing space occupied or available, and
  - any future on- or off-campus rental housing planned or under construction;
- percentage of the Propertys units pre-leased for the semester/quarter;
- percentage of the Propertys tenants who are students;
- percentage of the Propertys leases that have a term of less than 12-months;
- whether the Property is subject to a Ground Lease or master lease and, if so, the structure and terms of the lease; and
- whether parental guaranties are required for leases at the Property.

Requirements

You must use the following table to calculate Underwritten NCF for Student Housing Properties and Dedicated Student Housing Properties.

For Dedicated Student Housing Properties, Fannie Mae will permit by-the-bed income and valuation for units occupied by students if the

- Property has at least 2 years of operating statements using that method, and
- rental rates are comparable to similar Student Housing Properties.

REQUIRED UNDERWRITTEN NCF (STUDENT OR DEDICATED STUDENT HOUSING PROPERTY)		
Item	Function	Description
CALCULATION OF NET RENTAL INCOME		
1		GROSS RENTAL INCOME (GRI) market rents for vacant units based on a current rent roll (multiplied by 12), plus: • for a Student Housing Property the lower of - actual rents in place for occupied units on a per unit basis, or - market rents that would be available if the Property was not leased to students; and • for a Dedicated Student Housing Property the lower of - actual rents in place for occupied units on a per unit or by the bed basis, or - market rents for comparable Dedicated Student Housing Properties.

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REQUIRED UNDERWRITTEN NCF (STUDENT OR DEDICATED STUDENT HOUSING PROPERTY)		
Item	Function	Description
2	PLUS	To the extent deducted as an operating expense, rents for other non-revenue units (e.g., model units deducted in the model apartment operating expense in the general and administrative category, or actual rent from employee units deducted in the employee operating expense in the payroll and benefits category).
	EQUALS	GROSS POTENTIAL RENT (GPR)
3	MINUS	Premiums (e.g., identifiable additional income from furnished units or short term leases) and/or corporate premiums (e.g., identifiable additional income from corporate units, housekeeping services, etc.).
4	MINUS	Physical vacancy market rents for vacant units based on a current rent roll (multiplied by 12).[1]
5	MINUS	Concessions - the aggregate amount of forgone residential rental income from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc.[1]
6	MINUS	Bad debt - the aggregate amount of unpaid rental income determined to be uncollectable, including any adjustments to other income for bad debt.[1]
	EQUALS	NET RENTAL INCOME (NRI)
1 The total of Items 4, 5, and 6 must equal or exceed the greater of • the difference between the trailing 12-month net rental collections (annualized) and GPR, or • 5% of GPR. If trailing 12-month NRI is not available, use a minimum 10% of GPR.		
CALCULATION OF OTHER INCOME		

REQUIRED UNDERWRITTEN NCF (STUDENT OR DEDICATED STUDENT HOUSING PROPERTY)		
Item	Function	Description
7	PLUS	Actual other income (except premiums and corporate premiums) generated through ongoing operations. The income must: • be stable; • be common in the market; • exclude one-time extraordinary non-recurring items; and • be supported by prior years. You must assess the individual month's other income within the prior full year operating statement or, at a minimum, an operating statement covering at least the trailing 6 months (annualized). If there are fluctuations, you may use other income that exceeds the trailing 3-month other income (annualized), provided it does not exceed the highest 1-month other income used in the trailing 3-month other income calculation.
CALCULATION OF COMMERCIAL INCOME		
8	PLUS	Actual income from leased and occupied commercial space per Part II, Chapter 1: Attributes and Characteristics, Section 111: Commercial Leases.
9	MINUS	10% of the actual commercial space income.[2]
10	PLUS	Commercial parking income (e.g., public parking) that does not exceed actual trailing 12-month collections.[2]
2 If net commercial income is greater than 20% of EGI, then reduce to 20% of EGI.		

REQUIRED UNDERWRITTEN NCF (STUDENT OR DEDICATED STUDENT HOUSING PROPERTY)		
Item	Function	Description
11	PLUS	Premiums[3], provided that the income must: • be stable or increasing; • be typical (in type and amount) in the market; • be supported by prior years; and • not exceed the income generated over the most recent year or trailing 12-month period.
12	PLUS	Corporate premiums[3], provided that this income must: • not be included for more than 10% of the Property's units; • be stable or increasing; • be typical (in type and amount) in the market; • be supported by prior years; and • not exceed the income generated over the most recent year or trailing 12-month period.
13	PLUS	Laundry and vending, parking, and all other income per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.
	EQUALS	EFFECTIVE GROSS INCOME (EGI)
3 Premium or corporate premium income cannot exceed 3% of GRI.		
CALCULATION OF OPERATING EXPENSES		

REQUIRED UNDERWRITTEN NCF (STUDENT OR DEDICATED STUDENT HOUSING PROPERTY)		
Item	Function	Description
14	MINUS	Line-by-line stabilized operating expenses. Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a • lease-up, • rehabilitation, or • other short-term positive or negative factors. Non-recurring, extraordinary expenses must not be included. You must assess: • past operating history; • the Appraisers expense analysis; • all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and • the Borrower's budget (in the case of an Acquisition). You must: • analyze historical operations at the Property; and • apply an appropriate increase over the prior years operations in determining an estimate.

REQUIRED UNDERWRITTEN NCF (STUDENT OR DEDICATED STUDENT HOUSING PROPERTY)		
Item	Function	Description
15	MINUS	Property management fee equal to the greatest of: • 4% of EGI; • actual property management fee, provided you - exclude any portion of a non-arms length property management fee that is subordinated to the Mortgage Loan, and - include any known contractual fee increases occurring over the next 24 months; or • Appraiser's concluded market property management fee.
16	MINUS	Real estate taxes per Item 17(b) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
17	MINUS	Insurance per Item 17(c) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
18	MINUS	Utilities, water and sewer, repairs and maintenance, payroll and benefits, advertising and marketing, professional fees, general and administrative, ground rent, and all other expenses per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
19	MINUS	Replacement Reserve expense per Part III, Chapter 1: Student Housing Properties, Section 105: Replacement Reserve.
	EQUALS	UNDERWRITTEN NCF

Section 105 Replacement Reserve

105.01 Determining Replacement Reserve

☑ Requirements

The minimum Replacement Reserve amount must equal the greater of

- the amount calculated per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve, or
- $250 per unit per year.

105.02 Replacement Reserve Funding

☑ Requirements

You must ensure full funding of the Replacement Reserve.

Chapter 2 Military Housing Properties

Section 201 Description

Requirements

A Military Housing Property is any multifamily rental Property in which 40% or more of the units are occupied by individuals serving in, or employed by, the United States military.

Section 202 Ineligible Property Types

Requirements

Fannie Mae will not purchase any Mortgage Loan secured by a Property located on a military base or installation.

Section 203 Generally

Guidance

When underwriting a Military Housing Property, you should consider:

- the stability of nearby bases, including deployment/base closing risks;
- historical performance of the Property during a deployment;
- any impact of military housing plans; and
- ability of the Property to be re-tenanted if the base closes.

Chapter 3 Moderate Rehabilitation Mortgage Loans

Section 301 Description

☑ Requirements

A Moderate Rehabilitation Mortgage Loan is secured by a Property that will undergo at least $8,000 per unit of Rehabilitation Work. This Chapter does not apply to Properties with a lesser amount of rehabilitation work.

Product Description	
Minimum Per Unit Cost for Rehabilitation Work	$8,000 per unit: • based on the total number of residential units at the Property, not the number of units being rehabilitated; and • includes the estimated cost of all Completion/Repairs identified in the PCA (or MBA StandardInspection Form, if applicable).
Rehabilitation Timing	The Rehabilitation Work must be completed as follows: • items identified as Completion/Repairs in the PCA, per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 405: Completion/Repairs; • Efficiency Measures qualifying for aGreen Rewards Mortgage Loan, per Part III, Chapter 4: Green Mortgage Loans; • if the Moderate RehabilitationMortgage Loan meets the requirements for using the Appraised Value on an as completed basis (per Part II, Chapter 2: Valuation and Income, Section 202: Appraisal and Valuation), then the Rehabilitation Work may be completed after the 12-month period, but not later than 36 months after the Mortgage Loan Origination Date; and • all other Rehabilitation Work, in atimely manner, but not later than 36 months after the Mortgage Loan Origination Date.

Product Description	
Completion/Repair Escrows	For Completion/Repairs identified in aPCA, if you require full or partial funding of a Completion/Repair Escrow, any higher funding amount you require above the estimated cost of Completion/Repairs must be funded.
Mezzanine Financing	If the Rehabilitation Work is fundedthrough Mezzanine Financing, you must also comply with Part III, Chapter 15: Mezzanine Financing; Preferred Equity and Structured Common Equity.

Section 302 Underwriting

Requirements

For all Moderate Rehabilitation Mortgage Loans...	
Rent or Income Restrictions	For Multifamily Affordable Housing Properties, you must ensure that the rents expected to be charged after Rehabilitation Work is completed are consistent with any rent or income restrictions.
Tenants, Guests, and Employees	You must identify and mitigate any risks that the Rehabilitation Work may have during the renovation period on • the health and safety of tenants, guests, or employees at any time, and • tenant displacement, and consider a relocation plan to minimize the effects of the displacement.

Guidance

For all Moderate Rehabilitation Mortgage Loans, you should consider the following questions about the Rehabilitation Work:

- Are at least 60% of the budgeted improvements for interior unit upgrades?
- Are the projected cost estimates reasonable and sufficient to complete the entire scope of work?
- Does the budget, including the sources, uses, and schedule, provide

adequate capital availability during the term of the work?

- Are construction contracts guaranteed maximum price contracts that specify a completion date?
- Given the scope of work, is a fully-funded Completion/Repair Escrow or Rehabilitation Reserve Account appropriate?
- Is the Sponsor's net worth and liquidity adequate to fund any unexpected cost overruns or operating deficits?
- Does the Sponsor have demonstrated experience with the scope of work in the same or similar real estate markets?
- Does the Borrower have sufficient economic incentive to complete the entire scope of work, including the feasibility of achieving projected post-rehabilitation rents sufficient to meet the target effective gross income?
- Should a Key Principal execute a Completion Guaranty (Form 6018) that covers a portion or the entire scope of the Rehabilitation Work?
- Should additional collateral (e.g., deposits into the Rehabilitation Reserve Account that are greater than the budget for the Rehabilitation Work, operating deficit reserve, Letter of Credit, etc.) be required?

Section 303 Rehabilitation Work Costing More than $20,000 Per Unit

303.01 Rehabilitation Work Evaluation Report

☑ Requirements

If the Rehabilitation Work will cost more than $20,000 per unit and includes structural additions or modifications, then in addition to the other requirements in this Chapter, you must obtain a rehabilitation work evaluation report from either the PCA Consultant or a licensed architect or engineer.

This rehabilitation work evaluation report must include:

- a review and evaluation of the Property;
- the scope of Rehabilitation Work; and
- all significant construction contracts related to the Rehabilitation Work.

The report must also address, and you must evaluate, the following:

- Is the planned Rehabilitation Work structurally sound and physically feasible?
- Is the estimated cost of the Rehabilitation Work reasonable?
- Will the work be completed within the Borrowers scheduled time frame,

but not later than 36 months after the anticipated Mortgage Loan Origination Date?

- Will the work comply with all zoning, building, and fire code regulations?
- Is there any additional work that is not already planned but that should be undertaken?

303.02 Rehabilitation Reserve Agreement

☑ Requirements

You must ensure that the Borrower:

- Executes a Modifications to Multifamily Loan and Security Agreement (Rehabilitation Reserve Moderate Rehabilitation) (Form 6222) that identifies the planned scope of the Rehabilitation Work on the Rehabilitation Work Schedule, including
  - all of the Rehabilitation Work items,
  - estimated costs,
  - allowance for cost overruns, and
  - completion dates.
- Completes a budget for the planned Rehabilitation Work.
- Funds a Rehabilitation Reserve Account with the:
  - entire budgeted amount (or a higher amount that you require) for all Rehabilitation Work that is not identified as Completion/Repairs by the PCA; and
  - estimated cost (or a higher amount that you require per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 405: Completion/Repairs) for Completion/Repairs.

Section 304 Supplemental Mortgage Loans

☑ Requirements

Moderate Rehabilitation Supplemental Mortgage Loans must comply with Part III, Chapter 13: Supplemental Mortgage Loans, except as modified by this Section.

Supplemental Mortgage Loans	
Origination Date	• Must be originated within 36 months of the Moderate Rehabilitation Mortgage Loan's Origination Date. • Requireno minimum period to elapse provided the minimum Rehabilitation Work is completed at the Property after origination of the Moderate Rehabilitation Mortgage Loan.
Loan Term	Must be coterminous with the Moderate Rehabilitation Mortgage Loan.
Completed Rehabilitation Work	• Completed Rehabilitation Work or other repairs, replacements, or improvements must comply with this Chapter. • You must document evidence of the - qualifying scope of work completed at the Property, and - cost of work and improvements to the Property verified by you.
Site inspection	You must perform a site inspection if the qualifying work was not completed pursuant to a Completion/Repair Schedule or a Rehabilitation Reserve Agreement. This requirement may be satisfied if the most recent asset management site inspection was conducted after the required work was completed at the Property.
Rate Lock	Are not eligible for the Streamlined Rate Lock option.

Chapter 4 Green Mortgage Loans

Section 401 Generally

401.01 Description

Requirements

A Green Mortgage Loan is secured by a Property that incorporates features expected to have a positive environmental outcome including, but not limited to, reducing energy and water consumption at a property, generating energy, or meeting criteria set by a third-party green building certification organization.

A Green Rewards Mortgage Loan is secured by a Property on which the Borrower agrees to undertake 1 or more Energy- and Water-Efficiency Measures (Efficiency Measures or EWEM) that comply with Part III, Chapter 4: Green Mortgage Loans, Section 403: Green Rewards Mortgage Loans.

401.02 High Performance Building Module

Requirements

For a Green Rewards Mortgage Loan, you must:

- retain a consultant to provide either:
  - a High Performance Building (HPB) module (HPB Module), including Appendix H: HPB Module Report Tables (Form 4099.H) as part of a required PCA; or
  - a standalone HPB report (HPB Report), including Form 4099.H; and
- complete the HPB Module or HPB Report and Form 4099.H per the requirements of Form 4099.

Guidance

Notwithstanding the prohibition in the Pricing Memo regarding a Lender paying third-party costs, you may use the Origination Fee to reimburse the Borrower for

- the cost of a standalone HPB Report, or
- the incremental cost of the HPB Module over the cost of the base PCA.

If you use the Origination Fee to pay the Borrower's costs for the HPB

Report or HPB Module, Fannie Mae will reimburse you when you deliver the Green Mortgage Loan.

Operating Procedures

To submit the invoice for the HPB Module or HPB Report for reimbursement, use the Green Mortgage Loan Job Aid.

401.03 Technical Solar Report

Requirements

For a Green Rewards Mortgage Loan where the Borrower wants to install a Solar Photovoltaic System (Solar PV System) as an Efficiency Measure, you must retain a Solar Technical Consultant that is certified by the North American Board of Certified Energy Practitioners (NABCEP) to complete a Technical Solar Report, including Appendix I: Analysis Tool for a Technical Solar Assessment (Form 4099.I), per the Instructions for Performing a Multifamily Property Condition Assessment (Form 4099).

Guidance

If you use the Origination Fee to pay the Borrowers costs for the Technical Solar Report, Fannie Mae will reimburse you when you deliver the Green Mortgage Loan if a Solar PV System is selected as an Efficiency Measure.

Operating Procedure

You must ensure:

1. The HPB Consultant completes the HPB Module.
2. The Solar Technical Consultant completes a Technical Solar Report, including Form 4099.I, that
   - identifies and quantifies the renewable energy generation potential at the Property, and
   - details the system design specifications of any recommended Solar PV System.
3. If the Technical Solar Report confirms the Property is suitable for a Solar PV System, and the Borrower elects to install a Solar PV System at the Property as an Efficiency Measure, the HPB Consultant incorporates the Solar PV System design specifications, and any required roof replacement or additional structural support, from the Technical Solar Assessment (Form 4099.I) into Form 4099.H.
4. For reimbursement, you submit the Technical Solar Report invoice per

the Green Mortgage Loan Job Aid.

401.04 Green MBS

Requirements

You must disclose as a Green MBS any Green Mortgage Loan that you deliver as an MBS Mortgage Loan.

401.05 Committing and Delivery

Operating Procedures

To commit and deliver a Green Mortgage Loan, you must follow the Green Mortgage Loan Job Aid.

Section 402 Green Building Certification

Requirements

To qualify as a Green Mortgage Loan, you must:

- ensure the Property has a Green Building Certification that complies with with Green Building Certifications (Form 4250); and
- review and approve a Green Building Certification prior to
  - Rate Lock, if you are not using the Streamlined Rate Lock option, or
  - the Mortgage Loan Origination Date, if you are using the Streamlined Rate Lock option.

Section 403 Green Rewards Mortgage Loans

403.01 Eligibility

403.01A Generally

Requirements

For a Green Rewards Mortgage Loan Property to be eligible, you must ensure:

- the Property has at least 12 months of Stabilized Residential Occupancy;

- the Borrower selects Efficiency Measures from the HPB Module or HPB Report projected to result in an annual reduction for the whole Property of at least 30% in combined energy and/or water consumption of which at least 15% must be attributable to savings in energy consumption; and
- for a Manufactured Housing Community,
  - the 15% energy consumption savings is achieved only through the installation of a Solar PV System or other renewable energy system,
  - all Efficiency Measures, including the Solar PV System, are made only to Borrower-owned property,
  - electricity is metered at the whole Property level (master-metered) by the utility to the Property owner (even if reimbursed by the tenants), and
  - the energy or water consumption reduction is based only on utilities that are metered at the whole Property level (master-metered).

Energy consumption savings may represent reductions in whole-Property consumption of energy supplied by utilities or energy suppliers (including delivered energy such as fuel oil or propane) compared to the previous 12-month baseline through a combination of the installation of an onsite renewable energy system and energy efficiency measures.

403.01B HPB Module, HPB Report, and Technical Solar Report Scoring

☑ Requirements

You must score each HPB Module, HPB Report, and Technical Solar Report per the following 3-point system:

Score	Quality of HPB Module, HPB Report, and Technical Solar Report
1	Either you or Fannie Mae may approve as is. No further corrections.
2	The consultant must address minor issues or clarify content before you or Fannie Mae approve it. Minor corrections.
3	The consultant must make major changes or multiple revisions before you or Fannie Mae approve it. Substantial issues.

The final HPB Module, HPB Report, and Technical Solar Report must be scored as a "1" before you approve the report or submit it to Fannie Mae for approval, if required.

403.01C HPB Module, HPB Report, and Technical Solar Report Approval

Requirements

You must submit an HPB Report or HPB Module to Fannie Mae for approval if:

- you have delivered less than 8 Mortgage Loans that included an HPB Report (or a PCA Report containing an HPB Module); or
- your HPB Consultant has not been designated as Pre-Qualified by Fannie Mae at https://multifamily.fanniemae.com/financing-options/green-financing.

Before Rate Lock, you must submit any Technical Solar Report to Fannie Mae for approval.

Operating Procedures

If Fannie Maes approval of an HPB Module, HPB Report, or Technical Solar Report is required, you must:

- Submit in DUS Gateway, per the Green Mortgage Loan Job Aid, the
  - HPB Module or HPB Report and Form 4099.H, or
  - Technical Solar Report and Form 4099.I.
- Follow this submission timing:
  - For the HPB Module or HPB Report,
    - at least 5 days before Rate Lock, if not using the Streamlined Rate Lock option, or
    - at least 10 days before the Mortgage Loan Origination Date, if using the Streamlined Rate Lock option.
  - For the Technical Solar Report, at least 10 days before Rate Lock.

403.01D Non-Contiguous Parcels

Requirements

For a Mortgage Loan secured by Non-Contiguous Parcels, a separate HPB Module, HPB Report, or Technical Solar Report is required for each Collateral Record in C&D.

403.02 Implementing Efficiency Measures

403.02A Generally

☑ Requirements

After the Borrower selects the Efficiency Measures, you must:

- Include the selected Efficiency Measures on the Addendum to Schedule 6 to the applicable
  - Modifications to Multifamily Loan and Security Agreement (Green Mortgage Loan) (Form 6241), or
  - Modifications to Multifamily Loan and Security Agreement (Green/Solar Mortgage Loan) (Form 6264).
- Add the Addendum to Schedule 6 to the applicable:
  - Completion/Repair Schedule; or
  - Rehabilitation Work Schedule to the Rehabilitation Reserve Agreement.
- Describe each Efficiency Measure in enough detail to ensure that any specific products or equipment are installed, including quantities and applicable performance specifications.
- Ensure funds to complete the selected Efficiency Measures are deposited into the Completion/Repair Escrow or the Rehabilitation Reserve Account, in an amount equal to 125% of the estimated cost of all capital improvements identified by the HPB Module, HPB Report, or Technical Solar Report for the selected Efficiency Measures.
- Require all Efficiency Measures be completed in a timely manner and no later than
  - 12 months after the Mortgage Loan Origination Date, or
  - any shorter time period required by Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 404: Property Condition Assessment (PCA) for capital improvements identified as Immediate Repairs by the PCA.

403.02B Solar PV System

☑ Requirements

For a Green Rewards Mortgage Loan, if the Borrower elects to install a Solar PV System as an Efficiency Measure, you must ensure:

- All Solar PV System equipment, including energy storage, will be Borrower-owned and located on the Property.
- The Property will remain connected to the utility grid.
- The Borrower enters into an Operations and Maintenance Plan covering the Mortgage Loan term.
- The Solar PV System has a minimum manufacturer performance warranty of 25-years for the solar panels, and a minimum 10-year product warranty for:
  - solar panels;
  - inverters;
  - racking systems; and
  - batteries for energy storage.
- Roof age and condition support Solar PV System design and installation, and any roof replacement specified in the Technical Solar Report is included as an Efficiency Measure.
- A performance guaranty that covers the full term of the Mortgage Loan is required for systems over 500kW;
- Battery storage is for on-site use only and does not commit the Property to an arrangement with any utility, third-party, or off-site use.
- Outside counsel with Solar PV System experience and state-specific knowledge reviews all applicable local laws and any contracts or agreements related to the Solar PV System installation and operation.
- The Solar PV System installer has a team member or subcontractor who is NABCEP certified.

403.03 Underwritten NCF

☑ Requirements

You must ensure that the Underwritten NCF for a Green Rewards Mortgage Loan is calculated per Part II, Chapter 2: Valuation and Income or the applicable Part III Chapter.

For any Green Rewards Mortgage Loan where the Borrower elects to install a Solar PV System as an Efficiency Measure, the Underwritten NCF must include all new or increased operating expenses associated with the Solar PV System, such as:

- Operations and Maintenance Plan fees;

- real estate taxes;
- property and liability insurance;
- utility fees; and
- replacement reserves.

Guidance

You may include projected energy and water cost savings from implementing selected Efficiency Measures when calculating Underwritten NCF, up to:

- 75% of any cost savings projected to accrue to the Borrower; plus
- 25% of any cost savings projected to accrue to the tenants, but only if the projections are based on whole-Property or sampled (not modeled) consumption as defined by Form 4099.

403.04 Maximum Amount

Requirements

The maximum amount of a Green Rewards Mortgage Loan that includes projected cost savings in the Underwritten NCF must not exceed 105% of the Mortgage Loan amount based on the Underwritten NCF excluding the projected cost savings.

403.05 Supplemental Mortgage Loans

Requirements

You must base the maximum Green Rewards Supplemental Mortgage Loan amount on the aggregate UPB of all Pre-Existing Mortgage Loans secured by the Property, plus the amount of the Green Rewards Supplemental Mortgage Loan.

Guidance

Certain Green Rewards Supplemental Mortgage Loans may not count toward the limit on the number of Supplemental Mortgage Loans (see Part III, Chapter 13: Supplemental Mortgage Loans, Section 1302: Supplemental Mortgage Loans).

Section 404 Annual Energy Reporting

☑ Requirements

You must use the following forms requiring the Borrower to report the Property's annual energy and water use:

- for a Green Rewards Mortgage Loan where the Borrower elects to install a Solar PV System, Modifications to Multifamily Loan and Security Agreement (Green/Solar Mortgage Loan) (Form 6264);
- for any other Green Rewards Mortgage Loan, Modifications to Multifamily Loan and Security Agreement (Green Mortgage Loan) (Form 6241); or
- for any Green Mortgage Loan Property with a Green Building Certification, Modifications to Multifamily Loan and Security Agreement (Green Building Certification) (Form 6267).

For all Green Mortgage Loans, you must ensure the Borrower has enrolled with Fannie Maes Green Measurement and Verification Consultant within 60 days after the Mortgage Loan Origination Date.

Chapter 5 Seniors Housing Properties

Section 501 Generally

501.01 Description

☑ Requirements

A Seniors Housing Property is a multifamily residential rental property with Independent Living, Assisted Living, Alzheimers/Dementia Care, or Skilled Nursing units.

501.02 Eligible Lenders

☑ Requirements

You must be approved in writing to Deliver Seniors Housing Mortgage Loans.

501.03 Key Principal/Sponsor Experience

☑ Requirements

You must ensure that the Key Principal or Sponsor has owned or operated Seniors Housing Properties of commensurate type, size, and service level as the Property.

Section 502 Eligible Properties

502.01 Eligible Properties

☑ Requirements

You must ensure that a Seniors Housing Property has the following design features:

- convenience features for the elderly in all units, such as grab bars in the bathrooms and emergency pull-cords or equivalent safety items;
- a fully operational sprinkler system throughout each level of each building (including all units and common areas), regardless of local building code or other governmental requirements;
- a commercial kitchen for preparing meals for residents;
- kitchens or kitchenettes containing a refrigerator, microwave or comparable cooking element, and sink in each Independent Living unit, and also in, each Assisted Living unit if consistent with the market; and

- bathrooms in each Independent Living and Assisted Living unit.

502.02 Ineligible Properties

☑ Requirements

Fannie Mae will not purchase any Mortgage Loan secured by a Seniors Housing Property:

- comprised of only Skilled Nursing units;
- that does not meet the Skilled Nursing NCF Test per Part III, Chapter 5: Seniors Housing Properties, Section 504.02: Skilled Nursing NCF Test; or
- if the original Seniors Housing Mortgage Loan UPB exceeds 100% of the lesser of:
  - the portion of the Appraised Value attributed to land and all Improvements; or
  - for a Seniors Housing Property Acquisition, the portion of the Propertys Acquisition price per the final title company settlement statement attributed to land and all Improvements, but excluding any portion attributed to
    - Intangible Property, and/or
    - Personal Property (but including fixtures if customarily valued as real estate in the market).

Section 503 Continuing Care Retirement Communities (CCRCs)

☑ Requirements

You must ensure that a CCRC has:

- had at least 90% physical occupancy for each of the past 5 fiscal years;
- debt service reserves equal to at least 1 year of P&I; and
- a DSCR of at least 1.00 based on annualized rent collections and operating expenses, excluding net entrance fees.

For any CCRC with an entrance fee, your underwriting must include a summary and analysis of the following:

- actuarial report (including a copy of the report);
- range and weighted average of entrance fees offered at the Property,

which must be within the range of median home values in the local market;

- entrance fee refund plans (for example, full, partial, declining, non-refundable);
- required entrance fee reserve;
- whether the entrance fee reserve can be assigned as collateral for the Mortgage Loan;
- net entrance fee income (collections minus refunds) for the past 5 years;
- sufficiency of the entrance fee reserve;
- market analysis of entrance fees;
- underwritten net entrance fee income;
- historical annual resident turnover;
- required operating reserves;
- whether the operating reserves can be assigned as collateral for the Mortgage Loan;
- identity of all governmental authorities that license the Property and Seniors Housing Operator; and
- status of each required license.

Section 504 Seniors Housing Property Income

504.01 Underwritten NCF

☑ Requirements

You must use the following table to calculate Underwritten NCF for Seniors Housing Properties.

REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
CALCULATION OF NET RENTAL INCOME		
1		GROSS RENTAL INCOME per Item 1 in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
2	PLUS	Medicaid income (does not include Medicare, which is included in Skilled Nursing income).

REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
3	PLUS	Skilled Nursing income actual trailing 12-month collections for Skilled Nursing units (if 12-month collections are not available, then actual trailing 6-month collections (annualized)).[1]
4	PLUS	To the extent deducted as an operating expense, rents for other non-revenue units (e.g., model units deducted in the model apartment operating expense in the general and administrative category, or actual rent from employee units deducted in the employee operating expense in the payroll and benefits category).
	EQUALS	GROSS POTENTIAL RENT (GPR)
5	MINUS	Physical vacancy market rents for vacant units based on a current rent roll (multiplied by 12).[2]
6	MINUS	Concessions the aggregate amount of forgone residential rental income from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc.[2]
7	MINUS	Bad debt the aggregate amount of unpaid rental income determined to be uncollectable, including any adjustments to other income for bad debt.[2]
	EQUALS	NET RENTAL INCOME (NRI)[1]

REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
1 Skilled Nursing income must not be grossed up to 100% before the 20% deduction is applied. An additional 20% is taken off the Skilled Nursing income. 2 The total of Items 5, 6, and 7 must equal the greater of: • the difference between the trailing 3-month net rental collections (annualized) and the GPR; or • the following percentages: - Independent Living: if the percentage of Independent Living units is greater than 50%, then use 5% of GPR. - Assisted Living (60 total units or more): if the percentage of Assisted Living units or the combined percentage of Assisted Living and Alzheimers/Dementia Care units is 50% or greater, then use 5% of GPR. - Assisted Living (less than 60 total units): if the percentage of Assisted Living units or the combined percentage of Assisted Living and Alzheimers/Dementia Care units is 50% or greater, then use 10% of GPR. - Alzheimers/Dementia Care: if the percentage of Alzheimers/Dementia Care units is 100%, then use 10% of GPR. - Skilled Nursing units: use 20% of collections based on the trailing period used in determining Skilled Nursing income in Item 3. You must determine if NRI declined per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and adjust Underwritten NRI as required.		
CALCULATION OF ASSISTED LIVING SERVICE INCOME AND OTHER INCOME		
8	PLUS	Trailing 12-month nursing/medical income (includes Assisted Living service income).
9	PLUS	Trailing 12-month ancillary income attributable to Skilled Nursing units, if applicable.
10	PLUS	Trailing 12-month other income for second resident fees, meals, tray service, laundry, special transportation, community fees, parking revenue, and any other income.
CALCULATION OF NET ENTRANCE FEE INCOME		

REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
11	PLUS	Net entrance fee income associated with CCRCs resident entrance fee collections minus entrance fee refunds, but not more than the annualized average of the trailing 60-months of net entrance fee income.
CALCULATION OF COMMERCIAL INCOME		
12	PLUS	Actual income from leased and occupied commercial space per Part II, Chapter 1: Attributes and Characteristics, Section 111: Commercial Leases.
13	MINUS	10% of the actual commercial space income.[3]
14	PLUS	Commercial parking income (e.g., public parking) that does not exceed actual trailing 12-month collections.[3]
	EQUALS	EFFECTIVE GROSS INCOME (EGI)
3 If net commercial income is greater than 20% of EGI, then reduce to 20% of EGI.		
CALCULATION OF OPERATING EXPENSES		

REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
15	MINUS	Line-by-line stabilized operating expenses. Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a • lease-up, • rehabilitation, or • other short-term positive or negative factors. Non-recurring, extraordinary operating expenses must not be included. You must assess: • past operating history; • the Appraisers expense analysis; • all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and • the Borrower's budget (in the case of an Acquisition). You must: • analyze historical operations at the Property; and • apply an appropriate increase over the prior years operations in determining an estimate.
16	MINUS	Property management fee equal to the greatest of: • 5% of EGI; • actual property management fee, including any known contractual fee increases occurring over the next 24 months; or • Appraiser's concluded market property management fee.
17	MINUS	Real estate taxes per Item 17(b) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).

REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
18	MINUS	Insurance per Item 17(c) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
19	MINUS	Room expense housekeeping, if applicable.
20	MINUS	Meals expense, if applicable.
21	MINUS	Utilities, water and sewer, repairs and maintenance, payroll and benefits, advertising and marketing, professional fees, general and administrative, ground rent, and all other expenses per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
22	MINUS	Replacement Reserve expense per Part III, Chapter 5: Seniors Housing Properties, Section 505: Replacement Reserve.
	EQUALS	UNDERWRITTEN NCF

504.02 Skilled Nursing NCF Test

Requirements

Fannie Mae will not purchase any Mortgage Loan if the Skilled Nursing NCF is more than 20% of the Property's NCF.

You must:

- Calculate the Skilled Nursing NCF at underwriting to determine if the Property will meet this Skilled Nursing NCF test.
- Retest all Properties with Skilled Nursing units annually after closing to ensure compliance.
- Contact the Fannie Mae Deal Team to ensure the Loan Documents for any transaction with Skilled Nursing units include appropriate modifications.

The Skilled Nursing NCF test is a Property-specific test. You must separately test a Property with Skilled Nursing units, if the Mortgage Loan is

- secured by multiple Properties, or
- cross-defaulted or cross-collateralized with another Mortgage Loan.

You must use the following table to calculate the Skilled Nursing NCF.

REQUIRED SKILLED NURSING NCF AND PERCENTAGE (SENIORS HOUSING PROPERTY)		
Item	Function	Description
SKILLED NURSING EFFECTIVE GROSS INCOME		
1		SKILLED NURSING INCOME actual trailing 12-month collections for Skilled Nursing units (if 12-month collections are not available, then actual trailing 6-month collections (annualized)).
2	MINUS	20% of collections based on the trailing period used in determining the Skilled Nursing income.
3	PLUS	Ancillary income attributable to Skilled Nursing units.
	EQUALS	SKILLED NURSING EFFECTIVE GROSS INCOME (EGI)
SKILLED NURSING EXPENSES		
4	MINUS	Fixed expenses greater of actual or allocated fixed expenses (e.g., real estate taxes, liability insurance, etc.) for Skilled Nursing units.
5	MINUS	Variable operating expenses for Skilled Nursing units.
	EQUALS	SKILLED NURSING NCF
6	DIVIDED BY	Underwritten NCF per Part III, Chapter 5: Seniors Housing Properties, Section 504.01: Underwritten NCF.
	EQUALS	SKILLED NURSING NCF PERCENTAGE

504.03 Operating Lease Ratios

☑ Requirements

If the Seniors Housing Operator

- does not have any direct or indirect ownership interest in the Borrower or the Key Principal, or
- is not a Person Controlled by, under common Control with, or which Controls, the Borrower or Key Principal, then you must ensure that the Property meets the following ratios:

Ratios	Requirements
Operating Lease Coverage Ratio	The minimum underwriting ratios for Underwritten NCF to current year operating lease payments are: • 1.10 for Seniors Housing Properties where more than 50% of the units are Independent Living units; and • 1.15 for Seniors Housing Properties where 50% or more of the units are Assisted Living, Alzheimers/Dementia Care, or Skilled Nursing units.
Operating Lease Payment to Debt Service Payment Ratio	The minimum underwriting ratios of the current year operating lease payments to the underwritten fixed rate debt service payments are: • 1.15 for Seniors Housing Properties where more than 50% of the units are Independent Living units; and • 1.20 for Seniors Housing Properties where 50% or more of the units are Assisted Living, Alzheimers/Dementia Care, or Skilled Nursing units.

504.04 Operating Lease Analysis

Requirements

Before finalizing the Loan Documents, you must:

- Obtain a copy of each management agreement, operating lease, master lease, and sublease including all exhibits and amendments.
- Upload into DUS Gateway a completed Seniors Housing Operating Lease Review Checklist (Form 6487.SRS) that analyzes the
  - underwriting and legal aspects of each lease and its impact on the operations of the Property, and
  - obligations of the Borrower, each Guarantor, and the Seniors Housing Operator under the Loan Documents.

Section 505 Replacement Reserve

Requirements

The minimum Replacement Reserve amount must equal the greatest of:

- the amount calculated per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve;
- $300 per unit per year for a Property with no Skilled Nursing units; or
- $450 per unit per year for a Property with any Skilled Nursing units.

Section 506 Medicaid Funds

506.01 Dependency and Medicaid Transition Reserve

Requirements

You must analyze the EGI to determine the percentage derived from payments under a Medicaid provider agreement with a government authority or managed care organization (Medicaid Funds).

Operating Procedures

If more than 20% of the EGI is derived from Medicaid Funds, Fannie Mae may require that you

- establish a Medicaid transition reserve account, and/or
- enter into an account control agreement with the Borrower.

If Fannie Mae requires a Medicaid transition reserve, you must:

- determine the appropriate amount of the reserve by considering the
  - reimbursement rates of the government authority or managed care organization, and
  - percentage of Medicaid-supported residents at the Property;
- ensure that the Borrower sufficiently funds the reserve; and
- use the Modifications to Multifamily Loan and Security Agreement (Medicaid Transition Reserve) (Form 6237.SRS) and Modifications to Multifamily Loan and Security Agreement Addenda to Schedule 2 Summary of Loan Terms (Medicaid Transition Reserve) (Form 6102.21.SRS).

If Fannie Mae requires an account control agreement, you must

- require the Borrower to deposit the Medicaid Funds into a controlled account,
- include in the agreement an acknowledgement of Fannie Maes first Lien on, and control over, the Medicaid Funds, and
- obtain Fannie Mae's approval if you elect not to use Fannie Mae's form.

506.02 State Medicaid

☑ Requirements

The Property must be located in a state that has a

- Medicaid waiver in place, or
- Medicaid plan that allows for the payment of services and housing costs from Medicaid Funds.

You must document the Medicaid waiver or plan and demonstrate that it allows for the payment of services performed, and housing costs incurred, at the Property.

Section 507 Consultant Reports

507.01 Management, Operations, and Regulatory Compliance

☑ Requirements

You must engage a third-party professional to analyze the Property's management, operations, and regulatory compliance.

The third-party professional you select must have:

- been in good standing for the past 5 years as a licensed administrator, licensed practical nurse, or registered nurse; and
- at least 5 years of experience with
  - the operation of Seniors Housing Properties, and
  - regulatory matters affecting Seniors Housing Properties.

You must assess and summarize the information presented and conclusions reached by the third-party professional.

507.02 Management and Operations Reports

☑ Requirements

You must obtain management and operations reports for the Property that assess:

- competency, performance, and experience of management at the corporate, regional, and Property levels;
- qualifications of key personnel,
  - noting their experience and length of time in current positions at the Property, and
  - including copies of available resumes;
- hiring and screening practices and personnel policies (such as employee handbooks, orientation materials, initial and in-service training materials, available resources);
- staffing levels, composition, and qualifications;
- risk management policies and procedures, including an analysis of the backgrounds of individuals employed to handle insurance and risk management matters;
- policies and procedures supporting and aligning resident services;
- availability and use of home health services, including whether
  - home health services are available,
  - home health services are provided by the Borrower, the Seniors Housing Operator, an Affiliate of the Borrower or the operator, or a third party, and
  - the home services provider leases space at the Property;
- policies and procedures for documenting residents well-being (such as periodic resident assessments, tracking the general health condition of each resident, resident safety and evacuation plans);
- content of the admission application and the residency or lease agreement;
- resident turnover data;
- availability of replacements for the Seniors Housing Operator; and
- overall management and operations, including an analysis and detailed recommendations for any other matters material to the ownership, operation, or management of the Property.

507.03 Regulatory Compliance Report

☑ Requirements



You must obtain a Regulatory Compliance Report for all licensed Seniors Housing Properties. The report must include the following information as of the date of the report:

- identity of all government authorities with jurisdiction over the Property and each authoritys definition of the level of care permitted at the Property;
- summary and copies of all government surveys conducted during the past 3 years, including
  - a summary and analysis of all deficiencies identified in the surveys,
  - the severity of these deficiencies, and
  - the correction plans for all deficiencies, whether corrected or outstanding;
- summary and analysis of all enforcement actions during the past 3 years resulting from a state survey inspection (such as a probationary license or ban on admissions), together with a summary and analysis of any remedial plan of action;
- photocopies of all regulatory permits, licenses, and certificates;
- state staffing requirements;
- summary of the status of any federal, state, or local proposed regulations (or amendments to existing regulations) that could affect the Property or any aspect of the Seniors Housing industry;
- summary of the regulatory and licensing procedures required to change Property ownership, any service provider, the authority to operate, or the management of the Property, and this summary must
  - identify the changes that require advance notice and/or prior approval from the relevant government authority, and
  - describe any advance notice requirements, such as timing, required recipients, and required notice content;
- if the Borrower or Seniors Housing Operator participates in
  - the states Medicaid waiver program, or
  - another third-party subsidy program,
  - an assessment of the risk to the Propertys operations if the program is discontinued;
- identification and analysis of any special insurance requirements of government authorities (such as workers compensation insurance or medical director professional liability insurance);

- copies of the sources and references used to complete this report; and
- overall assessment of regulatory matters affecting the Property, including an analysis and detailed recommendations for any other matters material to the ownership, operation, or management of the Property.

Chapter 6 Manufactured Housing Communities

Section 601 Description

Requirements

An MH Community is a residential real estate development with lots on which Manufactured Homes are located, together with amenities, utility services, landscaping, roads, and other infrastructure.

Section 602 Lender Eligibility

Requirements

You must be approved in writing to Deliver MH Community Mortgage Loans.

Section 603 Legal and Property Compliance

603.01 Borrower and the MH Community

603.01A Borrower Ownership

Requirements

If the Borrower is a non-profit entity, then you must ensure that each of the following complies with Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals:

- the Borrower;
- Key Principals;
- Guarantors; and
- Principals.

Guidance

If the Borrower is a non-profit entity, you may reimburse the Borrower from the Origination Fee for up to a combined total of $10,000 for the cost of any required MH Community Mortgage Loan third-party reports (e.g., Appraisal, Environmental Site Assessment).

Operating Procedures

Fannie Mae will reimburse the cost of any third-party report within 2 months after the delivery of the Mortgage Loan. To receive reimbursement, you must:

- request an invoice from the vendor with the report cost listed as a separate line item from any ancillary charges (Fannie Mae will not reimburse other costs such as fees for expediting a report);
- within 1 month after the Mortgage Loan Origination Date:
  - complete Form 4829, detailing the Lenders information, the commitment number or loan number, Property information, wiring instructions, and listing the third-party cost as Other (note that any fields related to servicing may be left blank); and
  - manually sign or e-sign Form 4829, scan or save it as a PDF file, and email the signed PDF Form 4829 and the third-party report invoice to: mhc_report_reimbursement@fanniemae.com.

603.01B Collateral; Tenant-Occupied and Affiliate-Owned Homes

☑ Requirements

The collateral for an MH Community Mortgage Loan consists of

- the MH Community's land and infrastructure,
- the rents for the MH Sites, and
- any other Borrower-owned property used for the MH Community.

The percentage of tenant-occupied Manufactured Homes must not exceed 35%. If the percentage of tenant-occupied Manufactured Homes is greater than 25%, then:

- the Borrowers business plan must reflect the conversion of tenant-occupied Manufactured Homes to owner-occupied over time; and
- ongoing business related to the sale, financing, or rental of a Manufactured Home located on the Property must be performed by an Affiliate.

If any Affiliate-Owned Manufactured Homes are leased to tenants by an Affiliate of either the Borrower or a Key Principal, then:

- The MH Site lease must be at a market rate rent.
- If the tenants rent payment includes both the rent for the Affiliate-Owned Manufactured Home and the rent for the MH Site, then either:
  - the check must be payable to and deposited by the Borrower, which must pay all required P&I, and escrows before remitting the rent payment to the Affiliate; or
  - you must consider whether it is appropriate to require a lockbox

arrangement with the Borrower and the Affiliate

- into which all rent checks for the Manufactured Homes and MH Sites must be deposited, and
- from which you can control the disbursement of funds for P&I, required escrows, and the Manufactured Home rentals, with the remainder disbursed to the Borrower.

603.01C MH Community

Requirements

An eligible MH Community must:

- have a minimum of 50 MH Sites;
- consist of contiguous parcels or, if the MH Community is made up of Non-Contiguous Parcels:
  - all parcels must be located within the same MSA; and
  - each separate parcel (individually), and all Non-Contiguous Parcels (together), must comply with the Guide; and
- achieve at least a Level 3 Quality Rating per the Manufactured Housing Community Quality Rating Standards table in Part III, Chapter 6: Manufactured Housing Communities, Section 603.02: MH Community Score.

An MH Community must be served by either

- public underground utilities, or
- private sewage treatment plants, septic systems, and private water wells which are:
  - common for the market;
  - owned by the Borrower or an Affiliate; and
  - in compliance with all applicable government requirements.

Guidance

The Mortgage Loan may be secured by either an Age-Restricted MH Community or an All-Age MH Community.

You should consider the following:

- For an MH Community that is more than 25 years old, does the Borrower have a plan for placing new Manufactured Homes in the MH Community as MH Sites with older Manufactured Homes are vacated?
- Are the landscaping and entrance signage high quality and well maintained?
- For an MH Community served by a private sewage treatment plant, septic system, or a private water well, then:
  - Address the availability and cost of obtaining a backup source for water if the MH Community has a private water well.
  - Ensure that the operator of the facility, including its employees and contractors, meet all applicable government requirements to perform ongoing operation and maintenance.
  - If the operator is an employee of the Borrower, identify a local, qualified vendor that could be retained if substitute services are needed.
  - Exercise reasonable due diligence, including contacting municipal agencies, to confirm that
    - the MH Communitys connection to a municipal system has not been mandated, and
    - no mandate is expected to occur during the term of the Mortgage Loan.
  - If hookup is imminent, determine if an escrow for the cost is appropriate.

603.02 MH Community Score

☑ Requirements

You must determine the MH Community Score using the MH Community Quality Rating Standards table. The overall MH Community Quality Rating is based on the lowest rating for any 1 characteristic.

The MH Community must:

- meet a Level 3 Quality Rating; or
- achieve most of the minimum Quality Rating characteristics and either
  - the unsatisfactory characteristics are not materially detrimental to the performance, overall appearance, desirability, and quality of the MH Community, or
  - any failed characteristic must be remediated as a Completion/Repair

item.

Manufactured Housing Community Quality Rating Standards			
Characteristic	Level 3 Quality Rating	Level 4 Quality Rating	Level 5 Quality Rating
	Minimum Standard	Minimum Standard applies (except as detailed)	Level 4 applies (except as detailed)
Streets	Paved Roads.	Same as Level 3.	Rolled curbs (if warranted by layout/drainage needs).
Home Sites	• Area under the Manufactured Homes consists of concrete, crushed rock, or dirt. • Entry to the Manufactured Homes is through a patio or porch. • Manufactured Homes are supported by stacks of hollow concrete block or steel pier systems along the main beams (with ground anchors and steel straps holding the frame against movement) that meet local and state requirements.	Same as Level 3 with at least 60% of MH Sites having commercial grade porch/cabanas or patios.	Same as Level 3 with all MH Sites having commercial grade porch/cabanas or patios.

Manufactured Housing Community Quality Rating Standards			
Characteristic	Level 3 Quality Rating	Level 4 Quality Rating	Level 5 Quality Rating
	Minimum Standard	Minimum Standard applies (except as detailed)	Level 4 applies (except as detailed)
Site Size	Preference for 50% doublewide MH Sites, however you have delegated discretion on the percentage of doublewide sites as long as the MH Community is competitive with a clear market demand for singlewide MH Sites.	Same as Level 3.	Minimum 50% doublewide MH Sites.
Density	Density reflects the norm for the Property market. Generally, maximum density is 12 MH Sites per acre, however you have delegated discretion to determine the typical density in your market.	Density reflects the norm for the Property market. Generally, maximum density is 7 MH Sites per acre, or 10 MH Sites per acre if developed before 2000.	Same as Level 4.

Manufactured Housing Community Quality Rating Standards			
Characteristic	Level 3 Quality Rating	Level 4 Quality Rating	Level 5 Quality Rating
	Minimum Standard	Minimum Standard applies (except as detailed)	Level 4 applies (except as detailed)
Skirts/Hitches	100% of the Manufactured Homes are professionally skirted, with hitches covered or removed. You can meet this requirement through a Completion/Repair Schedule.	Same as Level 3.	All of the Manufactured Homes are professionally skirted, with hitches removed.
Parking	Minimum of 2 on- or off-street parking spaces per MH Site that are properly maintained, paved, concrete, or gravel (if common in the market). You have delegated discretion to determine compliance based on prevailing market conditions, subject to local ordinances.	Same as Level 3.	2 paved off-street parking spaces per MH Site.

Manufactured Housing Community Quality Rating Standards			
Characteristic	Level 3 Quality Rating	Level 4 Quality Rating	Level 5 Quality Rating
	Minimum Standard	Minimum Standard applies (except as detailed)	Level 4 applies (except as detailed)
Amenities	Not required, but amenity package should be competitive based on market comparables.	Competitive amenity package required.	High quality amenity package competitive with other high-quality MH Communities.

603.03 Code Standards

Requirements

You must:

- determine if all Manufactured Homes in the MH Community meet the requirements of the Manufactured Home HUD Code; and
- ensure the Loan Documents require Borrower certification that no additional Manufactured Homes predating the Manufactured Home HUD Code will be added to the MH Community during the Mortgage Loan term.

Guidance

Fannie Mae may allow Manufactured Homes predating the Manufactured Home HUD Code if

- they are Borrower-owned Manufactured Homes or Affiliate-Owned Homes that comply with local codes with no identified life safety issues, and
- you document the number of Manufactured Homes predating the Manufactured Home HUD Code.

Fannie Mae may allow rental units that do not comply with the Manufactured Home HUD Code (e.g., certain park model recreational vehicles) if the rental income is included as commercial income in Part III, Chapter 6: Manufactured Housing Communities, Section 606: Property Income and

Underwritten NCF.

603.04 Flood Zone

603.04A Rising Water

☑ Requirements

For an MH Community located in a flood zone with rising water (e.g., flood water that quickly dissipates and flood zone A or AE) you must ensure the Borrower notifies all Homeowners and all tenants of Borrower-owned or Affiliate-Owned Homes occupying an MH Site located in the flood zone before the Mortgage Loan Origination Date.

For Manufactured Homes located in a rising water flood zone...	
If you • do not know the base flood elevation for the flood zone (e.g., flood zone A), or • know that the living floor levels are below the base flood elevation	Then: • you must calculate the Underwritten DSCR excluding the site rent for Manufactured Homes with living floor levels within the flood zone; and • if the resulting Underwritten DSCR decreases to more than 10 basis points below the minimum Tier 2 standard, you cannot underwritethe site rent for those Manufactured Homes.

603.04B Moving Water

☑ Requirements

For an MH Community located in a flood zone with the potential for flooding due to moving water (e.g., typically in flood zone A and AE and located next to a stream, river, etc.), you must ensure:

- your underwriting assumes that MH Sites located in the flood zone are considered non-income producing MH Sites; and
- the Borrower notifies all Homeowners and all tenants of Borrower-owned or Affiliate-Owned Homes occupying an MH Site located in the flood zone before the Mortgage Loan Origination Date.

603.05 Lease Terms

603.05A Master Leases

Requirements

You must ensure there are no master lease arrangements affecting any of the MH Sites.

603.05B MH Site Leases

Requirements

MH Site Leases must

- be in writing, and
- not contain an option to purchase the MH Site.

The Borrower must agree to implement the Tenant Site Lease Protections for all MH Sites by the end of the first loan year.

Operating Procedures

The Tenant Site Lease Protections may be incorporated

- by amending each MH Site Lease; or
- within the MH Communitys rules and regulations, if the MH Site Lease incorporates the rules and regulations by reference.

The Multifamily Loan Agreement must include a:

- covenant to implement the Tenant Site Lease Protections by the end of the first loan year;
- requirement that, if the Tenant Site Lease Protections were implemented within the MH Communitys rules and regulations:
  - the rules and regulations are publicly posted; and
  - each lessee of an MH Site Lease receives written notice of the Tenant Site Lease Protections; and
- Borrower:
  - representation stating the percentage of MH Site Leases with the Tenant Site Lease Protections;
  - covenant to continue the Tenant Site Lease Protections over the entire Mortgage Loan term; and

- requirement to annually submit to you a:
  - certified copy of the MH Communitys current Rules and Regulations;
  - certified copy of the notice sent to all MH Site Lease tenants if the Tenant Site Lease Protections were implemented by the Rules and Regulations;
  - certified copy of the current form of Residential Leases for MH Sites;
  - copy of any requested MH Site Leases; and
  - certification of the percentage of MH Site Leases with the Tenant Site Lease Protections.

Guidance

You may allow

- month-to-month lease terms,
- lease terms for up to 2 years, and
- lease terms longer than 2 years, but only if the lease provides for:
  - an annual rent increase sufficient to cover the current and/or projected Consumer Price Index (CPI);
  - the pass-through of real estate taxes over a base year;
  - the pass-through of any utilities provided by the Borrower; and
  - cannot result in the Manufactured Home on the MH Site being titled as real estate.

603.05C Loan Document Modification

Requirements

You must modify the Loan Documents to reflect the use of short-term or long-term leases.

Section 604 Property Insurance

Requirements

You must ensure that the security for an MH Community Mortgage Loan (per Part III, Chapter 6: Manufactured Housing Communities, Section

603.01B: Collateral; Tenant-Occupied and Affiliate-Owned Homes) complies with Part II, Chapter 5: Property and Liability Insurance.

Section 605 Survey

Requirements

If you obtain an acceptable as-built survey of the Property, it must comply with Part II, Chapter 3: Legal Compliance, Section 305: Survey.

Guidance

You should ensure that the survey only shows the location or dimensions of

- the individual MH Sites,
- any individual Manufactured Homes or recreational vehicles, and/or
- the related MH Site or recreational vehicle site, piers, and/or foundations, that constitute encroachments.

605.01 Public Roadways, Private Interior Roadways, and Drives

Guidance

You should ensure that the survey accurately shows all public roadways.

For any private interior access roads, streets, drives, parking areas, visible utilities, and structures without foundations, the survey:

- does not need to show them accurately from field measurements, unless they constitute encroachments;
- should include a sketch showing their approximate location; and
- may locate them by photogrammetric or other approximate methods.

605.02 Setbacks

Guidance

You should identify and show 2 different types of setbacks on the survey:

- setback restrictions shown in documents of record; and
- setbacks imposed by applicable zoning ordinances or building codes.

You should ensure that the survey:

- states that the zoning setbacks apply only to permanent buildings and not to the Manufactured Homes; and
- includes recorded references or citations to authority for the zoning setbacks, or gives the reason why this information is not available.

605.03 Encroachments

Guidance

You may show the following encroachments by a simple indicating mark (i.e., a distinctive mark or symbol identified in the legend), without indicating dimensions:

- nonpermanent outbuildings or other structures; and
- recreational vehicles that are not set upon a supporting foundation, MH Site, or pier.

Section 606 Property Income and Underwritten NCF

Requirements

You must use the following table to calculate Underwritten NCF.

REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
CALCULATION OF NET RENTAL INCOME		
1		GROSS RENTAL INCOME[1] actual MH Site rents in place where Manufactured Homes are installed under leases with residents in occupancy, plus market rents for vacant MH Sites and MH Sites with vacant Manufactured Homes based on a current rent roll (multiplied by 12).
2	PLUS	To the extent deducted as an operating expense, MH Site rents for other non-revenue MH Sites, such as: • MH Sites with model Manufactured Homes deducted in the model apartment operating expense in the general and administrative category; and • actual MH Site rent from employee Manufactured Homes deducted in the employee operating expense in the payroll and benefits category.
	EQUALS	GROSS POTENTIAL RENT (GPR)

REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
3	MINUS	Physical vacancy[2] • market rents for vacant MH Sites based on a current rent roll (multiplied by 12); and • net rental collections for occupied MH Sites where the Manufactured Home is vacant, and the MH Site rent is paid by the MH Community owner, prior occupants, or a third party (e.g., a retail creditor).
4	MINUS	Concessions the aggregate amount of forgone residential rental income from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc.[2]
5	MINUS	Bad debt the aggregate amount of unpaid rental income determined to be uncollectable, including any adjustments to other income for bad debt.[2]
	EQUALS	NET RENTAL INCOME (NRI)[3,4]

1 Includes the MH Site rent for any Affiliate-Owned Manufactured Home or Borrower-owned Manufactured Homes, but excludes the rent (or that portion of the rent) for the Manufactured Home.

2 The total of Items 3, 4, and 5 must equal the greater of

• the difference between the trailing 3-month net rental collections (annualized) and GPR, or
• 5% of GPR.

If a rent increase with verified actual collections was instituted within the trailing 3 months, then NRI may be calculated based on the trailing 1-month net rental collections (annualized).

3 If NRI is greater than the trailing 1-month of actual NRI (annualized), then reduce to actual NRI.

4 You must assess any decline in NRI per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis, and adjust Underwritten NRI as required.

CALCULATION OF OTHER INCOME

REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
6	PLUS	Actual other income generated through ongoing operations. The income must: • be stable; • be common in the market; • exclude one-time extraordinary non-recurring items; and • be supported by prior years. You must assess the individual month's other income within the prior full-year operating statement or, at a minimum, an operating statement covering at least the trailing 6 months (annualized). If there are fluctuations, you may use other income that exceeds the trailing 3-month other income (annualized), provided it does not exceed the highest 1-month other income used in the trailing 3-month other income calculation.
7	PLUS	For RV Sites with lease terms of 30 days or more, the lesser of • actual average net collections for the past 3 years, or • the current trailing 12-month RV Site rents, minus a 10% vacancy.[5]
CALCULATION OF COMMERCIAL INCOME[6]		
8	PLUS	Actual income from leased and occupied commercial space per Part II, Chapter 1: Attributes and Characteristics, Section 111: Commercial Leases.
9	PLUS	Actual average RV Site rental income for RV Sites with lease terms of less than 30 days.
10	PLUS	Actual MH Site rental income for Manufactured Homes that predate the Manufactured Home HUD Code.
11	MINUS	10% of the actual commercial space income (total of Items 8, 9, and 10).
12	PLUS	Commercial parking income (e.g., public parking) that does not exceed actual trailing 12-month collections.[6]
5 If the average RV Site rental income for RV Sites with lease terms of 30 days or more is greater than 20% of EGI, then reduce to 20% of EGI. 6 If net commercial income is greater than 10% of EGI, then reduce to 10% of EGI. Additionally, total RV Site income from Items 7 and 9 (less 10% vacancy) cannot exceed 20% of EGI.		
13	PLUS	Laundry and, vending, parking, and all other income per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.
	EQUALS	EFFECTIVE GROSS INCOME (EGI)
CALCULATION OF OPERATING EXPENSES		

REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
14	MINUS	Line-by-line stabilized operating expenses. Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a • lease-up, • rehabilitation, or • other short-term positive or negative factors. Non-recurring, extraordinary operating expenses must not be included. You must assess: • past operating history; • the Appraisers expense analysis; • all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and • the Borrower's budget (in the case of an Acquisition). You must: • analyze historical operations at the Property; and • apply an appropriate increase over the prior years operations in determining an estimate.
15	MINUS	Property management fee equal to the greatest of: • 3% of EGI; • actual property management fee, provided you - exclude any portion of a non-arms length property management fee that is subordinated to the Mortgage Loan, and - include any known contractual fee increases occurring over the next 24 months; or • Appraiser's concluded market property management fee.

REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
16	MINUS	Real estate taxes based on the greatest of: • actual future tax bill(s) covering a full calendar year; • prior full years taxes multiplied by 103%; or • in California, the sum of: - any special assessments; plus - the millage rate multiplied by the greater of the ▪ Mortgage Loan amount, or ▪ assessed value. You must, for: • Borrower-owned Manufactured Homes, include ad valorum taxes; • any Tax Abatement expiring within 36 months after the Mortgage Loan Origination Date, include fully assessed real estate taxes; • any Property whose sale would trigger an automatic reassessment, include any expected increase; • any Property with an annual or scheduled reassessment within 12 months after the Mortgage Loan Origination Date, include any expected increase; and • all Properties: - use the most recently available assessed value (even if preliminary); and - do not use expected results from a protest, unless the protest is legally binding on the Borrower and taxing authority. If the Property has real estate Tax Abatements,they must: • be in effect at closing, per written documentation from the state or local tax assessor; and • survive a foreclosure on the Mortgage Loan such that Fannie Mae or a subsequent owner will retain the abatement, exemption, deferral, or PILOT (i.e., it is tied to the Property and not the owner). If the timeframe for the real estate Tax Abatement is shorter than the Mortgage Loan term, or begins phasing out or expires within 5 years after the Maturity Date, you must consider: • a Bifurcated Mortgage Loan structure (i.e., 2 notes secured by a single first Lien Security Instrument); • an amortization schedule that accommodates the elimination of the abatement; or • providing clear justification and support in the refinance analysis.

REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
17	MINUS	Insurance per Item 17(c) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
18	MINUS	Utilities, water and sewer, repairs and maintenance, payroll and benefits, advertising and marketing, professional fees, general and administrative, ground rent, and all other expenses per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
19	MINUS	Replacement Reserve expense per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve, with a minimum annual amount of $25 per MH Site.
	EQUALS	UNDERWRITTEN NCF

Section 607 Replacement Reserve

☑ Requirements

If the Replacement Reserve determined by the Property Condition Assessment is more than $75 per MH Site, full funding of the Replacement Reserve is required per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve.

Chapter 7 Multifamily Affordable Housing Properties

Section 701 Generally

701.01 Description

☑ Requirements

To qualify as an MAH Mortgage Loan, the MAH Property must:

- comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702: MAH Property Eligibility; and
- be underwritten per Part III, Chapter 7: Multifamily Affordable Housing Properties.

701.02 Underwriting

☑ Requirements

You must:

- reflect the impact of the rent and income restrictions in your underwriting;
- apply the MAH Property underwritten DSCR, underwritten LTV, and underwriting Interest Rate Floors per Form 4660 to the:
  - LIHTC Affordability Type per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03A: LIHTC;
  - HAP Affordability Type per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03B: HAP Contract; and
  - Rent and Income Restricted Properties Affordability Type per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03C: Properties with Both Rent Restrictions and Income Restrictions;
- apply the conventional mortgage loan underwritten DSCR, underwritten LTV, and underwriting Interest Rate Floors per Form 4660 to the:
  - Rent or Income Restricted Properties Affordability Type per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03D: Properties with Either Rent Restrictions or Income Restrictions;
  - SPP Affordability Type per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03E: Special Public

Purpose; and

- SIA Affordability Type per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03F: Sponsor-Initiated Affordability; and

- maintain, in your Servicing File, a copy of any applicable
  - Affordable Regulatory Agreement, and/or
  - Private Affordability Agreement.

701.03 Committing and Delivery

Operating Procedures

To commit and Deliver a Mortgage Loan for a Property subject to rent or income restrictions (even if the Property does not qualify as an MAH Property), refer to the Affordable Housing & Tax Relief Data Guidance.

Section 702 MAH Property Eligibility

702.01 Eligibility Characteristics

Requirements

You must ensure an MAH Property is subject to:

- a HAP Contract complying with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03B: HAP Contract;
- a Sponsor-Initiated Affordability Agreement (Form 6490) complying with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03F: Sponsor-Initiated Affordability; or
- at least 1 Affordable Regulatory Agreement that:
  - is imposed by a Public Entity;
  - is recorded against the MAH Property on or before the Mortgage Loan Origination Date;
  - complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.02: Minimum Set Asides and Other Criteria;
  - for an MAH Property, has a minimum remaining term of 3 years; and
  - for a LIHTC Property:



- has a minimum remaining term of 3 years; and
- for which the Borrower must sign the Modifications to Multifamily Loan and Security Agreement (Tax Credit Properties) (Form 6219) agreeing not to pursue a Qualified Contract Process available under the
  - Internal Revenue Code, and
  - if applicable, Affordable Regulatory Agreement.

If any Affordable Regulatory Agreement has 3 or more years remaining but will expire before the Mortgage Loan Maturity Date, you must document in the Transaction Approval Memo your analysis of the following factors to support underwriting to the applicable MAH standards in Form 4660:

- restricted rents below market rate rents;
- history of the Property operating as an MAH Property;
- the Sponsors history and experience owning and operating multifamily properties subject to affordability restrictions;
- the Borrowers intention to renew that Affordable Regulatory Agreement;
- how much of the Mortgage Loan term will remain after that Affordable Regulatory Agreement expires;
- market strength; and
- how the MAH Property compares to comparable market rate properties in terms of occupancy, condition, and amenities if
  - the Borrower intends to convert the MAH Property to market rate rents, and
  - no rent advantage exists.

Guidance

An MAH Property may also:

- be subject to:
  - other Affordable Regulatory Agreements that do not comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.01: Eligibility Characteristics (e.g., the Affordable Regulatory Agreement has a remaining term of fewer than 3 years, or does not comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.02: Minimum Set Asides and Other Criteria), provided that any other Affordable Regulatory Agreement

complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 705: Affordable Restriction Checklist and Subordination and Standstill Agreements, including the submission of an Affordability Restriction Checklist (Form 6419);

- FHA Risk Sharing; or
- inclusionary zoning (e.g., zoning variances or density bonuses granted in exchange for affordability restrictions, etc.);

- be financed using tax-exempt Bonds; or
- receive other state, local, or federal subsidies which are conditioned on the affordability of some or all of the units in the Property, including:
  - Rural Housing Service (RHS) Section 515 Loans; and
  - loans insured per the National Housing Act
    - Section 202, or
    - Section 236.

702.02 Minimum Set Asides and Other Criteria

☑ Requirements

You must ensure the:

- Affordable Regulatory Agreement recorded against the MAH Property contains rent and/or income restrictions:
  - at least as restrictive as 1 of the affordability types in:
    - Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03A: LIHTC;
    - Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03C: Properties with Both Rent Restrictions and Income Restrictions;
    - Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03D: Properties with Either Rent Restrictions or Income Restrictions;
    - Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03E: Special Public Purpose; and
  - not subject to change by the Public Entity without Lender consent; or
- MAH Property is subject to a:

- HAP Contract complying with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03B: HAP Contract; or
- Sponsor-Initiated Affordability Agreement (Form 6490) complying with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03F: Sponsor-Initiated Affordability.

You must use existing tenant files, lease sampling, and rent roll testing, to verify the required occupancy by eligible tenants per:

- Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03A: LIHTC;
- Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03C: Properties with Both Rent Restrictions and Income Restrictions;
- Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03D: Properties with Either Rent Restrictions or Income Restrictions; or
- Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03E: Special Public Purpose.

However, you may rely on

- Borrower certifications,
- compliance reports, and
- documentation of exceptions.

You may treat an over-income tenant as an income eligible tenant if allowed by the applicable Public Entity program requirements, with the exception documented in your Transaction Approval Memo.

702.03 Affordability Types

702.03A LIHTC

☑ Requirements

You must verify that by the Mortgage Loan Origination Date, restricted units:

- are occupied by income eligible tenants per the LIHTC program requirements; and
- meet at least 1 of the following:

- **20% @ 50%:** at least 20% of all units are restricted to occupancy by households earning no more than 50% of AMI as adjusted for family size with rents not exceeding 30% of the income limit, as adjusted for family size;
- **40% @ 60%:** at least 40% of all units are restricted to occupancy by households earning no more than 60% of AMI as adjusted for family size with rents not exceeding 30% of the income limit, as adjusted for family size;
- **Average Income:** at least 40% (or 25% for New York City only) of all units are restricted to occupancy by households earning not more than the income limitation designated for that unit. The average of the income limits must not be more than 60% of AMI as adjusted for family size with rents not exceeding 30% of the designated income limit. The income limit can only be 20%, 30%, 40%, 50%, 60%, 70% or 80% of AMI. This option is only available for LIHTC projects that made this set-aside election after March 23, 2018, using Internal Revenue Service Form 8609; or
- **25% @ 60% in New York City:** at least 25% of all units are restricted to occupancy by households earning no more than 60% of AMI as adjusted for family size with rents not exceeding 30% of the income limit, as adjusted for family size.

702.03B HAP Contract

☑ Requirements

You must ensure that, by the Mortgage Loan Origination Date, at least 20% of all units are:

- subject to a HAP Contract; and
- restricted by the HAP Contract to households earning no more than 80% of AMI.

702.03C Properties with Both Rent Restrictions and Income Restrictions

☑ Requirements

By the Mortgage Loan Origination Date, you must verify the restricted units are occupied by households that qualify for 1 of the following rent and income restrictions:

- **20% @ 50%:** at least 20% of all units are restricted:
  - to occupancy by households earning no more than 50% of AMI, as

adjusted for family size; and

- with rents not exceeding 30% of 50% of AMI, as adjusted for family size; or

- **40% @ 60%:** at least 40% of all units are restricted:
  - to occupancy by households earning no more than 60% of AMI, as adjusted for family size; and
  - with rents not exceeding 30% of 60% of AMI, as adjusted for family size.

702.03D Properties with Either Rent Restrictions or Income Restrictions

☑ Requirements

By the Mortgage Loan Origination Date, you must confirm the following.

For Properties with...	You must confirm...
Rent restrictions (but no income restrictions)	The rent roll reflects the restricted rents are implemented.
Income restrictions (but no rent restrictions)	The restricted units are occupied by income eligible tenants.

The Property must have:

- **20% @ 50%:** at least 20% of all units restricted:
  - to occupancy by households earning no more than 50% of AMI, as adjusted for family size; or
  - with rents not exceeding 30% of 50% of AMI, as adjusted for family size; or

- **40% @ 60%:** at least 40% of all units restricted:
  - to occupancy by households earning no more than 60% of AMI, as adjusted for family size; or
  - with rents not exceeding 30% of 60% of AMI, as adjusted for family size.

702.03E Special Public Purpose

☑ Requirements

You must have verified, on or before the Mortgage Loan Origination Date, that at least:

- 20% of all units are restricted to occupancy by households earning no more than 80% of AMI, as adjusted for family size, and the restricted units are occupied by income eligible households; and/or
- 20% of all units have rents not exceeding 30% of 80% of AMI, as adjusted for family size.

Operating Procedures

For general information, as well as information for how to register, obtain a Commitment, and Deliver a Special Public Purpose Mortgage Loan, refer to Multifamily Affordable Housing Property Definition – Special Public Purpose FAQs.

702.03F Sponsor-Initiated Affordability

Requirements

You must ensure the Borrower voluntarily self-imposes affordability restrictions preserving or creating multifamily affordable housing by requiring the Property to have affordability restrictions meeting all of the following:

- 20% @ 80%: at least 20% of all units are restricted to occupancy by households earning no more than 80% of AMI, as adjusted for family size, with rents not exceeding 30% of the income limit;
- are recorded against the Property by executing the Sponsor-Initiated Affordability Agreement (Form 6490);
- are in place at the Property by the Mortgage Loan Origination Date;
- require the Property to comply with the Sponsor-Initiated Affordability Agreement (Form 6490) within 12 months after the Mortgage Loan Origination Date;
- remain in place during the Mortgage Loan term; and
- are certified annually by the Borrower and monitored by an Administering Agent for compliance with the Sponsor-Initiated Affordability Agreement (Form 6490).

Operating Procedures

For any Property with Sponsor-Initiated Affordability, the Borrower must execute the:

- Sponsor-Initiated Affordability Agreement (Form 6490); and
- Modifications to Multifamily Loan and Security Agreement (Sponsor-Initiated Affordability Restrictions) (Form 6271).

For general information, as well as information for how to register, obtain a Commitment and Deliver a Sponsor-Initiated Affordability Mortgage Loan, refer to the Sponsor-Initiated Affordability FAQs.

Section 703 Property Income and Underwriting

703.01 Underwritten NCF

☑ Requirements

You must use the following table to calculate Underwritten NCF.

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
CALCULATION OF NET RENTAL INCOME		

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
1		GROSS RENTAL INCOME the least of: • rents permitted under any federal, state, or local subsidy program applicable to the Property, as adjusted for AMI, family size, and number of bedrooms in a unit, and reductions for the applicable utility allowances;[1, 2] • rents permitted under theAffordable Regulatory Agreement, any Private Affordability Agreement, or any Third-Party Financing documents; or • based on a current rent roll: - actual rents in place for occupied units;and - for vacant units, the lowest of: ▪ actual rents in place for comparable occupied units; ▪ market rents; and ▪ permitted rents, described above (multiplied by 12). For MAH Properties with units occupied by tenant-based Housing Choice Voucher (HCV) holders, you may underwrite the excess of the annualized HCV unit income over Gross Rental Income up to 5% of GPR, when the: • Propertys current and average 3-year physical occupancy is at least 95%;and • MAH Property is located in a Strong Market or an Eligible MSA . For Properties with both a HAP Contract and LIHTC, you must include incremental HAP Contract income per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 707.01: Properties with Both HAP Contracts and LIHTC Units.
2	PLUS	To the extent deducted as an operating expense, rents for other non-revenue units (e.g., model units deducted in the model apartment operating expense in the general and administrative category, or actual rent from employee units deducted in the employee operating expense in the payroll and benefits category).
	EQUALS	GROSS POTENTIAL RENT (GPR)[1]

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
3	MINUS	Physical vacancy applicable actual rents for vacant units and MAH unit type (e.g., 20% @ 50%, 40% @ 60%, or HAP Contract) based on a current rent roll (multiplied by 12).[3]
4	MINUS	Concessions the aggregate amount of forgone residential rental income from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc.[3]
5	MINUS	Bad debt the aggregate amount of unpaid rental income determined to be uncollectable, including any adjustments to other income for bad debt.[3]
	EQUALS	NET RENTAL INCOME (NRI)[2, 3, 4]

1 For Properties with HAP Contracts, you may:

• use newly approved rents if they are effective by the first day of the month after the Mortgage Loan Origination Date, even if the rents exceed trailing GPR;but
• not use rents based on
  - an agreement to enter into a HAP Contract (AHAP),
  - a commitment to enter into a Housing Assistance Payment contract (CHAP), or
  - a "comfort letter".

2 If a Property has a HAP Contract expiring after the Maturity Date, and current and average 3-year physical occupancy is at least 95%, and the Propertys most recent HUD REAC or NSPIRE score is passing, you may underwrite HAP Contract rents up to:

• 5% above market rents, by unit type,if located in an Eligible MSA;
• 10% above market rents, by unit type,if located in a Strong Market;or
• 20% above market rents, by unittype, if:
  - located in a Strong Market; and
  - the HAP Contract type is:
    ▪ Option 4 renewal;
    ▪ Low-income Housing Preservation and Resident Homeownership Act (LIHPRHA); or
    ▪ Emergency Low-Income Housing Preservation Act (ELIHPA).

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
3 The total of Items 3, 4, and 5 must equal the greater of: • the GPR, including any permitted HAP Contract rent increases per Footnote 1, multiplied by the percentage difference between the trailing - 3-month net rental collections (annualized), and - GPR, but excluding any HAP Contract rent increases not in effect before the Mortgage Loan Origination Date; and • either: - 5% of GPR, including any permitted HAP Contract rent increases per Footnote 1;or - less than 5%, but no less than 3% of GPR, including any permitted HAP Contract rent increases per Footnote 1;if: ▪ the Property is located in an Eligible MSA, Strong Market, or Nationwide Market per Form 4660 ; ▪ for a Property with 95+% of the units restricted per the Affordable Regulatory Agreement and without a HAP Contract, the actual rents for restricted units are at least 10% below comparable market rents; and ▪ the economic vacancy (i.e., the total of Items 3, 4, and 5) is supported by current and 3 years of historical economic vacancy data of no less than the actual vacancy. 4 You must assess the NRI, including any declines, and make adjustments per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis .		
CALCULATION OF OTHER INCOME[5]		
6	PLUS	Actual other income (except premiums and corporate premiums) generated through ongoing operations. The income must: • be stable; • be common in the market; • exclude one-time extraordinary non-recurring items; and • be supported by prior years. You must assess the individual month's other income within the prior full-year operating statement or, at a minimum, an operating statement covering at least the trailing 6 months (annualized). If there are fluctuations, you may use other income that exceeds the trailing 3-month other income (annualized), provided it does not exceed the highest 1-month other income used in the trailing 3-month other income calculation.

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
5 If premiums or corporate premiums are applicable for a particular MAH Property, inclusion of premium income is permitted consistent with Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.		
CALCULATION OF COMMERCIAL INCOME		
7	PLUS	Actual income from leased and occupied commercial space per Part II, Chapter 1: Attributes and Characteristics, Section 111: Commercial Leases.
8	PLUS	Actual income from STR units.
9	MINUS	10% of the actual commercial space income.[6]
10	PLUS	Commercial parking income (e.g., public parking) that does not exceed actual trailing 12-month collections.[6]
11	PLUS	Laundry and vending, parking, and all other income per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.
6 If net commercial income is greater than 20% of EGI, then reduce to 20% of EGI.		
	EQUALS	EFFECTIVE GROSS INCOME (EGI)
CALCULATION OF OPERATING EXPENSES		

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
12	MINUS	Line-by-line stabilized operating expenses. Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a • lease-up, • rehabilitation, • or other short-term positive or negative factors. Non-recurring, extraordinary operating expenses must not be included. You must assess: • the past operating history; • the Appraisers expense analysis; • all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and • the Borrower's budget (forAcquisitions). You must: • analyze historical operations at the Property; • apply an appropriate increase over the prior years operations in determining an estimate; and • include all STR-related expenses in their respective expense line items, including - cleaning, - furnishing, and - repairs.

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
13	MINUS	Property management fee equal to the greatest of: • 4% of EGI;[7] • actual property management fee, provided you - exclude any portion of a non-arms length property management fee that is subordinated to the Mortgage Loan, and - include any known contractual fee increases occurring over the next 24 months; or • the Appraiser's concluded market property management fee, based primarily on - asset type, - operational complexity, and - market standards.

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
7 You may underwrite the minimum management fee using 3.5% of EGI (rather than 4% of EGI) if the: • underwritten management fee is at least $400 per unit; • actual management fee is equal to or less than the underwritten management fee, provided you: - include any known contractual fee increases scheduled to occur over the next 24 months;and - exclude any portion of a non-arm's length property management fee that is subordinated to the Mortgage Loan; and • Appraisers concluded market management fees, based primarily on asset type, operational complexity, and market standards, support the underwritten management fee. If the original Mortgage Loan amount is greater than $9 million, you may underwrite the minimum management fee using 3% of EGI (rather than 4% of EGI) if the: • underwritten management fee is at least $450 per unit; • actual management fee is equal to or less than the underwritten management fee, provided you: - include any known contractual fee increases scheduled to occur over the next 24 months;and - exclude any portion of a non-arm's length property management fee that is subordinated to the Mortgage Loan; • Appraisers concluded market management fees, based primarily on asset type, operational complexity, and market standards, support the underwritten management fee; and • the Affordable Regulatory Agreement does not terminate beforethe Mortgage Loan term. If the MAH Property is located in a Strong Market or Eligible MSA and the Mortgage Loan's original UPB is greater than $9 million, you may underwrite the minimum management fee using the greatest of: • 2.5% of EGI; • $500 per unit; • the actual management fee, provided you: - include any known contractual fee increases scheduled to occur over the next 24 months;and - exclude any portion of a non-arm's length property management fee that is subordinated to the Mortgage Loan; or • the Appraisers concluded market management fees, based primarily on asset type, operational complexity, and market standards.		

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
14	MINUS	Real estate taxes calculated per Lines 17(b) of Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF), provided that every unit benefiting from the Tax Abatement is subject to either a rent restriction or an income restriction per an Affordable Regulatory Agreement with a Public Entity. Notwithstanding the requirements of Lines 17(b) of Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF), provided you comply with the specified requirements below, you may use a reduced real estate tax payment if the Tax Abatement: • is not in place on the Mortgage Loan Origination Date per written documentation from the state or local tax assessor; or • would not survive a Foreclosure Event. If the Tax Abatement is not in place on the Mortgage Loan Origination Date, you must: • confirm the Tax Abatement is listed in Form 4164; and • comply with Form 4164.

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
14 continued	MINUS	If the Tax Abatement would not survive a Foreclosure Event, you must confirm: • when reapplying for the original underwritten Tax Abatement, or an alternative Tax Abatement with equivalent benefits, Fannie Mae or another Property owner would qualify; • the Propertys rent and income are maintained; and • if the Tax Abatement requires a qualified non-profit entity in the MAH Property ownership: - a sufficient number of qualified non-profits exist in the market (i.e., at least 3 if the MSAs population is less than 1 million, and at least 5 if the MSAs population is 1 million or more) who could become part of the ownership structure to qualify for the Tax Abatement; - the original, or an alternative Tax Abatement with equivalent benefits, has been ▪ established in the states statutes, and ▪ in effect for at least 10 years; and - based on your due diligence, no material risk exists of the Tax Abatement legislation ▪ sunsetting, ▪ being repealed, or ▪ being revised such that the Property would no longer qualify. If the timeframe for the Tax Abatement is shorter than the Mortgage Loan term, or begins phasing out or expires within 5 years after the Maturity Date, you must consider: • a Bifurcated Mortgage Loan structure (i.e., 2 notes secured by a single first Lien Security Instrument); • an amortization schedule that accommodates the elimination of the abatement; or • providing clear justification and support in the refinance analysis. For a Property with a Tax Abatement, the Modifications to Multifamily Loan and Security Agreement (Tax Abatement or Exemption) (Form 6251) must be executed even if you do not underwrite the Tax Abatement.

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
15	MINUS	Insurance per Item 17(c) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
16	MINUS	Utilities, water and sewer, repairs and maintenance, payroll and benefits, advertising and marketing, professional fees, general and administrative, ground rent, supportive services, mandatory and ongoing fees payable per the Affordable Regulatory Agreement, and Private Affordability Agreement, or Third-Party Financing documents, and all other expenses per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
17	MINUS	• Replacement Reserve expense per Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF); • any mandatory and ongoing Partnership Agreement or Operating Agreement reserve; and • any mandatory and ongoing reserve not already included in the Loan Agreement for - the Affordable Regulatory Agreement, - any Private Affordability Agreement, or - Third-Party Financing documents.
	EQUALS	UNDERWRITTEN NCF

703.02 Underwriting

703.02A Appraised Value and Underwriting Value

☑ Requirements

In addition to the Appraisal requirements in Part II, Chapter 2: Valuation and Income, Section 202: Appraisal and Valuation, you must:

- Include 2 separate opinions of the Appraised Value based on:
  - Restricted Value from the Affordable Regulatory Agreement, the Sponsor-Initiated Affordability Agreement (Form 6490), or any Private Affordability Agreement, using
    - comparable multifamily rental properties,

- the Propertys submarket,
- properties with similar rent or income restrictions, and
- any Tax Abatements or programs that reduce the Property's assessed value; and

- Unrestricted Value from the Propertys income and expenses without the Affordable Regulatory Agreement, the Sponsor-Initiated Affordability Agreement (Form 6490), or any Private Affordability Agreement (e.g., market rents, occupancy, and operating expenses), using
  - comparable multifamily market rate rental properties,
  - the Propertys submarket, and
  - full taxes if rental income restrictions are required by a Tax Abatement or programs that reduce the Property's assessed value.

- Ensure each Appraised Value is based on a market cap rate without any upward or downward adjustment for:
  - special financing (other than adjusted cap rates for Credit Enhancement Mortgage Loans); or
  - tax credit benefits.

- Determine the appropriate Appraised Value for the Underwriting Value per Part II, Chapter 2: Valuation and Income, Section 202: Appraisal and Valuation.

703.02B Market Study

☑ Requirements

If a Tier 2 or Tier 3 Mortgage Loan is secured by a Property with a HAP Contract expiring before the Mortgage Loan Maturity Date, you must include a market study (which can be part of the Appraisal) that:

- is prepared by a qualified real estate professional; and
- for comparable market rate rental properties in the submarket, identifies the
  - absorption rate,
  - lease-up period, and
  - rent level.

703.02C 35-Year Amortization

Requirements

If you use a 35-year amortization term, the:

- Property must have:
  - LIHTCs with at least 8 years remaining in the initial 15-year compliance period; and/or
  - a new HAP Contract covering at least 95% of the units under the:
    - Rental Assistance Demonstration (RAD) program; or
    - Capital Repairs Program per the Section 8 Renewal Policy Guidebook available on HUDs website; and
- MAH Mortgage Loan must be a first Lien Mortgage Loan with a minimum term equal to the greater of
  - the remaining initial LIHTC compliance period, or
  - 10 years.

703.02D LIHTC Average Income

Requirements

You must identify and mitigate any risks from the Borrowers electing LIHTC Average Income per the Internal Revenue Code.

Guidance

When a Borrower elects LIHTC Average Income per the Internal Revenue Code for a Property with new LIHTCs, you should consider:

- Will LIHTC Average Income impact other non-LIHTC regulatory agreements?
- Is LIHTC Average Income compatible with other funding and subsidy source requirements, including any HAP Contract?
- Has LIHTC Average Income been approved by the
  - state agency, and
  - LIHTC investor or syndicator?
- Will the on-site Property management staff have sufficient experience?
- Will the unit mix be impacted, including

- unit parity,
- multi-building election,
- floating units, and
- market rate units?

- What is the rent advantage, especially for units above 60% of AMI?
- For a Forward Commitment,
  - is the Property not a re-syndication of a Property previously developed or preserved using LIHTCs and subject to an existing extended use agreement, or
  - if the Property is a re-syndication, have you confirmed the Property has completed its extended use period?
- Does the market study include capture rates for each unit designation supporting LIHTC Average Income?

703.02E Initial LIHTC Equity

Requirements

For any Property with new LIHTCs, you must ensure at least 20% of the aggregate LIHTC equity that the LIHTC investor or syndicator must contribute into the limited partnership is received on or before the Mortgage Loan Origination Date.

703.02F Developer Fees

Guidance

You should analyze the development budget, including the

- developer fee due the Sponsor or any Affiliate, and
- any deferred developer fee (i.e., the portion of the developer fee shown as a source in the sources and uses statement).

If the deferred developer fee is greater than 50% of the total developer fee, you should confirm there are sufficient

- hard and soft contingency budgets, and
- projected surplus cash flows to repay the deferred developer fee within the initial compliance period.

703.02G Rent-Stabilized Units

Guidance

Refer to Part II, Chapter 2: Valuation and Income, Section 207: Rent-Stabilized Properties regarding rent-stabilized MAH Property units.

Section 704 Third-Party Financing

704.01 Interest Rate and Payments

Requirements

You must ensure any Third-Party Financing:

- has a fixed interest rate or no interest payable; and
- for non-Soft Financing, interest:
  - is payable on a current basis; and
  - does not defer or accrue.

704.02 Loan Term

Requirements

You must ensure any Third-Party Financing that does not fully amortize, including any Soft Financing, matures at least 180 days after the Maturity Date of

- the Mortgage Loan, and
- any Pre-Existing Mortgage Loans.

Guidance

Third-Party Financing may:

- if it fully amortizes, mature before the Maturity Date of
  - the Mortgage Loan, and
  - any Pre-Existing Mortgage Loans; and/or
- be fully or partially forgiven before the Mortgage Loan Maturity Date.

704.03 Collateral and Credit Support

Requirements

You must ensure the Mortgage Loan is secured by the same credit support and collateral as any Third-Party Financing, including any

- recourse to the Borrower or any guarantor, or
- additional collateral.

You may secure the Third-Party Financing with a Lien on the Property if the Lien:

- is subordinated to the Security Instrument's Lien per
  - Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.07: Subordination Agreement,
  - Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.08: Lien Priority and Title Insurance Policy, and
  - Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.09: Form of Loan Documents for Third-Party Financings; and
- includes only the same collateral covered by the Mortgage Loan's Security Instrument.

704.04 Soft Financing

Requirements

Provision	To be considered Soft Financing...
Financing Terms	Third-Party Financingterms must comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Third-Party Financing.

Provision	To be considered Soft Financing...
Payments	Any Third-Party Financing payments due during the Mortgage Loan term (excluding ongoing fees which are addressed separately) must be payable only from Excess NCF, with up to: • 100% of the available Excess NCF (after subtracting amounts payable per Subsections 1 and 2 of the definition) for all Soft Financing payments to the Sponsor or an Affiliate; or • 75% of the available Excess NCF (after subtracting amounts payable per Subsections 1 and 2 of the definition) for all other Soft Financing.
Ongoing Mandatory Fees	The loan documents for any Third-Party Financing may require paying ongoing mandatory fees, such as facility fees, servicing fees, and fees for monitoring compliance with an Affordable Regulatory Agreement or any Private Affordability Agreement, provided you: • include any ongoing mandatory fees as an expense in calculating NCF; and • at the Mortgage Loan closing, escrow at least 12 months of ongoing mandatory fees, which must be funded from a source other than Mortgage Loan proceeds.
Events of Default	Failure to pay principal and/or interest due to lack of available Excess NCF must not be an event of default per the Third-Party Financing loan documents.
Subordination	Subordination must comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.07: Subordination Agreement.

To determine the acceptability of Soft Financing if multiple Soft Financing loans exist, you must:

- consider the maximum aggregate Soft Financing payments during the Mortgage Loan term;
- if the Borrowers agreements (including Subordinate Loan documents, any other documents evidencing any Soft Financing, and Borrowers organizational documents) do not specify Soft Financing payment priority, ensure intercreditor arrangements document payment priority among Soft

Financing creditors; and

- confirm the Excess NCF requirements are not exceeded in the aggregate among the applicable intercreditor provisions.

Guidance

Soft Financing may have:

- a nominal interest rate;
- principal payments that do not fully amortize the Third-Party Financing over its term;
- optional principal payments;
- a covenant to comply with an Affordable Regulatory Agreement;
- an event of default resulting from non-compliance with an Affordable Regulatory Agreement; and
- a loan term significantly longer than the Mortgage Loan term, with the Third-Party Financing either
  - being forgiven over time or at its maturity date, or
  - due only upon a Property sale.

704.05 Third-Party Lender

Requirements

If the lender type[1] is...	Then a Third-Party Financing...
• Public Entity; or • non-profit	Can: • be Soft Financing; or • require mandatory payments of - P&I, or - interest only.
Affiliate of the Borrower that is not a: • Public Entity; or • non-profit	Must qualify as Soft Financing per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.04: Soft Financing.
Any other lender	Is not permitted.

If the lender type[1] is...	Then a Third-Party Financing...
1 For a Third-Party Financing structured as a bond financing, the bondholder is the lender for this analysis.	

704.06 Developer's Notes

☑ Requirements

You must ensure any developer note or advance due the Sponsor or an Affiliate is Soft Financing per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.04: Soft Financing.

704.07 Subordination Agreement

☑ Requirements

For all Third-Party Financing, including Soft Financing, you, the Borrower, and the third-party lender must enter into:

- if the third-party lender is a Public Entity, a Fannie Mae form
  - Subordination and Standstill Agreement (Public Entity) (Form 6456), or
  - Subordination and Standstill Agreement (Public Entity) (Form 6456.SUB); or
- if the third-party lender is not a Public Entity, a Fannie Mae form Subordination and Standstill Agreement (Non-Public Entity) (Form 6414).

If a Public Entity, as issuer of a bond financing	Then you must enter into
Assigns its Third-Party Financing documents to a bond trustee	Form 6414 with the • Borrower, • Public Entity, • bond trustee, and • bondholder.
Reserves certain rights under the Third-Party Financing documents that remain unassigned	Form 6456, but only as to the reserved rights, with the • Borrower, and • Public Entity, as third-party lender.

If a Public Entity, as issuer of a bond financing	Then you must enter into
• Assigns its Third-Party Financing documents to a bond trustee; and • Reserves certain rights under the Third-Party Financing documents that remain unassigned	Both: • Form 6414 with the - Borrower, - Public Entity, - bond trustee, and - bondholder; and • Form 6456, but only as to the reserved rights, with the - Borrower, and - Public Entity, as third-party lender.

704.08 Lien Priority and Title Insurance Policy

☑ Requirements

You must ensure:

- The Third-Party Financing, along with any Lien securing the subordinate loan, remains at all times, subordinate to the Security Instrument's Lien, including any refinancing.
- The Subordination Agreement is recorded in the land records immediately after the subordinate security instrument is recorded.
- The Lender's title insurance policy reflects the recordation of the Subordination Agreement.

704.09 Form of Loan Documents for Third-Party Financings

☑ Requirements

You must confirm the loan documents for the Third-Party Financing:

- comply with this Chapter; and
- do not require the Borrower to maximize rents at the Property, even if the Property is subject to
  - an Affordable Regulatory Agreement, or
  - any Private Affordability Agreement.

704.10 Prepayment

☑ Requirements

The Borrower may not prepay or redeem the Third-Party Financing without Fannie Maes consent.

704.11 LIHTC Equity Bridge Loans

☑ Requirements

LIHTC Equity Bridge Loan	Requirements
LIHTC Type	Must be federal LIHTC.
Lender Eligibility	The LIHTC equity bridge lender must not be on ACheck.
Repayment	Must be completely repaid on or before the final LIHTC equity payment associated with the Property's placed-in-service date.
Amount	• Maximum of 80% of aggregate LIHTC equity contribution. • Per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703.02E: Initial LIHTC Equity, you must ensure at least 20% of the aggregate LIHTC equity that the LIHTC investor or syndicator must contribute into the limited partnership is received by the Mortgage Loan Origination Date.
Funding Conditions	No performance hurdles or Property performance benchmarks tied to bridge loan payments.
Note	• Non-recourse to Borrower. • Fixed or variable rate.
Guaranty (Repayment and/or Completion)	Must be subordinated to any Guaranty in favor of Fannie Mae.

Bridge Loan Collateral Types (multiple types allowed)	Bridge Lender Affiliated with You or LIHTC Investor	Bridge Lender Unaffiliated with You, LIHTC Investor, or Sponsor	Bridge Lender Affiliated with Sponsor
Assignment of Rights to Capital Contribution from LIHTC Equity Investor	Acceptable	Acceptable	Unacceptable
Assignment of Development Fee	Acceptable	Acceptable	Acceptable
Subordinate Security Instrument	Unacceptable	Unacceptable	Unacceptable
Assignment of General or Limited Partnership Interests (but not both)	Acceptable if Bridge Lender has LIHTC experience	Acceptable if Bridge Lender has LIHTC experience	• Acceptable for general partnership Interests • Unacceptable for limited partnership Interests
Subordination Agreement	Form provided by Fannie Mae	Form provided by Fannie Mae	Form provided by Fannie Mae

704.12 Grant Funding

☑ Requirements

You must determine whether any Grant Funding is received:

- directly by the Borrower; or
- by any Borrower Affiliate and used to fund any:
  - Third-Party Financing; or
  - Grant Funding from the Borrower Affiliate to the Borrower.

If any Grant Funding above is subject to clawback, recapture, or other contingent repayment (e.g., upon an event of non-compliance or default),

you must:

- ensure any collateral for the contingent repayment complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.03: Collateral and Credit Support; and
- with the Borrower, the Borrower Affiliate (if applicable), and the grantor, enter into and record the applicable:
  - Subordination Agreement (Affordable) (Form 6456), if the grantor is a Public Entity; or
  - Subordination Agreement (Conventional) (Form 6414), if the grantor is not a Public Entity.

If any Borrower Affiliate receives Grant Funding and, in turn, loans those funds to the Borrower:

- that Third-Party Financing must comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Third-Party Financing; and
- the Borrower Affiliate must enter into the correct Subordination Agreement per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.07: Subordination Agreement.

Section 705 Affordable Restriction Checklist and Subordination and Standstill Agreements

☑ Requirements

For all Affordable Regulatory Agreements and Private Affordability Agreements, you must submit an Affordability Restriction Checklist (Form 6419).

You must ensure any Affordable Regulatory Agreement or any Private Affordability Agreement:

- only encumbers the Property;
- is executed and, if a recorded document, is recorded against the MAH Property on or before the Mortgage Loan Origination Date; and
- does not contain any affordability restrictions that are unusual or material to the finances or operation of the Property, other than the restrictions contemplated by Part II of Form 6419.

Unless the Affordable Regulatory Agreement is a HUD Use Agreement, if you responded yes in Part III or Part IV of Form 6419, you must subordinate

the Affordable Regulatory Agreement to the Security Instrument Lien using the applicable Subordination and Standstill Agreement.

If a Public Entity...	Use...
Provided Third-Party Financing	• Subordination and Standstill Agreement (Public Entity) (Form 6456); or • both the: - Subordination and Standstill Agreement (Public Entity) (Form 6456.REG), for the Affordable Regulatory Agreement; and - Subordination and Standstill Agreement (Public Entity) (Form 6456.SUB), for the Third-Party Financing.
Did not provide Third-Party Financing	Subordination and Standstill Agreement (Public Entity) (Form 6456.REG).

If a Non-Public Entity...	Use...
Provided Third-Party Financing	Subordination and Standstill Agreement (Non-Public Entity) (Form 6414).
Did not provide Third-Party Financing	A Fannie Mae-approved Subordination and Standstill Agreement.

Section 706 ROAR Loan

706.01 Generally

☑ Requirements

You must ensure any ROAR Loan:

- is a Credit Enhancement Mortgage Loan using a Credit Enhancement Instrument;
- has a fixed rate;
- has a minimum Mortgage Loan amount of $5 million; and
- is secured by an MAH Property that:

- currently has Stabilized Residential Occupancy, but will likely experience tenant displacement significant enough to lower the Underwritten DSCR, calculated using the Gross Note Rate, below the required DSCR set forth in Form 4660; and
- will undergo repairs, replacements, or improvements costing $10,000 per unit or more (based on the total number of residential units at the Property), or qualifies as a Moderate Rehabilitation Property.

706.02 Timing

Requirements

Within 24 months after the Mortgage Loan Origination Date

- the ROAR Work must be completed, and
- Restabilized Residential Occupancy must be achieved.

706.03 General Underwriting

Guidance

In addition to complying with Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans, you should also review and evaluate the:

- Sponsors experience developing or rehabilitating properties similar to the ROAR Property;
- tenant relocation plan, including budget and schedule;
- ROAR Work budget, including monthly sources and uses during the rehabilitation period;
- likelihood of any construction risks;
- LIHTC investors
  - financial strength,
  - experience, and
  - reputation; and
- projected rent levels relative to market rents.

706.04 Additional Underwriting and Loan Documents



☑ Requirements

You must underwrite the ROAR Loan per the following table.

Topic	Description
Underwritten NCF	• GPR must comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703.01: Underwritten NCF. • Underwritten NCF can be based on the Restabilized Residential Occupancy and normalized operating expenses achievable within 24months after the Mortgage Loan Origination Date.
Appraisal	The Appraisal must include an opinion of the Property's market valueon both an as is and an as completed basis that incorporates the ROAR Work to be completed after the Mortgage Loan Origination Date.
Occupancy During ROAR Work	Minimum 50% • Physical Occupancy, and • Economic Occupancy.
Minimum DSCR During ROAR Work	Using the ROAR Stressed NCF, actual fixed interest rate, and maximum loan amount based on the as completed value • 0.75 on an amortizing basis, or • 1.00 on an interest-only basis, if applicable.
Rehabilitation Reserve Agreement	Required.
Key Principal Guaranties	The Key Principal must execute • a Completion Guaranty (Form 6018), and • an operating deficit guaranty.

Topic	Description
• Letter of Credit, or • Cash in Lieu of Letter of Credit	• Any Letter of Credit must: - be in place on the Mortgage Loan Origination Date; - comply with Part I, Chapter 2: Mortgage Loan, Section 204: Letters of Credit; and - equal at least 125% of the difference between the maximum Mortgage Loan amount based on the ▪ as completed value, and ▪ as is value. • Any cash escrow used in place of a Letter of Credit must: - be limited to 3 years or convert to a Letter of Credit after 3 years; - be in place on the Mortgage Loan Origination Date; - comply with Part V, Chapter 3: Custodial Accounts; and - equal at least 125% of the difference between the maximum Mortgage Loan amount, based on the ▪ as completed value, and ▪ as is value.
Additional Credit Support	May be required.
Underwriting Fee	You must: • charge the Borrower an underwriting fee equal to 3 basis points of the Mortgage Loan amount; and • pay that amount to Fannie Mae.

Section 707 HAP Contract Properties

707.01 Properties with Both HAP Contracts and LIHTC Units

☑ Requirements

If the Property has both HAP Contracts and LIHTC units, you must underwrite the Mortgage Loan using 1 of the following options.

Choice	Requirements
Option 1	Underwrite the rents from HAP Contract units using the lowest of • market rents, • HAP Contract rents, and • applicable maximum allowable LIHTC limits minus utility allowances.
Option 2	Underwrite the rents from HAP Contract units using the additional income above the LIHTC rents (LIHTC overage) if the: • Property has at least 20% of its units subject to a HAP Contract; • HAP Contract rents are less than or equal to market rents; • weighted average LIHTC unit rents are least 10% below market; • MAH Property is located in a market or submarket with 90% or greater economic occupancy, both for market rate and affordable properties; and • Sponsor has experience and success owning and operating properties with HAP Contracts. If the HAP Contract expires before the Mortgage Loan Maturity Date, you must ensure the Property's Underwritten DSCR is greater than or equal to • 1.05 based on the LIHTC rents, and • 1.10 based on the LIHTC rents after the HAP Contract expires.

707.02 Restabilization Reserve

☑ Requirements

For all Tier 2 and Tier 3 Mortgage Loans, you must establish a Restabilization Reserve for an MAH Property with a HAP Contract if the HAP Contract term (excluding any annual or incremental government appropriation conditions) expires before the Mortgage Loan Maturity Date.

The Restabilization Reserve must:

- equal the monthly Mortgage Loan P&I, multiplied by the greater of
  - 6 months, or
  - the lease-up period determined by the market study per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703.02B: Market Study; and
- remain in place until the
  - Property achieves underwritten occupancy for 90 days at market rate rents, or
  - HAP Contract is renewed with an expiration date after the Mortgage Loan Maturity Date.

You may eliminate the Restabilization Reserve for an MAH Property with a HAP Contract, whether or not it also has LIHTC units, if:

- the Sponsor has experience and success owning and operating properties with HAP Contracts;
- the MAH Property is located in a market or submarket with 90% or greater economic occupancy, both for market rate and affordable properties; and
- for an MAH Property with LIHTC, the weighted average rents of the LIHTC units are at least 10% below market.

707.03 HAP Contract Review Sheet

☑ Requirements

Before you Rate Lock the Mortgage Loan, you must:

- complete the Section 8 Housing Assistance Payments (HAP) Contract Review Sheet and Certification (Form 6422); and
- confirm all conditions for approval are met.

Section 708 Refinancing Section 236 Properties – IRP is Maintained

☑ Requirements

For Fannie Mae to consider the cash flow from an IRP for a Property with a loan insured under Section 236 of the National Housing Act, the Borrower must decouple the IRP from the existing Section 236 note and mortgage by

- prepaying the Section 236 Loan, and

- having the IRP transferred to a new Mortgage Loan (which will be then considered a Section 236 Loan for purposes of continuing the IRP).

708.01 No Additional Proceeds

☑ Requirements

If the Borrower is not seeking additional proceeds based on the IRP, you must exclude the amount of the IRP from the LTV and Underwritten DSCR.

708.02 Additional Proceeds from Mortgage Loan

☑ Requirements

If the Borrower is seeking additional proceeds from the Mortgage Loan based on the IRP, then you must ensure:

- The Mortgage Loan has equal monthly payments of P&I.
- The portion of the Mortgage Loan sized based on the Underwritten NCF meets Fannie Mae's LTV and Underwritten DSCR requirements without considering the IRP cash flow.
- The portion of the Mortgage Loan sized based on the IRP cash flow has an Underwritten DSCR of at least 1.00.
- The financing structure reflects the remaining term of the IRP through a bifurcated note or amortization structure.

In a Forward Commitment transaction, if the IRP is decoupled from the original Section 236 Loan, you do not need to ensure principal amortization during the construction phase.

708.03 Additional Proceeds from Other Sources

☑ Requirements

If the Borrower is seeking additional proceeds from sources other than the Mortgage Loan based on the IRP, you must:

- factor the debt into the Propertys overall LTV; and
- comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Third-Party Financing.

Section 709 LIHTC Properties – Lender Equity Interest

☑ Requirements

Fannie Mae will only purchase a Mortgage Loan secured by a LIHTC Property in which you are an equity investor (directly or indirectly) in the Borrower if the following conditions are met:

- Your equity interest in the Borrower is solely for obtaining the LIHTCs in the Property, and you have no
  - management authority for the Property, or
  - equity interest (other than the LIHTCs) in
    - the Borrower,
    - any Key Principal,
    - any Person holding a Controlling Interest in the Borrower or Key Principal,
    - any Principal, or
    - any Guarantor.
- You and the equity syndicator are organized to ensure independent analysis and decision making occurs in the
  - underwriting and approval of the debt,
  - equity investments, and
  - Mortgage Loan servicing.
- Your underwriting submission includes:
  - a description of the relationship among the
    - Lender,
    - Borrower, and
    - applicable Lender Affiliate; and
  - an organizational chart or diagram showing:
    - the complete Borrower ownership structure, including any Lender or Lender Affiliate equity interest; and
    - each entity's ownership interest.

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Requirements

If a Mortgage Loan will be funded with tax-exempt bond proceeds and the Property qualifies for LIHTCs, you must confirm if Fannie Mae owns or intends to acquire:

- a direct or indirect equity interest in the Borrower, in which case, Fannie Mae cannot also own or intend to acquire an interest in the tax-exempt Bonds; or
- an interest in the tax-exempt Bonds, in which case, Fannie Mae cannot also own or intend to acquire a direct or indirect equity interest in the Borrower.

710.02 Fannie Mae Credit-Enhanced Tax-Exempt Bond Issuance

Requirements

If Fannie Mae credit enhances tax-exempt Bonds issued to fund a Mortgage Loan, you must confirm Fannie Mae does not also own or intend to acquire a direct equity interest in the Borrower.

If Fannie Mae owns or intends to acquire an indirect equity interest in the Borrower through a fund, you must:

- immediately notify the Fannie Mae Deal Team; and
- confirm
  - Fannie Maes indirect equity interest in the Borrower is less than 50%,
  - the Bond issuer and the Borrower have consented in writing to Fannie Maes equity interest, and
  - for any LIHTC transaction, the Bond issuer and the Borrower have notified bond counsel of Fannie Maes equity interest.

Section 711 FHA Risk Sharing

711.01 Description

Guidance

Fannie Mae and the HUD have a risk sharing agreement to share risk on Mortgage Loans for certain MAH Properties. HUDs risk sharing is in the form of mortgage insurance from FHA. HUD takes 50% of the risk of loss, and the remaining 50% of the loss is shared by you and Fannie Mae.

711.02 Eligibility

711.02A Borrowers, Key Principals, Guarantors, and Principals

☑ Requirements

You must ensure that the Borrower, and each Key Principal, Guarantor, and Principal are not on the most current List of Parties Excluded from Federal Procurement or Nonprocurement Programs.

711.02B Generally

☑ Requirements

You must ensure:

- the Mortgage Loan:
  - is fixed rate with no interest-only period;
  - has a loan term with a
    - minimum of 15 years, and
    - maximum of 40 years;
  - is either:
    - fully amortizing; or
    - requires a balloon payment of the outstanding principal no sooner than the end of the 15th year, calculated on an amortization term of no more than 30 years;
  - is secured by a:
    - single first Lien on real property; and
    - project consisting of at least 5 or more dwelling units located on
      - a single parcel of land, or
      - 2 or more non-contiguous parcels comprising a readily marketable Project within an area small enough for convenient and efficient management; and
  - is free of all Liens other than the Lien in favor of Fannie Mae and any subordinate Liens approved by Fannie Mae;
- at least 50% of the units are leased at rents:
  - at or above the underwritten rents; or



- that can sustain the Mortgage Loan;

- if the Borrower owns a leasehold interest in the Property, on the Mortgage Loan Origination Date, the lease term:
  - is at least 40 years; and
  - exceeds the amortization period by at least 10 years;
- the Property has affordability restrictions recorded against the Property monitored for compliance by a third party other than HUD or Fannie Mae (except for a Section 8 HAP Contract or Section 236 transaction for which HUD may monitor compliance);
- the affordability restrictions require that at least:
  - 20% of the units are rent-restricted and occupied by families with incomes no more than 50% of AMI, as adjusted for family size; or
  - 40% (25% in New York City) of the units are rent-restricted and occupied by families with incomes no more than 60% of AMI, as adjusted for family size;
- the residential unit's gross rent is restricted to no more than 30% of the unit's Imputed Income Limitation per Section 42 of the Internal Revenue Code;
- the affordability restrictions are in effect for at least the Mortgage Loan term;
- for an MAH Property, if the remaining affordability restrictions are less than 18 years, enforcement of those restrictions is considered senior to the Mortgage Loans Lien;
- the Mortgage Loan does not have an uncured payment default or performance default upon Delivery; and
- the Property qualifies on the Effective Date as an MAH Property solely per:
  - Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03A: LIHTC; and/or
  - Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03B: HAP Contract.

You must ensure the Project:

- is not located in:
  - a 500-year floodplain and likely occupied by tenants who may not be sufficiently mobile to avoid injury or death during floods or storms as determined by HUD (contact the Fannie Mae Deal Team to establish

HUDSs determination of this factor);

- a Federal Emergency Management Agency-mapped Special Flood Hazard Area 100-year floodplain (except where no buildings or Improvements other than minor grubbing will be in the floodplain and the floodplain area will be permanently dedicated to non-development, as determined by HUD (contact the Fannie Mae Deal Team to establish HUDSs determination of this factor);
- the Coastal Barrier Resources System per the Coastal Barrier Resources Act, 16.U.S.C.3501; or
- a Runway Clear Zone (at a civil airport) or Clear Zone (at a military airfield) if the Property is newly constructed or substantially rehabilitated; and

- is not:
  - financed by a loan insured by the Federal Housing Administration or other federal full mortgage insurance, co-insurance, or risk shared insurance or reinsurance under Section 542(c) of the Act;
  - used for Transient Housing or Hotel Purposes (as defined in the Fannie Mae/HUD Risk Sharing Agreement); or
  - a Nursing Home, Intermediate Care Facility of Board, or Care/Assisted Living Facility (as defined in the Fannie Mae/HUD Risk Sharing Agreement).

711.02C Cash Out

Guidance

There is no limit on the amount of cash out in an FHA Risk Sharing transaction.

711.03 Mortgage Insurance Premium

Requirements

Your pricing for an FHA Risk Sharing Mortgage Loan must include a sufficient amount to pay the mortgage insurance premium due to FHA.

711.04 Subsidy Layering Review

Requirements

You must:

- ensure the Borrower:
  - obtains a subsidy layering review that meets federal laws; and
  - contacts the Housing Finance Agency or Regional HUD office where the Property is located to request a subsidy layering review; and
- contact the Fannie Mae Deal Team if the Borrower is unable to obtain the subsidy layering review.

Operating Procedures

After the subsidy layering review is complete, the applicable reviewing office will issue a certification to the Borrower stating the total amount of governmental assistance is not more than is necessary to provide affordable housing after taking into account other government assistance. You must receive the certification before

- Rate Lock, or
- obtaining a Commitment for a tax-exempt Bond transaction.

711.05 Lender FHA Risk Sharing Reserve and Loss Sharing Modifications

Operating Procedures

If a Mortgage Loan was approved for FHA Risk Sharing, you must indicate an "FHA risk sharing" Mortgage Loan Type on the Mortgage Loan Certificate (Form 6505).

Chapter 8 Cooperative Properties

Section 801 Description

☑ Requirements

A Cooperative Property is a multifamily residential property owned by a Cooperative Organization.

Section 802 Eligible Mortgage Loans

☑ Requirements

Fannie Mae will only purchase a Cooperative Mortgage Loan if each shareholder or other equity owner in the Cooperative Organization is granted the right to occupy a unit in the Property under a proprietary lease or other occupancy agreement.

You must:

- Examine the organizational documents of the Cooperative Organization.
- Ensure that the terms of these documents allow you to originate a Loan secured by the Property in compliance with the Guide.
- Review the composition and experience of the Cooperative Organizations Board of Directors or managers.

802.01 Basic Conditions

☑ Requirements

You must ensure all the following:

- The Mortgage Loan has a fixed rate.
- Any commercial lease is determined to be a Material Commercial Lease based on 5% or more of total gross income calculated on a Cooperative Market Rental Basis.
- The Property is located in a Cooperative Property Eligible Market per Form 4660.
- The Property has a Property Condition Rating of 2 or better, per the MBA Standard Inspection Form.

802.02 Financial Conditions

☑ Requirements

You must ensure all of the following:

- You have reviewed at least 3 years of the Propertys financial operations.
- The Propertys financial operations achieved at least a 0.90 DSCR on an Actual Cooperative Property Basis for 2 of the previous 3 years.
- The Board of Directors or managers of the Cooperative Organization approve any increase in the Cooperative Maintenance Fee prior to closing; and any scheduled annual increase cannot exceed 10%.
- A Cooperative Property Sponsor may not own interests to occupy or lease more than 40% of the units in the Cooperative Property, unless the following criteria are met:
  - You deem the financial strength, experience, qualifications, and credit history of the Cooperative Property Sponsor acceptable, per the applicable provisions for Key Principals in Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals or Part III, Chapter 9: Small Mortgage Loans.
  - The Cooperative Organization consistently demonstrates sound financial operations and market acceptability.
  - There is no ongoing litigation between the Cooperative Organization and the Cooperative Property Sponsor.
  - The aggregate annual rental income from the Cooperative Property Sponsor-owned units is greater than the aggregate annual Cooperative Maintenance Fees on those units.

802.03 Property Management Conditions

☑ Requirements

You must ensure all of the following:

- Except for Small Mortgage Loans, the Property must be managed by a property management company that currently manages:
  - at least 3 other Cooperative Properties in the same market as the Property;
  - a minimum of 350 Cooperative Property units in the aggregate; and
  - another Cooperative Property of similar size to the Property.
- For Small Mortgage Loans, a Property with more than 25 units must be managed by a property management company with at least 3 years of

experience managing a Cooperative Property of similar size.

Guidance

The Borrower may manage a Property securing a Small Mortgage Loan with 25 units or less.

802.04 Other Considerations

Guidance

A Cooperative Mortgage Loan does not have to comply with the following:

- identification of a Key Principal or Principal and the applicable related analysis and obligations per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, or Part III, Chapter 9: Small Mortgage Loans;
- Ground Lease Rents per Part II, Chapter 1: Attributes and Characteristics, Section 106.02: Ground Lease Rents
- Minimum Occupancy per Part II, Chapter 1: Attributes and Characteristics, Section 107: Minimum Occupancy;
- Occupancy per Part III, Chapter 9: Small Mortgage Loans, Section 903: Occupancy; and
- Property Management per Part III, Chapter 9: Small Mortgage Loans, Section 906: Property Management.

Section 803 Underwriting

803.01 Financial Operation

Requirements

As part of your underwriting analysis, you must:

- Examine the year-to-date operational budget.
- Collect, review, and analyze audited financial/operating statements for the last 3 years of operations.
- Ensure that the average Cooperative Maintenance Fee Accounts Receivable for the last 3 years is less than 3% of the annual Cooperative Maintenance Fees.
- Ensure that the Cooperative Operating Reserve at closing is at least 10%

of the annual Cooperative Maintenance Fees.

803.02 Property Valuation

Requirements

You must obtain an Appraisal per Part II, Chapter 2: Valuation and Income that provides a value of the Cooperative Property on a Cooperative Market Rental Basis for determining the LTV Ratio per Form 4660.

Guidance

You may obtain an Appraisal per Part II, Chapter 2: Valuation and Income that provides a value of the Cooperative Property on a Cooperative Gross Sellout Value basis.

803.03 Subordinate Debt

Requirements

You must ensure that any existing debt secured by a Lien on a Cooperative Property complies with Part III, Chapter 13: Supplemental Mortgage Loans, Section 1302: Supplemental Mortgage Loans. You must also calculate the

- Underwritten DSCR per Part III, Chapter 8: Cooperative Properties, Section 804.02: Cooperative Market Rental Basis DSCR (Underwritten DSCR), and
- Actual Cooperative DSCR per Part III, Chapter 8: Cooperative Properties, Section 804.04: Actual Cooperative Property DSCR.

Section 804 Income Analysis

804.01 Cooperative Market Rental Basis NCF (Underwritten NCF)

Requirements

You must review the projected operations of the Cooperative Property on a Cooperative Market Rental Basis (as reflected in the Appraisal).

You must ensure the Cooperative Market Rental Basis NCF includes the minimum economic vacancy and Replacement Reserve expense per the applicable Underwritten NCF calculation in Part II, Chapter 2: Valuation and Income or Part III, Chapter 9: Small Mortgage Loans.

804.02 Cooperative Market Rental Basis DSCR (Underwritten DSCR)

☑ Requirements

You must calculate Underwritten DSCR per the following table.

UNDERWRITTEN DSCR (COOPERATIVE PROPERTIES COOPERATIVE MARKET RENTAL BASIS)		
Item	Function	Description
1		Underwritten NCF as calculated on a Cooperative Market Rental Basis.
2	DIVIDED BY	Annual debt service for the Mortgage Loan amount. You must base debt service on a level debt service payment, including amortization, and the greater of • the actual note rate, or • the required Underwriting Interest Rate Floor per Form 4660 . If the Property has subordinate debt, the debt service must include P&I to cover the maximum principal amount of the outstanding subordinate debt.

804.03 Actual Cooperative Property NCF

☑ Requirements

You must use the following table to calculate Actual Cooperative Property NCF.

REQUIRED ACTUAL COOPERATIVE PROPERTY NET CASH FLOW		
Item	Function	Description
CALCULATION OF NET RENTAL INCOME		
1		GROSS RENTAL INCOME current scheduled monthly Cooperative Maintenance Fees for all units (multiplied by 12).

REQUIRED ACTUAL COOPERATIVE PROPERTY NET CASH FLOW		
Item	Function	Description
2	PLUS	Income from Cooperative Organization-owned units equal to the lesser of • actual rents in place for occupied units, plus market rents for vacant units, or • an equivalent Cooperative Maintenance Fee based on similar units in the Property (multiplied by 12).
3	PLUS	Proposed increase in annual Cooperative Maintenance Fee income.
	EQUALS	GROSS POTENTIAL RENT (GPR)
4	MINUS	Vacancy included at Fannie Maes sole discretion for any Pre-Review Mortgage Loan.
	EQUALS	NET RENTAL INCOME (NRI)
CALCULATION OF OTHER INCOME		
5	PLUS	Actual other income (including any flip fees, sales fees, or any special assessments collected for operational expenses) as described in the applicable Underwritten NCF calculation detailed in Part II, Chapter 2: Valuation and Income, or Part III, Chapter 9: Small Mortgage Loans.
CALCULATION OF COMMERCIAL INCOME		
6	PLUS	Actual income from occupied commercial space (and parking revenue for commercial spaces, if applicable).
7	PLUS	Actual income from STR units.
8	MINUS	Commercial income economic vacancy included at Fannie Maes sole discretion for any Pre-Review Mortgage Loan. A 10% vacancy rate must be applied to any STR income.[1]
1 If net commercial income is greater than 20% of EGI on a Cooperative Market Rental Basis, then reduce to 20% of EGI on a Cooperative Market Rental Basis.		
	EQUALS	EFFECTIVE GROSS INCOME (EGI)
CALCULATION OF OPERATING EXPENSES		

REQUIRED ACTUAL COOPERATIVE PROPERTY NET CASH FLOW		
Item	Function	Description
9	MINUS	Line-by-line stabilized operating expenses, including management fee and insurance. Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by short-term positive or negative factors. Non-recurring, extraordinary expenses must not be included. You must assess: • past operating history; • market expenses; • actual service contracts in place; and • the Propertys budget. All expenses associated with STR should be underwritten in their respective expense line items.

REQUIRED ACTUAL COOPERATIVE PROPERTY NET CASH FLOW		
Item	Function	Description
10	MINUS	Real estate taxes based on the greatest of: • actual future tax bill(s) covering a full calendar year; • prior full years taxes multiplied by 103%; or • in California, the greater of the assessed value or the Mortgage Loan amount, multiplied by the millage rate, plus any special assessments. If the Property has real estate Tax Abatements, they must: • be in effect at closing, per written documentation from the state or local tax assessor; and • survive a foreclosure of the Mortgage Loan such that Fannie Mae or a subsequent owner will retain the abatement, exemption, or deferral benefit (e.g., it is tied to the operation of the Property and not the identity or structure of the owner). If the timeframe for the real estate Tax Abatement is shorter than the Mortgage Loan term, you must consider • a Bifurcated Mortgage Loan structure (i.e., 2 notes secured by a single first Lien Security Instrument), • an amortization schedule that accommodates the elimination of the abatement, or • providing clear justification and support in the refinance analysis.

REQUIRED ACTUAL COOPERATIVE PROPERTY NET CASH FLOW		
Item	Function	Description
11	MINUS	All other expenses as described in Underwritten NCF calculation detailed in the applicable Part II, Chapter 2: Valuation and Income, or Part III, Chapter 9: Small Mortgage Loans, except for property insurance and management fees. For STR: • any taxes or fees imposed by the local jurisdiction; and • if applicable, the difference in actual lease STR income and the Cooperative Maintenance Fee for similar units in the Property with a term of more than 30 days. For example, if actual lease STR income for a unit is $1,000 and the comparable Cooperative Maintenance Fee for that unit is $900, then deduct $1,200 ($1,000 - $900 = $100 X 12 months) as an other expense.
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
12	MINUS	Replacement Reserve expense included at Fannie Maes sole discretion for any Pre-Review Mortgage Loan.
	EQUALS	ACTUAL COOPERATIVE PROPERTY NET CASH FLOW (ACTUAL COOPERATIVE NCF)

804.04 Actual Cooperative Property DSCR

☑ Requirements

You must calculate the Actual Cooperative Property DSCR per the following table.

ACTUAL COOPERATIVE PROPERTY DSCR		
Item	Function	Description
1		Actual Cooperative NCF per Part III, Chapter 8: Cooperative Properties, Section 804.03: Actual Cooperative Property NCF.
2	DIVIDED BY	Annual debt service for the Mortgage Loan amount. You must base debt service on a level debt service payment at the actual note rate, including amortization. Use interest-only payments only for a full-term interest-only Mortgage Loan. If the Property has subordinate debt, the debt service must include P&I to cover the actual UPBof the outstanding subordinate debt. Use interest-only payments only for full-term interest-only subordinate debt.

Section 805 Limited Equity Cooperative Properties

Requirements

In addition to the rest of this Chapter, you must ensure that Limited Equity Cooperative Properties meet the following:

- Cooperative Maintenance Fees: You must ensure that:
  - monthly Cooperative Maintenance Fees are not more than 90% of comparable unit market rents; and
  - if there are restrictions from the HUD or others, then both HUD and the Limited Equity Cooperative Propertys Board of Directors or managers must approve all Cooperative Maintenance Fee increases before the Commitment Date.
- Cooperative Operating Reserve: You must require a reserve equal to at least 6 months of P&I payments on the Mortgage Loan.
- HUD IRP Loan: You must require an IRP reserve equal to 2 months of IRP payments for the life of the IRP Loan. The funds in the IRP reserve may only be used to compensate for late IRP payments.

- Actual Cooperative Property NCF: You must calculate Actual Cooperative Property NCF per Part III, Chapter 8: Cooperative Properties, Section 804.03: Actual Cooperative Property NCF, but the following exceptions apply:
  - Economic vacancy: Use the greater of
    - 5%, or
    - the highest level experienced by the Property during the last 3 years.
  - Actual operating expenses: Equal to 103% of the previous year's operating expenses.
  - Replacement Reserve: Use the greater of
    - the scheduled Replacement Reserve per unit as determined by a PCA, or
    - $250 per unit per year.
- Unit Turnover: Total unit turnover must not be greater than 20%.
- Escrows: You must require monthly deposits for real estate taxes, insurance, and the Replacement Reserve.
- Cooperative Property Sponsor: There must be no Sponsor-owned units.
- Property management experience: The property management company must have Limited Equity Cooperative Property management experience. If HUD restrictions are in-place, the firm must also have a history of successfully complying with HUD restrictions and reporting requirements.

Guidance

You should consider the following:

- Cooperative Operating Reserve: You may include a similar reserve held by another independent lender if the funds are released to you.
- Actual Cooperative Property NCF: 3% trending is not required for trailing 12-month or year-to-date annualized operating expenses.
- Unit Turnover: Unit turnover occurs when a shareholder or tenant chooses to vacate a unit or terminate a lease during the past 3 years.

Chapter 9 Small Mortgage Loans

Section 901 Generally

901.01 Description

Requirements

A Small Mortgage Loan is a Mortgage Loan with an original loan amount of less than or equal to $9 million.

Guidance

A Small Mortgage Loan may be underwritten per:

- Part I and this Chapter; or
- Part I and Part II, as for a conventional Mortgage Loan.

901.02 Applicability

Requirements

You may use this Chapter to underwrite conventional Mortgage Loans and the following products:

- MH Communities;
- MAH Properties; and
- market rate Cooperative Properties that are not Limited Equity Cooperative Properties.

Section 902 Key Principal Guaranty Obligation

Requirements

You must obtain a Non-Recourse Guaranty (Form 6015) from each Key Principal.

Section 903 Occupancy

Requirements

Small Mortgage Loans must achieve Stabilized Residential Occupancy as follows:

If the Property contains...	Then it must have...
10 or more units	at least 90% physical occupancy by Qualified Occupants for the 90 days immediately before the Commitment Date.
Less than 10 units	• no more than 1 vacant unit as of the Commitment Date, and • an average occupancy by Qualified Occupants of at least 90% for the 12-month period immediately before the Commitment Date.

If a Small Mortgage Loan is secured by an MH Community, then Stabilized Residential Occupancy must comply with Part II, Chapter 1: Attributes and Characteristics, Section 107: Minimum Occupancy.

Section 904 Corporate Leases; Leases to One Entity

Guidance

Entity leases are permitted; but you should analyze the effect of leasing

- more than 10% of the total residential units in the Property to corporations, partnerships, trusts, and other entities, or
- more than 5% of the total residential units to any single corporation, partnership, trust, or other entity.

Entity leases of residential units for residential purposes are considered residential space.

Section 905 Property Income Analysis

905.01 Small Mortgage Loan Underwritten NCF (Underwritten NCF)

Requirements

You must calculate Underwritten NCF as follows:

- for a MAH Property, per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703: Property Income and Underwriting; except that Replacement Reserves may be calculated per the table in this Section;
- for a MH Community, per Part III, Chapter 6: Manufactured Housing

Communities, Section 606: Property Income and Underwritten NCF;

- for a Cooperative Property, per Part III, Chapter 8: Cooperative Properties, Section 804: Income Analysis; and
- for all conventional Small Mortgage Loans, you must use the following table.

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
CALCULATION OF NET RENTAL INCOME		
1		GROSS RENTAL INCOME the lesser of • actual rents in place, or • market rents for occupied units, plus market rents for vacant units based on a current rent roll (multiplied by 12).[1]
2	PLUS	To the extent deducted as an operating expense, rents for other non-revenue units. For example: • model units deducted in the model apartment operating expense in the general and administrative category; • owner-occupied units[2] deducted in the general and administrative category; and • employee units[3] deducted in the employee operating expense in the payroll and benefits category.
	EQUALS	GROSS POTENTIAL RENT (GPR)
3	MINUS	Premiums and corporate premiums.
4	MINUS	Physical vacancy market rents for vacant units based on a current rent roll (multiplied by 12).[4]
5	MINUS	Concessions the aggregate amount of forgone residential rental income from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc.[4]

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
6	MINUS	Bad debt the aggregate amount of unpaid rental income determined to be uncollectable, including any adjustments to other income for bad debt.[4]
	EQUALS	NET RENTAL INCOME (NRI)

1(a) In the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA, you may use actual rents in place plus projected increases for rent-regulated units that have rent increases scheduled before, or through, the first 12 months of the loan term. Any units subject to rent regulation on the Commitment Date must be treated as rent-regulated for this calculation even if converting to market rate after origination.

(b) For Properties located in New York City that are currently subject to the J51 Tax Incentive Program, you must ensure that the Gross Rental Income is calculated per Item 1 in Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.

2 You must deduct owner-occupied units as an expense unless

- the Mortgage Loan is Tier 3 or Tier 4, or
- the Property contains 24 or more units.

3 You must deduct as an expense the portion of the market rent used as employee compensation.

4 The total of Items 4, 5, and 6 must be greater than or equal to

- 3% of GPR for the New York-Northern New Jersey-Long Island, NY-NJ-PA and San Francisco-Oakland-Fremont, CA, Metropolitan Statistical Areas (MSAs), if supported by market and property operations, or
- 5% of GPR for all other MSAs.

CALCULATION OF OTHER INCOME

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
7	PLUS	Actual other income (except premiums and corporate premiums) generated through ongoing operations. The income must: • be stable; • be common in the market; • exclude one-time extraordinary, non-recurring items; and • be supported by prior years. You must assess the individual month's other income within the prior full-year operating statement; or at a minimum, an operating statement covering at least the trailing 6 month's (annualized).
CALCULATION OF COMMERCIAL INCOME		
8	PLUS	Actual income from leased and occupied commercial space per Part II, Chapter 1: Attributes and Characteristics, Section 111: Commercial Leases.
9	PLUS	Actual income from STR units.
10	MINUS	10% of the actual commercial space income (total of Items 8 plus 9).[5]
11	PLUS	Commercial parking income (e.g., public parking) that does not exceed actual trailing 12-month collections.[5]
12	PLUS	Laundry and vending, and all other income per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.
5 If net commercial income is greater than 20% of EGI, then reduce to 20% of EGI.		
	EQUALS	EFFECTIVE GROSS INCOME (EGI)
CALCULATION OF OPERATING EXPENSES		

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
13	MINUS	Line-by-line stabilized operating expenses. Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a • lease-up, • rehabilitation, or • other short-term positive or negative factors. Non-recurring, extraordinary operating expenses must not be included. You must assess: • past operating history; • the Appraisers expense analysis; • all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and • the Borrower's budget (for an Acquisition). You must: • analyze historical operations at the Property; • apply an appropriate increase over the prior years operations in determining an estimate; and • include all STR-related expenses in their respective expense line items, including - cleaning, - furnishing, and - repairs. You cannot include any operating expense that reflects blanket or bulk discounts that benefit the Borrower or Key Principal (e.g., blanket property or casualty insurance policies, or utilities purchased in bulk). Operating expenses must reflect the Property expenses on a stand-alone basis.

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
14	MINUS	Property management fee equal to the greatest of: • 3% of EGI; • actual property management fee, provided you - exclude any portion of a property management fee that is subordinated to the Mortgage Loan, and - include any known contractual fee increases occurring over the next 24 months; or • Appraiser's concluded market property management fee.
15	MINUS	Real estate taxes per Item 17(b) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
16	MINUS	Insurance per Item 17(c) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
17	MINUS	Utilities, water and sewer, repairs and maintenance, payroll and benefits, advertising and marketing, professional fees, general and administrative, ground rent, and all other expenses as detailed in Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
18	MINUS	Replacement Reserve expenseequal to the greatest of • $200 per unit, if the Property Condition Rating is 1, • $250 per unit, if the Property Condition Rating is 2, • $300 per unit, if the Property Condition Rating is 3, or • the amount required per Part II, Chapter 4: Lease Audits, Inspections, and Reserves.

REQUIRED UNDERWRITTEN NET CASH FLOW (SMALL MORTGAGE LOANS)		
Item	Function	Description
	EQUALS	UNDERWRITTEN NET CASH FLOW (UNDERWRITTEN NCF)

905.02 Underwritten DSCR

☑ Requirements

You must calculate Underwritten DSCR per the following table.

UNDERWRITTEN DSCR[1,2]		
Item	Function	Description
1		Underwritten NCF as calculated in Part III, Chapter 9: Small Mortgage Loans, Section 905.01: Small Mortgage Loan Underwritten NCF (Underwritten NCF).
2	DIVIDED BY	Annual debt service for the Mortgage Loan amount. You must base debt service on a level debt service payment, including amortization, and the greater of • the actual note rate, or • the required Underwriting Interest Rate Floor.[3]

UNDERWRITTEN DSCR[1,2]		
Item	Function	Description
1 For a Small Mortgage Loan secured by an MAH Property underwritten per this Chapter, you must comply with the minimum DSCR requirement for an MAH Property per Form 4660 . 2 For shorter amortization terms, you must • calculate the Underwritten DSCR based on the shorter period, and • comply with the minimum DSCR requirement per Form 4660 . The mandatory NRI adjustments in Part II, Chapter 2: Valuation and Income, for Properties with declining NRI do not apply. 3 For a Small Mortgage Loan secured by an MAH Property underwritten per this Chapter, you must comply with the required Underwriting Interest Rate Floor for an MAH Property per Form 4660 .		

Section 906 Property Management

☑ Requirements

To ascertain the property management requirements, you must determine how many years of experience, as of the Commitment Date, the Borrower or any Key Principal has owning or managing residential rental properties, based on the following:

Similar in Size	Unit Range
Small Properties	• 1 multifamily property with 5 50 units, or • concurrently owning or managing at least 10 single-family rental units.
Medium Properties	1 multifamily property with 51 100 units.
Large Properties	1 multifamily property with 101 or more units.

As of the Commitment Date, a non-Local Borrower must have at least 2 years of multifamily ownership or property management experience with a property similar in size or larger than the Property.

Property management requirements are as follows.

Property Size	Professional property management or qualified on-site manager required if...
Less than 10 residential units	• non-Local Borrower, or • Local Borrower residesmore than 100 miles from the Property.
10 or more residential units	• non-Local Borrower, or • Local Borrower with less than 2 years of experience with a property similar in size or larger.

A professional property management company must have an office within 100 miles of the Property when the Borrower or all Key Principals primarily reside more than 100 miles from the Property.

Guidance

A professional property management company should use a written management agreement that complies with Part II, Chapter 1: Attributes and Characteristics, Section 114: Property Management and Agreement.

A qualified on-site manager

- is not required to be a Property resident,
- should generally be on-site during normal business hours, and
- for at least 2 years the before the Commitment Date, should have either successfully managed the Property or have demonstrated management experience with a property similar in size or larger than the Property.

Section 907 Property Condition

907.01 Lender's Site Inspection and Lease Audit

Requirements

You must:

- comply with Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 401: Lease Audit; and
- not Deliver any Small Mortgage Loan if the Property's estimated Completion/Repair costs are greater than 10% of the UPB.

907.02 Site Inspection by Borrower

☑ Requirements

You must ensure that the Borrower or the Key Principal:

- Conducts a physical inspection of the Property.
- Certifies in the Multifamily Underwriting Certificate (Form 6460) that the physical inspection has been performed.

907.03 PCA

☑ Requirements

You must comply with Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 404: Property Condition Assessment (PCA).

Section 908 Replacement Reserve

☑ Requirements

You must require either full funding or alternative funding (per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406.03: Alternative Replacement Reserve Funding) of the Replacement Reserve for any Tier 2 Small Mortgage Loan on a

- Property not located in an Eligible MSA per Form 4660, or
- Rent-Stabilized Property located in the New York-Newark-Jersey City, NY-NJ-PA MSA.

For all other Small Mortgage Loans, you must determine whether to require funding of the Replacement Reserve.

If you do not require full funding, then you and the Borrower must execute either

- the appropriate Modifications to Multifamily Loan and Security Agreement (Replacement Reserve Partially or Fully Waived) (Form 6220), or
- the Modifications to Multifamily Loan and Security Agreement (Replacement Reserve Alternative Funding) (Form 6221).

Section 909 Environmental Matters and Inspections

☑ Requirements

Before the Commitment Date, you must:

- Obtain an Environmental Screening of the Property using the ASTM E-1528 protocol.
- Perform a physical site inspection of the Property.
- Notify the Appraiser of any Recognized Environmental Condition or non-scope considerations that would impact the value of the Property.
- Determine if an O&M plan is appropriate to address a Recognized Environmental Condition.
- Determine if the state where the Property is located has an environmental super-lien statute, and ensure that the Property conditions are not likely to result in such a lien.
- Disclose any actual or suspected environmental conditions not disclosed in the ESA.
- Evaluate the potential risk posed by any Recognized Environmental Conditions that could result in loss or liability to you, the Borrower, the Property, or Fannie Mae.
- Obtain a copy of any Phase I ESA that the Borrower has in its possession or can obtain.
- Determine, based on the findings of the environmental screening and analysis, whether a Phase I ESA is required and, if so, contract for the report.
- When indicated, contract for a Phase II ESA.
- Disclose any knowledge of actual or suspected environmental problems.

Guidance

You may contract portions of your environmental responsibilities to qualified parties. The environmental screening and analysis may be completed by:

- the engineer conducting the PCA;
- a qualified employee; or
- a qualified non-employee.

Operating Procedures

If a qualified individual performs the environmental screening and analysis, you must:

- Identify the individual.

- Ensure that the individual certifies each environmental analysis.
- Submit a certified copy of each environmental analysis with Folder II of the Multifamily Mortgage Loan Delivery Package Table of Contents (Form 6502.Folder.II).

Section 910 Borrower, Key Principals, Guarantors, and Principals

Requirements

Except as described below, you must comply with all requirements for the Borrower, Key Principals, Guarantors, and Principals in Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals.

910.01 Borrower Organizational Structure

Requirements

Any individual Borrower must not be a Foreign Person.

Although a single asset entity is preferred, the Borrower may be a multi-asset entity.

Guidance

If the Borrower owns multiple assets, then you should obtain and underwrite the Borrowers complete schedule of owned real estate assets. Your underwriting should include the nature, location, cash flows, outstanding mortgage debt, and contingent liabilities of each asset.

910.02 Co-Tenant Borrowers

Requirements

If a Co-Tenant Borrower is not an individual or a trust holding title to assets of an individual, each Key Principal must execute the applicable Guaranty per Part III, Chapter 9: Small Mortgage Loans, Section 902: Key Principal Guaranty Obligation.

A Co-Tenant Borrower must be

- an individual who is not a Foreign Person,
- a single-asset entity, or
- a multi-asset entity.

910.03 Key Principals

☑ Requirements

You must ensure that any individual Key Principal is not a Foreign Person.

910.04 Principals

☑ Requirements

For Small Mortgage Loans, a Principal is any person or entity that holds direct or indirect interests of 50% or more in the Borrower.

910.05 Financial Statements

☑ Requirements

You must:

- obtain
  - a schedule of owned real estate assets, and
  - signed financial statements; and
- verify liquid assets for the 3-months immediately before the Borrower's loan application by obtaining copies complying with the aging requirements per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals of all
  - bank statements, and
  - investment portfolio statements.

910.06 Net Worth and Liquid Assets

☑ Requirements

You must ensure that:

- the combined net worth of the Borrower and all Key Principals equals or exceeds the original principal amount of the Small Mortgage Loan; and
- the combined post-closing liquid assets (excluding any Small Mortgage Loan cash-out proceeds) of the Borrower and all Key Principals equal at least 9 monthly payments of P&I on the Small Mortgage Loan.

Guidance

You should:

- for net worth, consider the impact of current, long-term, and contingent liabilities compared to the Small Mortgage Loan amount; and
- for liquidity, exclude the following unless you have reasonable justification:
  - retirement funds (such as IRAs and 401Ks); and
  - promissory notes payable to the Borrower or a Key Principal, whether secured or unsecured.

Section 911 Credit Reports

911.01 Credit Report

Requirements

Within 90 days before the Commitment Date, you must obtain credit reports for all individual

- Borrowers,
- Key Principals,
- Guarantors, and
- Principals.

The credit reports must be from at least 2 of the following credit information services:

- Equifax;
- Experian; or
- TransUnion.

911.02 FICO Scoring

Requirements

You must ensure that all individual Borrowers, Key Principals, Guarantors, and Principals meet the Minimum FICO Requirement in Form 4660.

Guidance

To determine that the Minimum FICO Requirement is met, follow these guidelines:

If	Then
You obtain credit reports from 2 of the 3 credit information services for a Borrower, Key Principal, Guarantor, or Principal	Use the lower of the 2 scores.
You obtain credit reports from all 3 credit information services, for a Borrower, Key Principal, Guarantor, or Principal	Use the middle score.
A Small Mortgage Loan has multiple individual Borrowers, Key Principals, Guarantors, or Principals	Use the average of their respective FICO scores.

911.03 Reviewing the Credit Report

Requirements

You must analyze the credit report for each individual Borrower, Key Principal, Guarantor, and Principal.

If the answer to any of the following Guidance questions is yes, then the Borrower, Key Principal, Guarantor, or Principal must give you satisfactory explanations, even if they meet the Minimum FICO Requirement.

Guidance

As you analyze the credit report, consider the following questions:

- Have any mortgage late payments occurred in the previous 36 months?
- Have any revolving or installment late payments occurred within the previous 12 months?
- Did you consider any of the credit card or other unsecured debt balances?
- Have any tax liens been filed or reported within the previous 5 years?
- Have any discharged bankruptcies or mortgage foreclosures occurred within the previous 10 years?
- Are there any outstanding judgments or collections higher than $5,000?

Chapter 10 Adjustable Rate Mortgage (ARM) Loans

Section 1001 Description

☑ Requirements

An ARM Loan has

- an interest rate that is adjusted periodically based on a specified
  - Index, and
  - interest period,
- payments that are adjusted to repay the UPB in substantially equal payments over the remaining amortization period, and
- a term of 5, 7, or 10 years, depending on the plan.

Product Description	
Plan Number	• 04931 - ARM 5/5 Loan: 30-Day Average SOFR • 04933 - ARM 7/6 Loan: 30-Day Average SOFR
Terms	• ARM 5/5 Loan: Initial 5-year term with an optional second 5-year adjustable rate term • ARM 7/6 Loan: 7-year term
Index	• ARM 5/5 Loan: 30-Day Average SOFR • ARM 7/6 Loan: 30-Day Average SOFR
Interest Rate Floor	Must not be less than the combined • Guaranty Fee, plus • Servicing Fee, plus • Investor spread.
Lockout Period	• 1 st Loan Year; and • 1 st Loan Year of the second 5-year adjustable rate term (typically the 6th Loan Year), when an ARM 5/5 Loan renews for an additional 5-year adjustable rate term.

Product Description	
Prepayment Availability	May be voluntarily prepaid after eachlockout period with a 1% Prepayment Premium, but no Prepayment Premium is due • during the "open period" (typically the last 3 months of the loan term), • when an ARM Loan converts to a fixed rate Mortgage Loan, or • when an ARM 5/5 Loan renews for an additional 5-year adjustable rate term.
Rate Change Date	Date the interest rate changes based on changes in the selected Index.
Interest Rate Change Frequency	Monthly
Maximum Interest Rate Change	Plus or minus 1% of the then-current interest rate.
Maximum Lifetime Interest Rate Limit	• For an ARM 5/5 Loan, - Guaranty Fee, plus - Servicing Fee, plus - 5%. • For an ARM 7/6 Loan, - Guaranty Fee, plus - Servicing Fee, plus - 6%.
Index Look-Back Period	1 Business Daybefore the Rate Change Date.
Interest Accrual Method	Actual/360
Interest Rate Cap	Not required; interest rate adjustments are subject to an embedded cap.

Product Description	
Conversion to Fixed Rate	Permitted, with no prepayment penalty and minimal re-underwriting, after the lockout period and before the "open period" (typically the last day of the 4th month preceding the end of the Mortgage Loan term).
Investors	• For an ARM 5/5 Loan, - the Multifamily Trading Desk, or - Third Party MBS Investor. • For an ARM 7/6 Loan, the Multifamily Trading Desk.
Rate Lock	• Maximum 45-day Commitment. • No rate change may occur before Delivery.
ARM 5/5 Loan Options at Maturity	Before the end of the initial 5-year term for an ARM 5/5 Loan, Borrower must elect to: • convert the ARM Loan to a fixed rate; • fully repay the ARM Loan; or • renew the adjustable rate term for an additional 5-year term.

Section 1002 Underwriting

☑ Requirements

You must ensure that the maximum ARM Loan amount is the lowest of the amount:

- calculated applying the applicable minimum DSCR per Form 4660 for both the
  - maximum lifetime interest rate limit, and
  - Fixed Rate Test per Form 4660;
- calculated using the applicable maximum LTV per Form 4660; and
- you determined is appropriate.

You must use the Fixed Rate Test interest rate to determine the UPB for the refinance risk analysis per Part II, Chapter 2: Valuation and Income,

Section 204: Refinance Risk Analysis.

For an ARM 5/5 Loan, you must:

- instruct the PCA Consultant to determine all required Property capital improvements over a 12-year period (i.e., the initial 5-year adjustable rate term, plus the optional 5-year adjustable rate term, plus 2 years); and
- calculate the Replacement Reserve based on the required capital improvements during the first 5-year adjustable rate term, plus 2 years.

Section 1003 Prepayment Terms

1003.01 Generally

☑ Requirements

The following table describes various situations and the applicable prepayment provisions; see Part V, Chapter 2: Reporting and Remitting, Section 213: Prepayment Premium Sharing for Prepayment Premium calculations and sharing between you and Fannie Mae.

Situation	Prepayment Provisions
Borrower attempts to make a voluntary prepayment during the lockout period.	Borrower may not make a voluntary prepayment during the lockout period.
ARM Loan is accelerated during the prepayment lockout period.	Borrower owes a 5% Prepayment Premium.
Borrower makes a voluntary prepayment after the lockout period and before the "open period" (typically 3 months prior to the Maturity Date) for any reason other than a casualty or condemnation.	Borrower owes a Prepayment Premium.
ARM Loan converts to a fixed rate Mortgage Loan.	Borrower does not owe a Prepayment Premium.
Borrower makes any prepayment during the "open period" (typically 3 months before the Maturity Date).	Borrower does not owe a Prepayment Premium.
Borrower makes a prepayment at any time due to casualty or condemnation.	Borrower does not owe a Prepayment Premium.

1003.02 1% Prepayment Premium Schedule

☑ Requirements

After the 1st Loan Year, the Prepayment Premium will be 1% for any reason other than a casualty or condemnation.

Loan Year	5-Year Term	7-Year Term	10-Year Term
1 (Locked Out)[1]	N/A	N/A	N/A
2	1%	1%	1%
3	1%	1%	1%
4	1%	1%	1%
5	1%	1%	1%
6[2]	N/A	1%	1%
7	N/A	1%	1%
8	N/A	N/A	1%
9	N/A	N/A	1%
10	N/A	N/A	1%

1During the lockout period, the Borrower may not voluntarily prepay the ARM Loan. If the ARM Loan is accelerated during the lockout period, the Borrower owes a 5% Prepayment Premium.

2If an ARM 5/5 Loan is renewed for the optional 5-year adjustable rate term, the Borrower may not voluntarily prepay during the lockout period at the beginning of the second 5-year adjustable rate term (typically the 6th Loan Year). If the ARM 5/5 Loan is accelerated during the 6th Loan Year, the Borrower owes a 5% Prepayment Premium.

Section 1004 ARM 5/5 Loan Optional 5-Year Adjustable Rate Term Renewal Eligibility

☑ Requirements

A performing ARM 5/5 Loan is eligible to renew the adjustable rate term for an additional 5-year adjustable rate term if:

- Fannie Mae offers the ARM 5/5 Loan.
- The Loan Documents require a second lockout period at the beginning of

the second 5-year adjustable rate term (typically the 6th Loan Year), prohibiting any voluntary prepayment.

- You comply with the Loan Documents, including calculating an updated:
  - DSCR, using the current NCF and the Maximum Lifetime Interest Rate Limit, at least equal to the DSCR per Form 4660 based on the same Tier as the initial 5-year adjustable rate term; and
  - LTV less than or equal to the LTV per Form 4660 based on the same Tier as the initial 5-year adjustable rate term.

Chapter 11 Structured Adjustable Rate Mortgage (SARM) Loans

Section 1101 Description

☑ Requirements

A SARM Loan is an ARM Loan with an external Interest Rate Cap.

Product Description	
Plan Number	04932 - 30-Day Average SOFR
Term	5 to 10 years
Funding Type	MBS or Cash
Index	30-Day Average SOFR
Rate Change Date	Date the interest rate changes based on changes in the selected Index.
Index Look-Back Period	1 Business Day before the Rate Change Date.
Interest Rate Floor	Must be equal to or greater than the sum of the • Guaranty Fee, • Servicing Fee, and • Investor spread.
Lockout Period	1 st Loan Year
Prepayment Availability	After the lockout period, voluntary prepayments permitted per the selected prepayment option.
Minimum Loan Amount	$25 million
Interest Rate	Equals the sum of the • Index, • Guaranty Fee, • Servicing Fee, and • Investor spread.

Product Description	
Interest Rate Adjustment	• Occurs everymonth. • Except for the Interest Rate Floor, has no limit on number or size of rate changes.
Interest Rate Cap	Required for the entire SARM Loan term.
Interest Accrual Method	Actual/360
Amortization	Amortizes with fixed monthly principal installments based on a calculated actual/360 fixed rate payment.
Conversion to Fixed Rate	Permitted per Part IV, Chapter 7: Variable Rate Conversions and Renewals, Section 702: ARM Loan and SARM Loan Conversions.
Investors	• Third Party MBS Investor, or • Multifamily Trading Desk.
Rate Lock	• Maximum 45-day Commitment. • No rate change permittedbefore Delivery.

Section 1102 Underwriting

☑ Requirements

You must calculate the minimum Underwritten DSCR based on an amortizing debt service constant.

Minimum Underwritten DSCR	
Term	Equals the sum of the...
Maximum Note Rate	• minimum Cap Strike Rate as set by Fannie Mae for the Mortgage Loan, plus • Mortgage Loan margin equal to the sum of the - Investor spread, - Guaranty Fee, and - Servicing Fee.
Debt Service Constant	• Maximum Note Rate, plus • applicable amortization factor based on the Maximum Note Rate.

You must ensure the maximum SARM Loan amount is the lesser of the amount:

- calculated using the:
  - minimum DSCR per Form 4660 for both the
    - Maximum Note Rate for the adjustable interest rate, and
    - Fixed Rate Test described in Form 4660; and
  - maximum LTV Ratio per Form 4660; or
- you determined is appropriate.

You must use the Fixed Rate Test interest rate to determine the UPB for the refinance risk analysis per Part II, Chapter 2: Valuation and Income, Section 204: Refinance Risk Analysis.

Guidance

The amortization used to underwrite the SARM Loan is different than the actual SARM Loan amortization schedule, which uses fixed monthly principal installments.

Section 1103 Actual Amortization Calculation

Requirements

You must amortize SARM Loans on a straight-line basis over the total loan term. The amount of amortization due during the Mortgage Loan term is the same amount that would be due, in total, for a comparable fixed rate loan. When you calculate the amortization due, you must consider

- the loan term,
- the amortization schedule,
- any interest-only period, and
- the Pricing and Underwriting Tier.

To calculate SARM Loan amortization, you must use fixed rate pricing with an interest rate equal to:

- an indicative MBS investor yield; plus
- the lower of the:
  - lowest Guaranty Fee and Servicing Fee in the Pricing Memo for a hypothetical actual/360 fixed rate Mortgage Loan with the same loan

term and Pricing and Underwriting Tier as the SARM Loan; or

- Guaranty Fee and Servicing Fee quoted by the Fannie Mae Deal Team for a fixed rate Mortgage Loan when you request pricing for the SARM Loan.

Operating Procedures

You must...	Process
Obtain Fixed Rate Quote	• Obtain a quote for a hypothetical actual/360 fixed rate Mortgage Loan. • Use the quoted fixed interest rate to calculate the amortization for the SARM Loan.
Calculate the Fixed Monthly Principal Installment Over the SARM Loan Term	• **Step 1**: Using an actual/360 interest accrual method, calculate the aggregate amortization amount to be collected over the SARM Loan term based on the: - SARM Loan principal amount; - lowest interest rate for a hypothetical actual/360 fixed rate Mortgage Loan with the same loan term and Pricing and Underwriting Tieras the SARM Loan, rounded to 3 decimal places; and - required amortization period. • **Step 2:** Divide the aggregate amortization amount from Step 1 by the number of amortizing monthly installments in the SARM Loan term. The result is the fixed monthly principal installment. For example, the number of monthly installments would be: • 120, for a 10-year amortizing Mortgage Loan; or • 108, for a 10-year Mortgage Loan with 1 year of interest only.

Guidance

The following is an example for calculating the fixed monthly principal installment for a Tier 2 SARM Loan with a

- 10-year term,
- 30-year amortization period,
- actual/360 interest accrual method, and
- $25 million Mortgage Loan amount.

Example: Hypothetical Actual/360 Fixed Rate Quote	
Guaranty Fee quoted by Fannie Mae	0.95%
Servicing Fee quoted by Fannie Mae	+ 0.55%
U.S. Treasury and Investor spread (quoted by Fannie Mae or Third Party MBS Investor)	+ 4.00%
Gross Note Rate	= 5.50%

Step 1: Calculate the aggregate principal amortization amount collected over the Mortgage Loan term if it had a fixed rate.

Determine the...	Assuming...	Result
• Month and year when the first full monthly loan payment would be made, based on an actual/360 amortization schedule. • Total amortization amount depends on: - the number of days (i.e., 28, 29, 30, or 31) in the month before each loan payment date; and - when the next leap year occurs.	• a debt service constant calculated using the hypothetical fixed Gross Note Rate of 5.500% (6.8134680% debt service constant); • an issue date of December 1, 2018; and • a first loan payment date of January 1, 2019.	The aggregate principal amortization amount over 120 payments is $4,114,494.17.

Step 2: Calculate the fixed monthly principal installment by dividing the aggregate amortization amount by the total number of amortizing payments during the SARM Loan term.

Calculate the Fixed Monthly Principal Installment	
Aggregate amortization	$4,114,494.17
Divided by total payments	120
Equals fixed monthly principal	$34,287.45

Section 1104 Prepayment Terms

1104.01 Generally

☑ Requirements

The following table describes various situations and the applicable prepayment provisions; see Part V, Chapter 2: Reporting and Remitting, Section 213: Prepayment Premium Sharing for Prepayment Premium calculations and sharing between you and Fannie Mae.

Situation	Prepayment Provisions
Borrower attempts to make a voluntary prepayment during the lockout period.	Borrower cannot make a voluntary prepayment during the lockout period.
SARM Loan is accelerated during the prepayment lockout period.	Borrower owes a 5% Prepayment Premium.
Borrower makes a prepayment sometime after the lockout period and before the "open period" (typically 3 months before Maturity Date) for any reason other than a casualty or condemnation.	Borrower owes a Prepayment Premium.
SARM Loan converts to a fixed rate Mortgage Loan.	Borrower does not owe a Prepayment Premium.
Borrower makes a prepayment during the "open period" (typically 3 months before the Maturity Date).	Borrower does not owe a Prepayment Premium.
Borrower makes a prepayment due to casualty or condemnation.	Borrower does not owe a Prepayment Premium.

1104.02 Prepayment Option 1 – Declining Prepayment Premium Schedule

☑ Requirements

For a voluntary prepayment after the lockout period using Prepayment Option 1, you must use Schedule 4 of the Multifamily Loan and Security Agreement - Prepayment Premium Schedule (Graduated Prepayment Premium ARM, SARM) (Form 6104.10) with the applicable Prepayment Premium percentage listed in this table.

Loan Year	5-Year Term	7-Year Term	10-Year Term
1 (Locked Out)[1]	N/A	N/A	N/A
2	4%	4%	4%
3	3%	3%	3%
4	2%	2%	2%
5	1%	1%	1%
6	N/A	1%	1%
7	N/A	1%	1%
8	N/A	N/A	1%
9	N/A	N/A	1%
10	N/A	N/A	1%
1 During the lockout period, the Borrower cannot voluntarily prepay the SARM Loan. If the SARM Loan is accelerated during the lockout period, the Borrower owes a 5% Prepayment Premium.			

1104.03 Prepayment Option 2 - 1% Prepayment Premium Schedule

☑ Requirements

For a voluntary prepayment after the lockout period using Prepayment Option 2, you must use Schedule 4 to Multifamily Loan and Security Agreement (Prepayment Premium Schedule-1% Prepayment Premium ARM, SARM) (Form 6104.11) to document the required 1% Prepayment Premium.

Loan Year	5-Year Term	7-Year Term	10-Year Term
1 (Locked Out)[1]	N/A	N/A	N/A

Loan Year	5-Year Term	7-Year Term	10-Year Term
2	1%	1%	1%
3	1%	1%	1%
4	1%	1%	1%
5	1%	1%	1%
6	N/A	1%	1%
7	N/A	1%	1%
8	N/A	N/A	1%
9	N/A	N/A	1%
10	N/A	N/A	1%
1 During the lockout period, the Borrower cannot voluntarily prepay the SARM Loan. If the SARM Loan is accelerated during the lockout period, the Borrower owes a 5% Prepayment Premium.			

Section 1105 Interest Rate Caps

1105.01 Generally

☑ Requirements

Description	
Interest Rate Cap	Borrower must: • purchase a third-party Interest Rate Cap; and • keep an Interest Rate Cap Agreement in place continually until the earlier of the - effective date of any permitted conversion to a fixed rate Mortgage Loan, or - SARM Loan Maturity Date.
Interest Rate Cap Provider	Borrower must only obtain bids from Fannie Mae-approved providers listed on https://multifamily.fanniemae.com/about-multifamily/our-partners/industry-partners.
Interest Rate Cap Documentation	Must be on forms acceptable to Fannie Mae.
Minimum Interest Rate Cap Term	5 years.
Replacement Interest Rate Cap	You must ensure the Borrower purchases a replacement Interest Rate Cap if the Interest Rate Cap term expires before the SARM Loan conversion or Maturity Date.

Description	
Interest Rate Cap Reserves	Borrower must fund a cash reserve equal to at least 110% of the current replacement cap cost if the Interest Rate Cap term expires before the SARM Loan Maturity Date.
Interest Rate Cap Contract Process and Documentation	You must deliver all Interest Rate Cap-related documentation, including the • Interest Rate Cap Agreement, and • Interest Rate Cap Reserve and Security Agreement (Form 6442 series). Fannie Mae will engage outside counsel at your expense to review all cap-related documentation.
Initial Interest Rate Cap Notional Amount	Must equal the original principal amount of the SARM Loan throughout the Interest Rate Caps term.

Guidance

You may require the Borrower to:

- pay Fannie Mae's costs, including legal fees; and
- fund a reserve to pay these expenses.

1105.02 Determining the Cap Strike Rate

Requirements

You must:

- determine the maximum Cap Strike Rate permitted for the initial Interest Rate Cap; and
- ensure the sum of the following is less than or equal to the rate (calculated using an underwritten debt service constant that includes amortization) that produces the minimum required Underwritten DSCR for the SARM Loan's Pricing and Underwriting Tier:
  - the Cap Strike Rate for the initial Interest Rate Cap; plus
  - Guaranty Fee; plus
  - Servicing Fee; plus
  - Investor spread.

Guidance

You should enter 0 in the C&D Cap Cost Factor field if the replacement

Interest Rate Cap escrow was fully funded on the Mortgage Loan Origination Date.

You may calculate the initial Cap Strike Rate based on an interest-only underwritten debt service constant if the approved interest-only term is greater than or equal to the initial Interest Rate Cap term.

1105.03 Establishing Interest Rate Cap Reserves

Requirements

You must ensure the Borrower funds a cash reserve to purchase a replacement Interest Rate Cap if the the initial Interest Rate Cap term is less than the SARM Loan term.

If the initial Interest Rate Cap term is less than the SARM Loan term, the Borrower must:

- fully fund the cash reserve on the Mortgage Loan Origination Date; and
- escrow at least 110% of the current replacement cap cost.

1105.04 Interest Rate Cap Contract Documentation and Delivery

Operating Procedures

Interest Rate Cap Contract Documentation and Delivery	
For	Actions
Cap Provider Payment	The Interest Rate Cap provider must: • pay you directly if, on the 1st day of the month corresponding with the monthly loan payment date, the 30-Day Average SOFR Index exceeds the Cap Strike Rate for a monthly settlement; and • only disburse a provider payment to the Borrower if - there is no Mortgage Loan default, and - you have received all payments due per the Note for that month.
Timing	• Borrower must accept a bid for the initial Interest Rate Cap in writing from a Fannie Mae-approved provider before you Deliver the SARM Loan. • You must submit copies of all cap-related documentation when you Deliver the SARM Loan.

Interest Rate Cap Contract Documentation and Delivery	
Purchase Price	Borrower must pay the entire purchase price for an Interest Rate Cap to the provider when the Interest Rate Cap Agreement is issued.
Pledge to Fannie Mae	Borrower must execute Form 6442 series to pledge its interest in the Interest Rate Cap and any reserve to Fannie Mae as additional SARM Loan collateral.

Chapter 12 Hybrid Adjustable Rate Mortgage (Hybrid ARM) Loans

Section 1201 Description

☑ Requirements

A Hybrid ARM Loan combines the features of fixed rate and ARM Loans, and has a total term of 30 years, consisting of

- an initial term when interest accrues at a fixed rate, followed by
- the remaining term, during which interest accrues at an adjustable rate.

Product Description	
Plan Number	04934 - 30-Day Average SOFR
Terms	Permitted combinations of fixed rate and adjustable rate terms: • 5-year fixed rate term, followed by automatic conversion to a 25-year adjustable rate term; • 7-year fixed rate term, followed by automatic conversion to a 23-year adjustable rate term; or • 10-year fixed rate term, followed by automatic conversion to a 20-year adjustable rate term.
Maximum Loan Amount	Per Part III, Chapter 9: Small Mortgage Loans, Section 901.01: Description.
Ineligible Products	• Cooperative Property • Military Housing Property • MAH Property • Near Stabilized Property • Seniors Housing Property • Student Housing Property • Dedicated Student Housing Property • Supplemental Mortgage Loan

Product Description	
Prepayment Premium Options	Either • standard yield maintenance, or • graduated Prepayment Premium.
Prepayment Premium Period End Date / Yield Maintenance Period End Date	Final day of the last Loan Year during the fixed rate term per the applicable Prepayment Premium option.
Conversion to Adjustable Rate	Automatic conversion from a fixed rate to an adjustable rate on the 1st day of the 1st Loan Year following the applicable fixed rate term.
Index During Adjustable Rate Term	30-Day Average SOFR
Interest Rate Floor	Must not be less than the combined • Guaranty Fee, plus • Servicing Fee, plus • Investor spread (per Form 4660).
Gross Note Rate During Adjustable Rate Term	Equals the • Index, plus • Guaranty Fee, plus • Servicing Fee, plus • Investor spread (per Form 4660).
Rate Change Date	Date the interest rate changes based on changes in the selected Index.
Interest Rate Change Frequency During Adjustable Rate Term	Every 6 months, based on the Index in effect as of the Rate Change Date.
Frequency of Payment Change During Adjustable Rate Term	P&I payments are recalculated for every Rate Change Date.
Maximum Interest Rate Change	Plus or minus 1% of the then-current interest rate both • at conversion from fixed rate to adjustable rate, and • during the adjustable rate term.

Product Description	
Maximum Interest Rate During Adjustable Rate Term	5% over the fixed rate.
Index Look-Back Period	1 Business Day before the Rate Change Date.
Interest Accrual Method	Must be actual/360.
Payments	Calculated using a 30/360 interest accrual method.
Interest Only	Must not exceed the fixed rate term.

You must rate lock the Hybrid ARM Loan with the Multifamily Trading Desk (MBS or cash).

You must underwrite the Hybrid ARM Loan based on the applicable fixed rate terms.

Section 1202 Interest Rate Conversion Date

Requirements

The conversion of the interest rate from fixed to adjustable is mandatory and automatic. After Fannie Mae confirms the Commitment for the Hybrid ARM Loan, it may not be modified.

After the Hybrid ARM Conversion Date, interest will accrue at the applicable adjustable rate, up to and including the Maturity Date.

Operating Procedures

As an example of the conversion to adjustable rate date calculation in Part III, Chapter 12: Hybrid Adjustable Rate Mortgage (Hybrid ARM) Loans, Section 1201: Description:

- If the effective date of the Loan Documents is July 1, 2019, and the fixed rate term is 7 years, then the Hybrid ARM Conversion Date would be July 1, 2026.
- If the fixed rate term is 7 years and the effective date is any other date in July 2019, then the Hybrid ARM Conversion Date would be August 1, 2026.

Section 1203 Prepayment Terms



☑ Requirements

You must select from 3 Prepayment Premium options.

PREPAYMENT Option 1 5% Declining Prepayment Premium Schedule			
Loan Year	5-Year Term	7-Year Term	10-Year Term
1	5%	5%	5%
2	4%	5%	5%
3	3%	4%	4%
4	2%	4%	4%
5	1%	3%	3%
6	N/A	2%	3%
7	N/A	1%	2%
8	N/A	N/A	2%
9	N/A	N/A	1%
10	N/A	N/A	1%

PREPAYMENT Option 2 3% Declining Prepayment Premium Schedule			
Loan Year	5-Year Term	7-Year Term	10-Year Term
1	3%	3%	3%
2	2%	3%	3%
3	1%	2%	3%
4	1%	2%	2%
5	1%	1%	2%
6	N/A	1%	2%
7	N/A	1%	1%
8	N/A	N/A	1%
9	N/A	N/A	1%
10	N/A	N/A	1%

PREPAYMENT Option 3 Standard Yield Maintenance			
Loan Year	5-Year Term	7-Year Term	10-Year Term
Yield Maintenance Ends	Last day of the 5th Loan Year	Last day of the 7th Loan Year	Last day of the 10th Loan Year

If the Borrower makes a prepayment due to casualty or condemnation, no Prepayment Premium is due. For all other prepayments, the Borrower must pay a Prepayment Premium if the prepayment occurs before the Prepayment Premium Period End Date.

The Borrower may prepay the Hybrid ARM Loan without any Prepayment Premium:

- on the last day of the fixed rate term; or
- at any time during the adjustable rate term.

The Prepayment Premium is shared with Fannie Mae per Part V, Chapter 2: Reporting and Remitting, Section 213: Prepayment Premium Sharing using the applicable Prepayment Premium schedule for a fixed rate Mortgage Loan.

Section 1204 Monthly Principal and Interest Payments

1204.01 During the Fixed Rate Term

☑ Requirements

The monthly installments of P&I must equal the amount needed to repay the UPB

- in substantially equal payments over the amortization term at the fixed rate, and
- based on a 30/360 interest accrual method.

To calculate loan payments at the end of an interest-only period, refer to the Loan Documents.

1204.02 On the Hybrid ARM Loan Conversion Date

☑ Requirements

On the Hybrid ARM Conversion Date, the Borrower must make the last regularly scheduled payment of P&I for the fixed rate term.

1204.03 During the Adjustable Rate Term

Requirements

The Borrower must make payments of P&I based on changes to the Index:

- on the 1st day of the month immediately following the Hybrid ARM Conversion Date; and
- on the 1st day of each month thereafter, until the Maturity Date.

On the Rate Change Date, a new P&I installment will be calculated to be in effect on the 1st day of the following month.

Monthly installments of P&I, due on each payment date during the adjustable rate term, must equal the amount needed to repay the UPB

- in substantially equal payments over the amortization term at the variable rate,
- based on a 30/360 interest accrual method.

Operating Procedures

To determine the amount of each monthly installment allocated to principal, subtract the amount allocated to interest following each rate change.

For example:

A 5-year Hybrid ARM Loan with the following terms:	
Loan Amount	$2,500,000
Fixed Rate	5.25%
Fixed Rate Term	60 months
Amortization Term	360 months
Fixed Rate Period	Standard fixed payment amortization
Monthly Payment	$13,805.09
UPB at End of Month 60	$2,303,737.20

Upon conversion to adjustable rate in month 61, amortization is recalculated using the following terms:	
Loan Amount	$2,303,737.20
Variable Rate	4.25%

Upon conversion to adjustable rate in month 61, amortization is recalculated using the following terms:	
Amortization Term	300 months
Monthly Payment	$12,480.22
Interest Payment	(4.25% / 360 months) x 30 days x UPB
Principal Payment	Monthly Payment Interest Payment
UPB at End of Month 66	$2,277,579.64

At rate change in month 67, amortization is recalculated using the following terms:	
Loan Amount	$2,277,579.64
Variable Rate	4.50%
Amortization Term	294 months
Monthly Payment	$12,799.71
Interest Payment	(4.50% / 360 months) x 30 days x UPB
Principal Payment	Monthly Payment Interest Payment
UPB at End of Month 72	$2,251,786.15

Chapter 13 Supplemental Mortgage Loans

Section 1301 Description

☑ Requirements

A Fannie Mae Supplemental Mortgage Loan is available for Properties with a Pre-Existing Mortgage Loan.

A non-Fannie Mae Subordinate Loan is only permitted for MAH Properties per Part III, Chapter 7: Multifamily Affordable Housing Properties.

For Moderate Rehabilitation Supplemental Mortgage Loans, see Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans.

Section 1302 Supplemental Mortgage Loans

1302.01 Description

☑ Requirements

Product Description	
Lender Eligibility	You must be the Servicer of all Pre-Existing Mortgage Loans on the Property.
Ineligible Products	Hybrid ARM Loan
Loan History	Pre-Existing Mortgage Loan is not on the current Fannie Mae Watchlist.
Origination Date	At least 12 months must elapse between the origination dates of the most recent Pre-Existing Mortgage Loan and the Supplemental Mortgage Loan, unless the Loan Documents expressly permit a shorter time.

Product Description	
Maximum Number of Supplemental Mortgage Loans	Only 1 Supplemental Mortgage Loan is permitted during the Senior Mortgage Loan term unless: • it is a Moderate Rehabilitation Supplemental Mortgage Loan; • it is a Green Rewards Supplemental Mortgage Loan where 100% of the proceeds are used to implement selected Efficiency Measures; or • the Property is sold to an unrelated new Borrower who assumes the Pre-Existing Mortgage Loan, and the closing and funding of the new Supplemental Mortgage Loan occurs concurrently with the Property sale and Pre-Existing Mortgage Loan assumption.
Minimum Supplemental Loan Term	5 years provided that: • for Pre-Existing Mortgage Loans with a balloon payment at the Maturity Date, the Maturity Date of the Supplemental Mortgage Loan must not be before that of any Pre-Existing Mortgage Loan; and • for fully amortizing Pre-Existing Mortgage Loans, the Maturity Date of the Supplemental Mortgage Loan must not be before the latest Prepayment Premium Period End Date of any Pre-Existing Mortgage Loan.
Mortgage Loan Amount	Except per Part III, Chapter 13: Supplemental Mortgage Loans, Section 1302.03: Loan Amount, you must determine the Underwritten NCF, Underwritten DSCR, and LTV per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products in Part III.

Product Description	
Replacement Reserve, Tax, and Insurance Escrows	You must: • Calculate the Replacement Reserve, tax, and insurance escrows on the resulting Tier of the combined Pre-Existing Mortgage Loan and Supplemental Mortgage Loan. • Ensure escrow funding established with the Pre-Existing Mortgage Loans does not cease. • Adjust the funding when necessary to meet current Tier 2 requirements for any Tier Dropping Supplemental Mortgage Loan if the combined Tier is Tier 2.
Cross-Default	Must be cross-defaulted with all Pre-Existing Mortgage Loans.
Interest Rate Type	• Fixed rate, if the Pre-Existing Mortgage Loan has a fixed rate. • Fixed or variable rate, if the Pre-Existing Mortgage Loan has a variable rate.
UCC Financing Statements	No new UCC Financing Statement is required for the Supplemental Mortgage Loan. If the Lien of the Senior Mortgage Loan is released before the Supplemental Mortgage Loan is repaid in full, you must file a UCC Financing Statement for the Supplemental Mortgage Loan in the appropriate public records office.

Guidance

You may increase Replacement Reserve, tax, and insurance escrow funding for a Supplemental Mortgage Loan if the Tier is unchanged from the Pre-Existing Mortgage Loans.

1302.02 Coterminous and Non-Coterminous

Guidance

A Supplemental Mortgage Loan may have a Maturity Date that is either coterminous or non-coterminous with the Maturity Date of the Senior Mortgage Loan.

The Prepayment Premium Period End Date of a Supplemental Mortgage Loan need not coincide with the Prepayment Premium Period End Date of any Pre-Existing Mortgage Loan.

☑ Requirements

You must resubordinate any existing, non-coterminous Supplemental Mortgage Loan when refinancing a maturing Senior Mortgage Loan with Fannie Mae.

1302.03 Loan Amount

1302.03A Maximum Loan Amount

☑ Requirements

The maximum Supplemental Mortgage Loan amount equals the lowest Mortgage Loan amount calculated per:

- Part III, Chapter 13: Supplemental Mortgage Loans, Section 1302.03B: Calculating the Debt Service;
- Part III, Chapter 13: Supplemental Mortgage Loans, Section 1302.03C: Calculating the DSCR and LTV; and
- Part III, Chapter 13: Supplemental Mortgage Loans, Section 1302.03D: New Loan Test.

1302.03B Calculating the Debt Service

☑ Requirements

You must calculate the Supplemental Mortgage Loan amount based on the combined debt service amounts of all Pre-Existing Mortgage Loans plus the Supplemental Mortgage Loan, as outlined in the following tables.

Pre-Existing Mortgage Loans	
If the Interest Rate Type is	Use an amortizing Debt Service Amount based on the
Fixed Rate	Gross Note Rate.

Pre-Existing Mortgage Loans	
If the Interest Rate Type is	Use an amortizing Debt Service Amount based on the
Adjustable Rate	• Delivered Mortgage Loan amount; • amortization term; and • Maximum Note Rate per the applicable Part III Chapters.

Supplemental Mortgage Loan	
If the Interest Rate Type is	Use an amortizing Debt Service Amount based on the greater of the Gross Note Rate or the
Fixed Rate	applicable Underwriting Interest Rate Floor per Form 4660 .
Adjustable Rate	Maximum Note Rate per the applicable Part III Chapters.

1302.03C Calculating the DSCR and LTV

☑ Requirements

To determine the Supplemental Mortgage Loan amount, you must apply the Form 4660 DSCR and LTV requirements as follows:

Supplemental Mortgage Loan	
DSCR	The combined debt service of • all Pre-Existing Mortgage Loans, plus • the Supplemental Mortgage Loan.
LTV	The combined • aggregateUPB of all Pre-Existing Mortgage Loans, plus • the principal amount of the Supplemental Mortgage Loan.

1302.03D New Loan Test

☑ Requirements

For a Tier 2 Supplemental Mortgage Loan, if the Senior Mortgage Loan Maturity Date is 5 years or less after the Supplemental Mortgage Loan

Origination Date, you must perform a New Loan Test to confirm the combined UPB of all Pre-Existing Mortgage Loans plus the Supplemental Mortgage Loan does not exceed the maximum loan amount for a new fixed rate, first Lien, cash-out Mortgage Loan.

Term	New Loan Test Requirement
Underwriting Tier	Tier 2
Minimum DSCR	Per Form 4660
Maximum LTV	Per Form 4660
Maturity	10 years
Market Classification	Based on Property's Location
Interest Rate	Higher of: • an interest rate using the highest Total Credit Fees Range in the current "Indicative Pricing" table in DUS Gateway minus any applicable "Optional Reduction"; or • the Underwriting Interest Rate Floor per Form 4660 , if applicable.

1302.04 Tier Dropping

1302.04A Designating

Requirements

If you designated a Senior Mortgage Loan as eligible for a Tier Dropping Supplemental Mortgage Loan, then you must also designate all Supplemental Mortgage Loans secured by that Property as eligible for Tier Dropping Supplemental Mortgage Loans.

Operating Procedures

- For an MBS Mortgage Loan originated before September 1, 2007, you must have designated it as eligible for a Tier Dropping Supplemental Mortgage Loan at the time of Commitment of each Pre-Existing Mortgage Loan.
- For Pools issued on or after August 1, 2001, the designation for Tier Dropping Supplemental Mortgage Loans eligibility must be disclosed on Annex A to the Prospectus.

1302.04B Eligibility

☑ Requirements

Tier Dropping Eligibility	
If the Pre-Existing Mortgage Loan is...	It is eligible for a Tier Dropping Supplemental Mortgage Loan if...
Cash	the combined Pre-Existing Mortgage Loans and Supplemental Mortgage Loan meet the Form 4660 • minimum applicable DSCR for Tier 2 Mortgage Loans, and • maximum applicable LTV for Tier 2 Mortgage Loans.
MBS	• it was designated as eligible for a Tier Dropping Supplemental Mortgage Loan; and • the combined Pre-Existing Mortgage Loans and Supplemental Mortgage Loan meet the Form 4660 - minimum applicable DSCR for Tier 2 Mortgage Loans, and - maximum applicable LTV for Tier 2 Mortgage Loans.

1302.04C Ineligible Mortgage Loans

☑ Requirements

ARM Loans cannot be Tier Dropping Supplemental Mortgage Loans.

1302.05 Streamlined Underwriting

1302.05A Property

☑ Requirements

Streamlined Underwriting	
Appraisal	You must obtain a new Appraisal.

Streamlined Underwriting	
Property Management	If there has been or will be a Property management change, you must comply with Part II, Chapter 1: Attributes and Characteristics, Section 114.01: Property Management.
Property Condition Assessment Report	You must obtain a PCA Report if the Supplemental Mortgage Loan Property inspection reveals any adverse change in property condition or life safety issues. A PCA Report is not required if: • there has been no adverse change; • the existing PCA Report is less than 3 years old; • all Immediate Repairs identified in the existing PCA Report have been satisfactorily completed; and • the most recent Property inspection indicates an overall rating of 1 or 2.
Replacement Reserves	• If the PCA Report indicates a need to modifythe existing or fund an initial Replacement Reserve, you must ensure the funding by amending the Replacement Reserve Schedule. • Even if there is no funding or only partial funding for a Pre-Existing Mortgage Loan, you must fully fund the Replacement Reserve if the combined DSCR and LTV for all Pre-Existing Mortgage Loans and the Supplemental Mortgage Loan is Tier 2.

Streamlined Underwriting	
Environmental Site Assessment (ESA)	You must obtain a new or updated ESA and comply with Part II, Chapter 5: Property and Liability Insurance, Section 504: Environmental Matters unless all the following are met: • an ESA was performed for a Pre-Existing Mortgage Loan; • an Environmental Professional performs an environmental database review and identifies no - potential environmental concerns (as defined in ASTM E1528 - Standard Practice for Limited Environmental Due Diligence: Transaction Screen), or - adverse conditions requiring further due diligence; • the Borrower executes an Environmental Indemnity Agreement (Form 6085); • you confirm that any disclosed Prohibited Activities or Conditions per the Loan Documents are adequately addressed through an O&M Plan being implemented at the Property; and • the Borrower certifies, and you confirm, that all appropriate O&M Plans are in place and being fully and properly implemented.
Property and Liability Insurance	You must base the required amounts and coverages of all property and liability insurance on the combined UPB of the Supplemental Mortgage Loan and all Pre-Existing Mortgage Loans.
Title Insurance	You must ensure the Borrower obtains a new title insurance policy.

1302.05B Borrower, Guarantor, Key Principals, and Principals

☑ Requirements

You must:

- identify all Key Principals and Principals of the Borrower and Guarantor;
- confirm the original underwriting of the Borrower, Guarantor, and each Key Principal and Principal per Part I, Chapter 3: Borrower,

Guarantor, Key Principals, and Principals;

- obtain updates to the:
  - financial statements for all parties relevant to the transaction;
  - Multifamily Underwriting Certificates (Form 6460 series) for the Borrower, Guarantor, and each Key Principal;
  - organizational documents of the Borrower, Guarantor, and each Key Principal; and
  - good standing certificate from the jurisdiction where an entity Borrower and Guarantor are organized;
- confirm that the organizational structure of the Borrower, Guarantor, and each Key Principal complies with Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals; and
- confirm that no unauthorized change has been made to the organizational structure or organizational documents of the Borrower or the Guarantor.

Operating Procedures

If there was...	You must...
• an unauthorized Transfer/Assumption ; or • any change in the organizational structure of the Borrower, Guarantor, or any Key Principal or Principal	notify Fannie Mae per: • Part VI, Chapter 3: Non-Performing Primary Risk Mortgage Loans, Section 305: Notice of Default ; or • Part VI, Chapter 5: Non-Performing Secondary Risk Mortgage Loans, Section 505: Notice of Default .

Chapter 14 Split Mortgage Loans and Bifurcated Mortgage Loans

Section 1401 Description

☑ Requirements

A Split Mortgage Loan consists of 2 Mortgage Loans, a Senior Mortgage Loan and a Subordinate Loan, that are underwritten concurrently. A Split Mortgage Loan allows the Borrower to divide the debt or increase the leverage on a property.

A Bifurcated Mortgage Loan is a single Senior Mortgage Loan that is evidenced by 2 Notes with the same payment and collateral priority. A Bifurcated Mortgage Loan allows the Borrower to deleverage a portion of the debt.

Split Mortgage Loans and Bifurcated Mortgage Loans are sometimes referred to as A/B Structures. Split Mortgage Loans and Bifurcated Mortgage Loans are not the same as the Dual Commitment Option described in Part IV, Chapter 3: Streamlined Rate Lock, Section 307: Dual Commitment Option.

Section 1402 Characteristics

☑ Requirements

Topic	Split Mortgage Loans	Bifurcated Mortgage Loans
Closing	Subordinate Loan closing must occur on, or within 12 months after, the Senior Mortgage Loan closing.	Must occur on the same date.
Loan Amount	Aggregate original principal amounts of the Senior Mortgage Loan and the Subordinate Loan.	Aggregate original principal amounts of the 2 Notes. If any proceeds are based on an IRP,Part III, Chapter 7: Multifamily Affordable Housing Properties applies.
Purpose	Either Acquisition or refinancing.	Either Acquisition or refinancing.

Topic	Split Mortgage Loans	Bifurcated Mortgage Loans
Underwriting	The 2 Mortgage Loans must: • not have a combined LTV higher than the maximum standard for a Senior Mortgage Loan; • not have a combined DSCR lower than the minimum standard for a Senior Mortgage Loan; and • be cross-defaulted.	Must not have a combined: • LTV higher than the maximum standard for a Senior Mortgage Loan; and • DSCR lower than the minimum standard for a Senior Mortgage Loan.
Interest Rate Structures	Either a fixed or variable interest rate. If you use a combination of fixed and variable interest rates, you must comply with Part III, Chapter 13: Supplemental Mortgage Loans.	Either a fixed or variable interest rate. If you use a combination of fixed and variable interest rates, each Note must have its own MBS.
Documentation	2 separate sets of Loan Documents:1 for the Senior Mortgage Loan and 1 for the Subordinate Loan.	1 set of Loan Documents, but evidenced by 2 separate Notes. The Notes must be pari passu.
Securitization	2 separate MBS: 1 for the Senior Mortgage Loan and 1 for the Subordinate Loan. Additional Disclosure per Form 4098 will be required if a partial release of collateral is permitted for either Mortgage Loan.	1 MBS unless multiple Interest Rate Structures. Additional Disclosure per Form 4098 must be required if a partial release of collateral is permitted for either Note.
Hazard Insurance	Coverage based on the combined UPB of the Senior Mortgage Loan and the Subordinate Loan.	Consistent with Senior Mortgage Loans.

Topic	Split Mortgage Loans	Bifurcated Mortgage Loans
Title Insurance	Separate title insurance policies for the Senior Mortgage Loan and Subordinate Loan, in the respective amounts of each loan.	Consistent with Senior Mortgage Loans.
UCC Financing Statements	Filings for both the Senior Mortgage Loan and Subordinate Loan.	Consistent with Senior Mortgage Loans.

Guidance

Topic	Split Mortgage Loans	Bifurcated Mortgage Loans
Maturity Date	2 Mortgage Loans may have different Maturity Dates if the Subordinate Loan is resubordinated per Part III, Chapter 13: Supplemental Mortgage Loans.	2 Notes may have different Maturity Dates and Yield Maintenance Period End Dates.

Chapter 15 Mezzanine Financing; Preferred Equity and Structured Common Equity

Section 1501 Mezzanine Financing

1501.01 Description

☑ Requirements

A Mortgage Loan with Mezzanine Financing is permitted only if

- the Mezzanine Financing is originated by an approved DUS Lender Affiliate (DLA Mezzanine Financing), or
- Fannie Mae approves the Mezzanine Financing from another source (non-DLA Mezzanine Financing) on a case-by-case basis.

Before underwriting non-DLA Mezzanine Financing, you must contact the Deal Team.

1501.01A Eligible Mortgage Loans

☑ Requirements

Mortgage Loans with Mezzanine Financing must:

- be newly originated;
- have an original principal balance of at least
  - $10 million, for DLA Mezzanine Financing, or
  - $50 million, for non-DLA Mezzanine Financing;
- be fixed rate; and
- be flagged for MBS additional disclosure per Form 4098.

1501.01B Eligible Terms

☑ Requirements

Mezzanine Financing must:

- have a fixed rate or fixed mezzanine rate of return without escalations;
- not have a maturity date, redemption date, trigger date, or require repayment of the Mezzanine Financing during the term of the Mortgage Loan; and

- have a minimum $1 million origination balance.

1501.01C Loss Sharing

☑ Requirements

Loss sharing is required on all Mortgage Loans with Mezzanine Financing.

1501.01D Lender's Loan Application

☑ Requirements

Your loan application form must:

- require the Borrower to indicate whether it has or intends to obtain Mezzanine Financing as part of its organizational or capital structure; and
- inform the Borrower that you may delay approval or revoke any prior approval if the Borrower changes its intention to obtain Mezzanine Financing.

1501.02 Underwriting

☑ Requirements

You must comply with the following table.

Topic	Requirements
Income Projections	• Provide support for the income projections used to determine the aggregate amount of the Mortgage Loan and Mezzanine Financing. • Demonstrate that the local economics are sufficient and sustainable to support both loans.
Underwritten NCF	Use the same Underwritten NCF to determine the loan amount for • the Mortgage Loan, and • the Mezzanine Financing.

Topic	Requirements
Refinance Analysis	Prepare a refinance analysis that: • incorporates the terms of both the Mortgage Loan and the Mezzanine Financing; • demonstrates that the Borrower will - maintain a positive equity position in the Property throughout the term of the Mortgage Loan, or - have some other incentive (e.g., continuing cash flow) to remain committed to the Property and its successful operation; and • concludes that there will be sufficient cash flow, NCF growth, and residual value to pay off the Mortgage Loan and the Mezzanine Financing at maturity (as fully extended, if applicable).
Experience	Ensure that the Sponsor and each Key Principal have sufficient net worth, liquidity, and experience with the Property type and market to justify the origination of the Mortgage Loan and the Mezzanine Financing. If upgrades or rehabilitation are being financed by the Mezzanine Financing, then ensure that the Borrower, each Key Principal, and the mezzanine borrower also have • sufficient experience managing the scope of the proposed rehabilitation, and • strong property management experience in the local market.
Mezzanine Borrower Structure	Ensure the mezzanine borrower is • a newly-formed, special purpose, bankruptcy-remote limited liability company or limited partnership, • the sole owner of the Borrower, and • wholly-owned by the Principals of the Borrower.

Topic	Requirements
Appraisal	If the Mezzanine Financing is funding rehabilitation, ensure the Appraisal states the Propertys as is and as completed values.
Third-Party Reports	For Mortgage Loans with DLA Mezzanine Financing, include in the underwriting submission, on behalf of your DL Mezzanine Affiliateany: • internal or third-party inspection reports; • PCAs; and • architects or engineers reports (or other similar reports) related to the Mezzanine Financing.

Guidance

You may require a Completion Guaranty (Form 6018).

The DUS Lender Mezzanine Affiliate may also require a completion guaranty from the Mezzanine Financing borrower.

1501.03 Submission

1501.03A Materials

Operating Procedures

You must submit the following in DUS Gateway when you submit the Mortgage Loan underwriting:

- the Mezzanine Financing sizing model;
- a sources and uses of funds reflecting the Mezzanine Financing proceeds;
- any approvals associated with the Mezzanine Financing; and
- for any Mezzanine Financing that finances rehabilitation:
  - a description of the proposed rehabilitation;
  - the approved rehabilitation budget;
  - the rehabilitation timeline; and
  - the construction or rehabilitation documents.

1501.03B Data

Operating Procedures

To obtain a Commitment, you must complete the Mezzanine Financing fields in DUS Gateway.

1501.04 Intercreditor Agreement

Requirements

For each Mortgage Loan with Mezzanine Financing, you and the Mezzanine Financing lender must execute an intercreditor agreement approved by Fannie Mae.

Operating Procedures

The Borrower must pay the legal fees if Fannie Mae engages outside counsel to review any intercreditor agreements. These fees are non-refundable, and you must pay the counsel retainer when you submit the underwriting.

Guidance

You may charge the Borrower your own legal and due diligence fees.

1501.05 Servicing

Operating Procedures

You must service, report, and remit on the DLA Mezzanine Financing per Part V.

In all cases, you, as servicer of the DLA Mezzanine Financing, must promptly notify Fannie Mae of any default on the Mezzanine Financing.

Section 1502 Preferred Equity and Structured Common Equity

Requirements

For any Mortgage Loan with Preferred Equity or Structured Common Equity in the Borrowers ownership structure, you must comply with the

- Equity Checklist (Form 6441), and
- Preferred Equity Operating Procedures Job Aid.

Guidance

This Section does not apply to any Borrower organizational or capital structures relating solely to the allocation of LIHTCs.

Operating Procedures

You must submit:

- a completed Equity Checklist (Form 6441) using:
  - DUS Gateway if the Borrowers ownership structure includes any Preferred Equity or Structured Common Equity requiring Pre-Review per Form 6441; or
  - DUS DocWay with the Mortgage Loan Delivery Package in Folder II if the Borrowers ownership structure does not include Preferred Equity or Structured Common Equity requiring Pre-Review per Form 6441; and
- Multifamily Underwriting Certificate (Key Principal/Principal) (Form 6460.Key Principal) for all Preferred Equity investors identified as Principals with "Additional Principal Due Diligence Requirements" per Form 6441, with the Mortgage Loan Delivery Package in Folder II in DUS DocWay.

Chapter 16 Structured Transactions

Section 1601 Description

Requirements

Structured Transactions consist of 1 or more Mortgage Loans governed by a master agreement, regardless of individual loan size or cross-collateralization.

There are 2 types of Structured Transactions: Credit Facilities and Bulk Deliveries. The terms for each Structured Transaction vary and are negotiated based on the specific Properties and Sponsor needs.

Section 1602 Credit Facilities

Requirements

A Credit Facility is a Structured Transaction that

- is governed by a Master Credit Facility Agreement, and
- includes cross-collateralized and cross-defaulted Mortgage Loans and Properties.

Guidance

A Credit Facility may also include:

- variable rate debt, fixed rate debt, or a combination of both;
- varied loan maturities and repayment terms;
- the ability to increase borrowing based on
  - increases in the aggregate DSCR, and
  - decreases in the aggregate LTV of the Properties;
- the ability to increase the amount of the Credit Facility by delivering additional Properties as collateral; or
- collateral substitutions and releases.

Requirements

Product Description	
Transaction Size	Credit Facilities must: • have at least $100 million UPB at the initial Mortgage Loan closing; and • not exceed any applicable Maximum Facility Limitations per the Master Credit Facility Agreement.
Borrowers	Must have: • common Control per the Master Credit Facility Agreement; and • identical ownership, although ownership percentage may vary.
Fannie Mae Due Diligence Fee	Equals $1,500 for each Property: • in the initial Credit Facility funding; and • added or substituted post-closing.

Operating Procedures

Credit Facilities require intensive Fannie Mae involvement, including the assignment of an in-house legal lead who will direct outside counsel services.

Fannie Mae will engage outside counsel at your expense to prepare all related documentation.

You may require the Borrower to

- pay these legal fees and expenses, and
- fund a deposit for their payment.

Section 1603 Bulk Deliveries

Requirements

A Bulk Delivery is a Structured Transaction that:

- consists of multiple single-asset MBS Mortgage Loans with the same Sponsor that are governed by a Bulk Delivery Agreement; and
- includes the ability to



- add Mortgage Loans in the future, or
- substitute a new Property for an existing Property as collateral.

Product Description	
Minimum Initial Transaction Size	At least: • $100 million; or • $75 million combined with at least 3 Properties; or • $55 million combined with at least 6 Properties.
Loss Sharing	Must be the same for all Mortgage Loans, regardless of when they are added to the Bulk Delivery.
Loan Structure	• Each Property collateralizes 1 Mortgage Loan. • All Mortgage Loans are uncrossed.
Borrowers	Must be Sponsor Affiliates per the Bulk Delivery Agreement.
Fannie Mae Due Diligence Fee	$1,500 for each Property • in the initial Bulk Delivery, and • added or substituted after the Bulk Delivery Agreement effective date.
Additions	Properties may be added for up to 3 years after the Bulk Delivery Agreement effective date.
Substitutions	• Each Mortgage Loan may only have 1 Property substitution. • Properties must be: - simultaneously released and added; and - substituted only after the first Loan Year until 1 year before the Maturity Date.

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Product Description	
Substitution Test	A Property may be substituted if the substitute Property's: • DSCR is at least the greater of the released Property's - original DSCR, or - DSCR immediately before the release; and • LTV does not exceed the lesser of the released Property's - original LTV, or - LTV immediately before the release.
Substitution Fee	On or before the release date, you must collect a fee • that will be equally shared between you and Fannie Mae, and • equals the greater of - 50 bps multiplied by the Mortgage Loan's current UPB, or - $50,000.
Releases	Occur when the Mortgage Loan is • fully repaid, or • assumed.
MBS Disclosure	All Mortgage Loans must have Additional Disclosure.
Supplemental Mortgage Loans	Mortgage Loans are eligible for Supplemental Mortgage Loans.
Assumptions	• A Bulk Delivery may be assumed in its entirety. • Each Mortgage Loan may only be assumed after it is released from the Bulk Delivery.

Operating Procedures

You must use

- the Bulk Delivery Agreement, and
- Fannie Mae's Loan Documents.

Fannie Mae may engage outside counsel at your expense to prepare the Bulk Delivery Agreement.

You may require the Borrower to

- pay these legal fees, and
- fund a deposit for their payment.

Chapter 17 Choice Refinance Loans

Section 1701 Eligibility

☑ Requirements

A Choice Refinance Loan is a Portfolio Mortgage Loan that is eligible for a streamlined underwriting process which reduces origination costs.

To use the Choice Refinance Loan streamlined underwriting, you must ensure:

Topic	Requirements
Prerequisites	• You have been the Servicer of the Portfolio Mortgage Loan for the last 12 months. • The Portfolio Mortgage Loan is not in default. • The Borrower has demonstrated a commitment to its obligations under the Portfolio Mortgage Loan by - maintaining the Property in good physical condition, - providing competent Property management services, and - complying with the requirements under the Loan Documents. • You completed a full PCA per - Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 404: Property Condition Assessment (PCA), and - Form 4099. • The Property: - is operating on a stabilized basis; - has a most recent overall inspection rating of 1 or 2; and - during the underwriting inspection, doesnot show any: ▪ adverse change in Property condition, except normal wear and tear; or ▪ life safety issues.

Topic	Requirements
Loan History	• The Portfolio Mortgage Loan: - has a good payment history, with no delinquencies of 60 days or more during the 3 years immediately preceding the proposed refinance; - is not on the current Fannie Mae Watchlist; - had no declared non-Payment Defaults that remained uncured for more than 120 days; - was underwritten and delivered per then-applicable Guide provisions; and - is serviced per the Guide. • There were no unauthorized assumptions or changes in ownership, and no unauthorized Liens filed against the Property.
Additional Collateral	The Portfolio Mortgage Loan does not have a Letter of Credit or additional cash collateral.
Pricing	The pricing that was approved for the Portfolio Mortgage Loan does not apply to the Choice Refinance Loan.
Underwriting	The Choice Refinance Loan, regardless of the Underwritten DSCR, must be of sufficient credit quality to repay the refinanced Mortgage Loan without individually negotiated debt relief.

Section 1702 Prepayment Premiums

☑ Requirements

You must not waive any:

- Prepayment Premium based on required yield maintenance; or
- portion of the Minimum 1% Prepayment Premium above the required yield maintenance if the Portfolio Mortgage Loan
  - has a minimum Prepayment Premium other than 1%,
  - will be refinanced before the Yield Maintenance Period End Date, or
  - is a fixed rate MBS Mortgage Loan with an Issue Date before April 1, 1999.

Guidance

For all other Choice Refinance Loans:

Cash or MBS	You may waive the Minimum 1% Prepayment Premium...
Fixed Rate	• after the Yield Maintenance Period End Date, or • for declining Prepayment Premiums during the 6 months before the Maturity Date.
ARM and SARM	after any lockout if the Portfolio Mortgage Loan • is being refinanced with a fixed rate 7- or 10-year term, and • was either - an ARM Loan with a Plan Number of 02160, 02254, 02255, 03471, or - a SARM Loan with a Plan Number of 03488.

Section 1703 Streamlined Underwriting

1703.01 Environmental Site Assessment

Requirements

A Phase I Environmental Site Assessment is not required if:

- an Environmental Professional performs an environmental database review and identifies no
  - potential environmental concerns (as defined in ASTM E1528 - Standard Practice for Limited Environmental Due Diligence: Transaction Screen), or
  - adverse conditions requiring further due diligence;
- the Borrower enters into an Environmental Indemnity Agreement (Form 6085); and
- you confirm that the Borrower is appropriately implementing any existing O&M Plans for the Property.

1703.02 Radon Testing

Requirements

You must ensure any radon testing required per Environmental Due Diligence Requirements (Form 4251) is performed, unless testing meeting the current requirements of Form 4251 was performed when the Portfolio Mortgage Loan was originated.

1703.03 Survey

☑ Requirements

Part II, Chapter 3: Legal Compliance, Section 305: Survey does not apply if the:

- new mortgagee title insurance policy includes all title exceptions, including those that would appear based upon the most recent survey provided by the Borrower (whether it is the original survey for the Portfolio Mortgage Loan or a subsequent one);
- Borrower certifies that there have been no changes or improvements to the Property since the later of the date of the survey
  - referenced in the original title policy, or
  - most recently completed; and
- Property inspection report reveals no evidence of new construction or encroachments on the site from construction on adjoining properties.

1703.04 Borrower Structure and Experience

☑ Requirements

You must:

- Obtain a new Multifamily Underwriting Certificate (Form 6460 series) from the Borrower, any Guarantor, and any Key Principal.
- Obtain updated copies of the organizational documents of the Borrower and the Key Principal, and confirm that the Borrowers organizational structure complies with Part II, Chapter 3: Legal Compliance.
- Confirm that no unauthorized change has been made to the Borrowers organizational structure or documents.
- Obtain a new good standing certificate from the jurisdiction where the Borrower is organized.

1703.05 Borrower Credit

Requirements

You must obtain and review new financial statements for all parties relevant to the transaction.

For Small Mortgage Loans, you must:

- confirm that the FICO scores of any such individuals comply with Part III, Chapter 9: Small Mortgage Loans, Section 911.02: FICO Scoring; and
- ensure that the net worth and liquidity complies with Part III, Chapter 9: Small Mortgage Loans, Section 910.06: Net Worth and Liquid Assets.

Guidance

If the Borrower or any Key Principal, Guarantor, or Principal submitted financial statements within the past 12 months, then in lieu of new financial statements, you may accept a certification that there has been no material adverse change from the financial condition or credit standing reflected in the financial statements.

1703.06 Property Management

Guidance

You may elect not to review the Property management or agreement per Part II, Chapter 1: Attributes and Characteristics, Section 114: Property Management and Agreement.

1703.07 Replacement Reserve

Requirements

You must ensure the Replacement Reserve is funded as follows:

If...	Then...
The Property • is located in a Pre-Review Market that is not eligible for delegation at any Tier per Section II of Form 4660 , and • the market was a Pre-Review Market when the Portfolio Mortgage Loan was originated.	The Borrower must fully fund the Replacement Reserve.
The Property • is located in a Pre-Review Market that is not eligible for delegation at any Tier per Section II of Form 4660 , and • the market was not a Pre-Review Market when the Portfolio Mortgage Loan was originated.	You must determine the Replacement Reserve funding per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve.
The Property is located in • a Strong Market, • a Nationwide Market, or • a Pre-Review Market that is eligible for Tier 3 and Tier 4 Mortgage Loans on a delegated basis per Section II of Form 4660 .	You must determine the Replacement Reserve funding per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve.

1703.08 Real Estate Tax and Insurance Escrows

☑ Requirements

You must require T&I escrow deposits for a Tier 2 Choice Refinance Loan unless Fannie Mae waived the T&I escrow for the Portfolio Mortgage Loan. If you do not require T&I escrow deposits, then you must comply with Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 407: Escrow Requirements for Taxes and Insurance.

Section 1704 Property Ownership Change

➔ Guidance

If at the time of the refinance of the Portfolio Mortgage Loan the Property is being sold to a new owner, then you may use the streamlined underwriting per Part III, Chapter 17: Choice Refinance Loans, Section 1703.01: Environmental Site Assessment provided that you comply with Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals for underwriting the Borrower, Key Principals, Guarantors, and Principals.

You may also use the streamlined underwriting per Part III, Chapter 17: Choice Refinance Loans, Section 1701: Eligibility for Portfolio Mortgage Loans that were assumed before being refinanced as a Choice Refinance Loan.

Chapter 18 Bond Transactions and Credit Enhancement Mortgage Loans

Section 1801 Description

Guidance

A Bond credit enhancement may involve

- a Standby Credit Enhancement Instrument,
- a Direct Pay Credit Enhancement Instrument,
- a secondary market Credit Enhancement Instrument, or
- an MBS.

In addition to credit enhancing the Bonds, both the Standby Credit Enhancement Instrument and the Direct Pay Credit Enhancement Instrument may provide

- liquidity support, and
- if the Bonds are issued under an Open Indenture, credit enhancement of the Mortgage Loan.

Requirements

You must coordinate all aspects of a Credit Enhancement Mortgage Loan transaction with your counsel and Fannie Maes counsel.

For Bonds that are privately placed or purchased directly, you must consult with the Fannie Mae Deal Team and Fannie Maes counsel for pricing and disclosure requirements.

For a Forward Commitment Credit Enhancement Mortgage Loan, you must also comply with Part III, Chapter 19: Forward Commitments.

Terms	Credit Enhancement Instrument	MBS for Bonds
Fannie Mae Guarantees	• Bond P&I for Closed Indenture Bonds. • Mortgage Loan P&I for Open Indenture Bonds. • Up to 25 basis points of Bond Issuer fees.	Bond P&I.

Terms	Credit Enhancement Instrument	MBS for Bonds
Basis	Either • Standby, or • Direct Pay.	Direct Pay.
Interest Rate Type	Either • fixed rate, or • variable rate Bonds.	Either • fixed rate, or • variable rate Bonds with a SARM Loan.
Documents	• Any new Bond issued must be documented on Fannie Mae Bond and Loan Document forms. • For substitute credit enhancements where the existing Bonds remain outstanding, the existing Bond and Loan Documents must be: - amended and restated on Fannie Mae form documents; or - amended only as necessary per Fannie Mae.	
Credit Enhancement Timing	Credit Enhancement Instrument is delivered • on the Bond issuance date for a new Bond, or • when Fannie Mae provides new or substitute credit enhancement.	Mortgage Loan is originated with Bond issuance and the MBS, when issued, is deposited with the Bond Trustee.

Section 1802 Outside Counsel

1802.01 Engagement

Requirements

You must request Fannie Maes outside counsel assignment before any transaction structuring discussions begin.

Operating Procedures

To request Fannie Maes outside counsel assignment, submit a Counsel Designation Request (Form 4625.B) to counsel_designations@fanniemae.com.

Fannie Mae selects its own outside counsel but may consider your request for a specific counsel.

1802.02 Fees

Requirements

You must pay Fannie Mae's outside counsel fees and costs regardless of whether the transaction closes.

Guidance

You may charge the Borrower for Fannie Maes outside counsel fees and costs.

For a Credit Enhancement Instrument, you may choose to have Fannie Maes outside counsel

- prepare the Loan Documents, and
- review title insurance and survey matters.

If Fannie Maes outside counsel performs these services:

- the counsel will only represent Fannie Mae, not you; and
- you will be responsible for the additional fees.

Section 1803 Third Parties

1803.01 Generally

Requirements

You must coordinate with all third parties and their counsels to ensure the transaction complies with their requirements.

Fannie Mae reserves the right, in its sole discretion, to reject any third partys involvement, including:

- Bond Issuer;
- Bond Trustee;
- Bond underwriter;

- any Remarketing Agent;
- any Bond liquidity provider; and
- any Interest Rate Cap provider.

1803.02 Remarketing Agent

Requirements

You must ensure any Remarketing Agent:

- currently remarkets at least $250 million of weekly variable rate demand Bonds;
- has continuously remarketed weekly variable rate demand Bonds for the past 3 years;
- has a minimum net worth of $5 million; and
- has a minimum broker line of credit sufficient for warehousing $100 million of rated Bonds at any time.

Operating Procedures

Fannie Maes counsel must confirm that the Remarketing Agreement terms comply with Fannie Mae requirements.

Section 1804 Legal Documents

1804.01 Generally

Operating Procedures

Fannie Maes counsel will advise your counsel regarding the appropriate Fannie Mae Loan Documents for the Bond structure.

Immediately after Bond closing, you must:

- obtain a final Bond transcript from Bond counsel;
- submit it via CD to Multifamily Certification and Custody; and
- maintain a copy in your Servicing File.

1804.02 Credit Enhancement Instrument

Guidance

Fannie Maes Credit Enhancement Instrument Loan Documents presume the Bond Issuer will:

- be the initial lender and secured party under the Security Instrument; and
- immediately assign the Multifamily Bond Note and Security Instrument to Fannie Mae and the Bond Trustee, as co-assignees.

Requirements

You must ensure that Fannie Mae (not you or the Bond Issuer) is named as the counterparty or beneficiary in the Credit Enhancement Mortgage Loan agreements and collateral assignments.

Operating Procedures

Fannie Mae and its counsel will:

- prepare the
  - Credit Enhancement Commitment Letter,
  - credit enhancement documents,
  - multifamily Note; and
- review and approve all Bond documents.

You may ask Fannie Maes counsel to also prepare other Loan Documents, or your counsel may prepare these documents.

1804.03 MBS for Bonds

Operating Procedures

The MBS for Bonds loan structure is identical to a standard Mortgage Loan.

Your counsel must:

- Prepare the standard 6000 series Loan Documents.
- Consult with Fannie Maes counsel to
  - integrate the standard Loan Document provisions into the Bond transaction structure, and
  - incorporate any Bond related modifications into the Loan Documents.

1804.04 Affordable Regulatory Agreements

Operating Procedures

1. If an Affordable Regulatory Agreement must be recorded before the Security Instrument to ensure the Bonds tax-exempt status, Fannie Maes counsel will provide an Affordable Regulatory Agreement rider subordinating it to the Security Instrument.
2. You must ensure the Bond Issuer attaches the rider to the Affordable Regulatory Agreement.

Section 1805 Fannie Mae LIHTC Investment in Credit-Enhanced Bonds

Guidance

Per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 710.02: Fannie Mae Credit-Enhanced Tax-Exempt Bond Issuance, Fannie Mae may be a LIHTC investor in the Borrower for a project financed by tax-exempt Bonds that Fannie Mae will also be credit enhancing. To avoid potential adverse tax consequences, if Fannie Mae is a LIHTC investor on a Credit Enhancement Mortgage Loan, Fannie Maes counsel will prepare the LIHTC agreement among the

- Bond Issuer,
- Borrower, and
- Fannie Mae.

Requirements

You must determine if Fannie Mae will be a LIHTC investor on a Credit Enhancement Mortgage Loan. If so, you must confirm:

- Fannie Mae does not hold a direct equity interest in the Borrower;
- Fannie Maes indirect equity interest in the Borrower is less than 50%;
- the IRS documentation filed for the Bond issuance shows that none of the Bond proceeds were applied to pay any portion of Fannie Maes Credit Enhancement Fee;
- the Bond Issuer, Borrower, and Fannie Mae enter into a LIHTC agreement acknowledging Fannie Maes equity interest; and
- any LIHTC agreement required notices to the Borrower and Bond Issuer were provided.

Section 1806 Credit Enhancing Fixed Rate Bonds

1806.01 Terms

☑ Requirements

Terms	Credit Enhancement Instrument	MBS for Bonds
Interest Rate Reset	• Used if the Bonds - have a fixed rate for a specified period before maturity, and - require remarketing on scheduled mandatory tender dates. • Occurs after the fixed rate period per the Bond and Loan Documents.	Not available.
Loan Term	Credit Enhancement Mortgage Loan must: • for a Property with new 4% LIHTCs, have a term of at least 10 years, with a maximum of 30 years; or • for a Property without new 4% LIHTCs, have a term less than or equal to the Bond term, with a maximum of 30 years.	
Fannie Mae Fees	Credit Enhancement Fee	Guaranty Fee
Trustee Fee and Bond Issuer Fee	Underwritten as • an operating expense, or • part of the Gross Note Rate.	Underwritten as an operating expense.

Terms	Credit Enhancement Instrument	MBS for Bonds
Gross Note Rate	Sum of the • Bond interest rate, • Facility Fee (calculated per Part III, Chapter 18: Bond Transactions and Credit Enhancement Mortgage Loans, Section 1808: Facility Fee) divided by the Bond UPB, and • trustee fee and Bond Issuer fee, if they are not underwritten as an operating expense.	Sum of the • Bond interest rate, • Guaranty Fee, and • Servicing Fee.

1806.02 Multiple Fixed Rate Bonds

Operating Procedures

If the fixed rate Bond issue has multiple Bonds with different maturity dates and interest rates, the fixed rate for the entire Bond issue will be the weighted average of the individual Bond rates, and considering the different maturities.

Section 1807 Credit Enhancing Variable Rate Bonds

1807.01 Terms

Guidance

Fannie Mae does not provide liquidity support for variable rate demand Bonds.

Requirements

Terms	Credit Enhancement Instrument	MBS for Bonds
Variable Interest Rate	A Bond and Credit Enhancement Mortgage Loan must have an interest rate linked to • the SIFMA Municipal Swap Index, • an Index that adjusts weekly, or • a SOFR-based index.	• Mortgage Loan must comply with Part III, Chapter 11: Structured Adjustable Rate Mortgage (SARM) Loans. • Bonds must have an interest rate linked to a SOFR-based index.
Bond Liquidity	You must obtain Fannie Maes approval for any third party providing Bond liquidity support.	
No New 4% LIHTCs	Credit Enhancement Mortgage Loan must have a term of at least 5 years, with a maximum of 30 years.	Credit Enhancement Mortgage Loan must have a: • term of at least 5 years, with a maximum of 30 years; and • Maturity Date coinciding with the - final Bond maturity date, adjusted for applicable payment timing differences, or - initial Bond tender and remarketing, if the Bond has a scheduled mandatory tender date for remarketing.

Terms	Credit Enhancement Instrument	MBS for Bonds
New 4% LIHTCs	Credit Enhancement Mortgage Loan must have a term of at least 10 years, with a maximum of 30 years.	Credit Enhancement Mortgage Loan must have a: • term of at least 10 years, with a maximum of 30 years; and • Maturity Date coinciding with the - final Bond maturity date, adjusted for applicable payment timing differences, or - initial Bond tender and remarketing, if the Bond has a scheduled mandatory tender date for remarketing.
Maximum NoteRate	Determined by Fannie Mae.	Per Part III, Chapter 11: Structured Adjustable Rate Mortgage (SARM) Loans.
Amortization	For a variable rate Credit Enhancement Mortgage Loan using an Interest Rate Cap, use the greater of the • Maximum Note Rate, or • actual Cap Strike Rate.	Per Part III, Chapter 11: Structured Adjustable Rate Mortgage (SARM) Loans.
Maximum SARM Loan	Per Part III, Chapter 11: Structured Adjustable Rate Mortgage (SARM) Loans.	
PRF	You must establish a PRF.	Not applicable.
Fannie Mae Fees	Credit Enhancement Fee.	Guaranty Fee.
Trustee Fee and Bond Issuer Fee	Underwritten as • an operating expense, or • part of the Gross Note Rate.	Underwritten as an operating expense.

Terms	Credit Enhancement Instrument	MBS for Bonds
Gross Note Rate	Sum of the • Bond interest rate, • Facility Fee (calculated per Part III, Chapter 18: Bond Transactions and Credit Enhancement Mortgage Loans, Section 1808: Facility Fee) divided by the Bond UPB, • trustee fee and Bond Issuer fee, if they are not underwritten as an operating expense, and • cap cost factor.	Sum of the • Bond interest rate, • Guaranty Fee, and • Servicing Fee.

1807.02 Principal Reserve Fund

Operating Procedures

Topics	Principal Reserve Fund Process
Borrower Election	Before Commitment, the Borrower must select 1 of the following options to redeem Bonds: • Minimum Dollar Balance: - Required option for a non-single-asset entity Borrower. - PRF deposits accumulate until the balance is at least $100,000. - Bonds eligible for redemption are redeemed in $100,000 increments. • Minimum Percentage Balance: - PRF deposits accumulate until the balance is at least $100,000 greater than 20% of the original Bond principal amount. - Bonds eligible for redemption are redeemed in $100,000 increments, but the redemption payments may not reduce the PRF balance below 20% of the original Bond principal amount.
PRF Deposit Amount	PRF deposits represent the principal amortization amount of the Credit Enhancement Mortgage Loan based on • level P&I payments throughout the Bond term, and • amortization per Part III, Chapter 18: Bond Transactions and Credit Enhancement Mortgage Loans, Section 1807.01: Terms.
PRF Deposit Schedule	On the Mortgage Loan Origination Date, you must calculate and attach the Schedule of Deposits to the Principal Reserve Fund to the Reimbursement Agreement.

1807.03 Interest Rate Cap

☑ Requirements

Terms	You must ensure the third-party Interest Rate Cap...
Interest Rate Cap	For a variable rate Credit Enhancement Mortgage Loan with variable rate Bonds, is purchased and maintained for the entire time the variable rate Bonds are credit enhanced.
Index	Has the same Index as the variable rate Bonds.
Interest Rate Cap Provider	Is obtained from an approved provider listed on https://multifamily.fanniemae.com/about-multifamily/our-partners/industry-partners.
Initial Interest Rate Cap	Notional Amount equals the Bond UPB when the Interest Rate Cap is purchased.
Minimum Interest Rate Cap Term	Agreement remains continually in place until the earlier of • 5 years, or • the remaining Bond term.
Replacement Interest Rate Cap	Replacement is purchased if the existing Interest Rate Cap expires before the variable rate Bond conversion or Maturity Date.
Cap Strike Rate for Replacement Interest Rate Cap	Cap Strike Rate for the Replacement Interest Rate Capis the same or lower than that of the initial Interest Rate Cap.
Cap cost factor	Cost factor is included in the Maximum Note Rate per Part III, Chapter 18: Bond Transactions and Credit Enhancement Mortgage Loans, Section 1807.05: Cap Cost Factor Included in Maximum Note Rate.
Interest Rate Cap Reserve Adjustment	Cash reserve: • is evaluated at the end of each 6-month period to determine if the cost of the replacement Interest Rate Cap has increased, based on market conditions; and • future deposits are not decreased even if the future Interest Rate Cap cost has decreased.
Documents	Documents are: • on acceptable forms; and • delivered to Fannie Mae, including the - Interest Rate Cap Agreement, and - applicable Interest Rate Cap Reserve and Security Agreement (Form 6442 series).

Operating Procedures

Fannie Mae will engage outside counsel at your expense to review all Interest Rate Cap-related documents.

1807.04 Cap Strike Rate

Operating Procedures

The Borrower must purchase an Interest Rate Cap with a Cap Strike Rate that is determined

- for a Credit Enhancement Instrument, by Fannie Mae, or
- for an MBS for Bonds, per Part III, Chapter 11: Structured Adjustable Rate Mortgage (SARM) Loans, Section 1105.02: Determining the Cap Strike Rate.

1807.05 Cap Cost Factor Included in Maximum Note Rate

Requirements

When determining the Maximum Note Rate used to calculate the minimum required Underwritten DSCR, you must include a cap cost factor based on the term of the

- Credit Enhancement Mortgage Loan, and
- initial Interest Rate Cap.

You do not need to include a cap cost factor if the initial Interest Rate Cap term equals the Credit Enhancement Mortgage Loan term.

You must ensure the cap cost factor equals the

- estimated cost of the replacement cap (when the term of the initial cap expires), divided by
- term of the initial cap.

Operating Procedures

For example, to calculate the cap cost factor assuming a 5-year Interest Rate Cap and 10-year Credit Enhancement Mortgage Loan term:

- You must include an annual cap cost factor in the Maximum Note Rate.
- If the Credit Enhancement Mortgage Loan term is 10 years and an initial cap is purchased for a 5-year term, the cap cost factor equals the estimated cost of a replacement cap divided by 5 (the number of years of the initial interest rate term).
- The replacement cap has a 5-year term and a Cap Strike Rate equal to that of the initial cap.
- If a 5-year Interest Rate Cap at the initial Cap Strike Rate costs 20 basis points, you must divide 20 by 5, then add the result (4 basis points) to the Maximum Note Rate.

1807.06 Interest Rate Cap Reserve

Requirements

You must ensure the Borrower fully funds a cash reserve to purchase replacement Interest Rate Caps.

Operating Procedures

- If the initial Interest Rate Cap Agreement term is 5 years, you must ensure the Borrower funds the cash reserve with each monthly Mortgage Loan payment during the term.
- Calculate the monthly reserve payments for the first 6 months using the estimated cost of a replacement Interest Rate Cap with a 5-year term and the initial Cap Strike Rate.
- If the initial Interest Rate Cap term is more than 5 years, you must ensure the Borrower's monthly reserve payments for the replacement cap begin no later than 5 years before the existing Interest Rate Cap expires.

Guidance

For example, if

- a 5-year initial Interest Rate Cap is purchased with a 10-year term and a 6.00% Cap Strike Rate, and
- the cost of a replacement 5-year cap with a 6.00% Cap Strike Rate is $140,000, then
- the monthly reserve for the first 6 months would be $2,333.33 ($140,000 cost 60 months).

1807.07 Interest Rate Cap Reserve Adjustments

Requirements

You must evaluate the Interest Rate Cap reserve every 6 months. If the replacement Interest Rate Cap cost:

- increased, you must raise the monthly reserve payment to purchase the replacement Interest Rate Cap before the existing Interest Rate Cap expires; or
- decreased, do not adjust the reserve.

When a replacement Interest Rate Cap is purchased, the reserve cycle resets to match the term of the new Interest Rate Cap. Any amount remaining in the reserve after purchasing the replacement Interest Rate Cap must be used to fund the subsequent reserve.

1807.08 Interest Rate Cap Contract Documentation and Delivery

Requirements

For credit enhancements using:

- an MBS, you must comply with Part III, Chapter 11: Structured Adjustable Rate Mortgage (SARM) Loans, Section 1105.04: Interest Rate Cap Contract Documentation and Delivery; or
- a Credit Enhancement Instrument, this Section applies.

Operating Procedures

Topic	Process
Cap Provider Payment	You must ensure the Interest Rate Cap provider pays you or the Bond Trustee directly • on the 1st or 15th day of the month corresponding with the Bond payment dates, and • when the Bond interest rate index is greater than the average Cap Strike Rate for a month. Only disburse a provider payment to the Borrower if • there is no Mortgage Loan default, and • you received all payments due under the Indenture and Bonds for that month. If the Borrower defaults under the Mortgage Loan or Reimbursement Agreement, you must • promptly notify Fannie Mae and any applicable Bond Trustee, and • direct the Bond Trustee to suspend its payment to the Borrower.
Timing	The Borrower must accept a bid for the initial Interest Rate Cap in writing from a Fannie Mae approved provider before you request a Commitment.
Purchase Price	The Borrower must pay the entire purchase price for an Interest Rate Cap to the provider when the Interest Rate Cap Agreement is issued.

Topic	Process
Pledge to Fannie Mae	The Borrower must pledge its interest in the Interest Rate Cap and any reserve to Fannie Mae using the documentation provided by Fannie Maes counsel.

Section 1808 Facility Fee

Operating Procedures

For Credit Enhancement Instruments, you must calculate the Facility Fee as follows:

FACILITY FEE CALCULATION		
Item	Function	Description
CREDIT ENHANCEMENT FEE / GUARANTY FEE CALCULATION		
1		• Applicable Credit Enhancement Fee, or • Guaranty Fee
	MULTIPLIED BY	Credit Enhancement Mortgage Loan UPB
	MINUS	PRF balance, excluding interest
	EQUALS	Credit Enhancement Fee / Guaranty Fee
SERVICING FEE CALCULATION		
2		Servicing Fee
	MULTIPLED BY	Credit Enhancement Mortgage Loan UPB
	MINUS	PRF balance, excluding interest
	EQUALS	Servicing Fee
PRF FEE CALCULATION		
3		For variable rate Bonds, PRF Fee Rate
	MULTIPLIED BY	PRF balance, excluding interest
	EQUALS	PRF Fee

FACILITY FEE CALCULATION		
Item	Function	Description
BOND LIQUIDITY FEE CALCULATION		
4		For variable rate Bonds, Bond Liquidity Fee Rate
	MULTIPLIED BY	Bond UPB
	EQUALS	Bond Liquidity Fee
FACILITY FEE CALCULATION		
5		Credit Enhancement Fee / Guaranty Fee
	PLUS	Servicing Fee
	PLUS	any PRF Fee
	PLUS	any Bond Liquidity Fee
	EQUALS	Facility Fee

Section 1809 Taxable Tails and Supplemental Mortgage Loans

1809.01 Taxable Tails

☑ Requirements

Terms	A Taxable Tail must...
Structure	Be fixed or variable rate debt structured as • Bonds, • a Cash Mortgage Loan, or • an MBS Mortgage Loan.
Underwriting and Loss Sharing	Be treated with the Credit Enhancement Mortgage Loan • as a single combined Mortgage Loan, and • with a blended weighted average Underwritten DSCR, LTV, interest rate, etc., based on the combined UPB of the tax-exempt and taxable debt.
Cross Provisions	Be cross-collateralized and cross-defaulted with the Credit Enhancement Mortgage Loan.

Terms	A Taxable Tail must...
MBS Mortgage Loan	Have Additional Disclosure.
Maturity and Prepayment	• Mature no earlier than the Credit Enhancement Mortgage Loan. • Be fully repaid before the Credit Enhancement Mortgage Loan is prepaid.

Operating Procedures

A Taxable Tail usually fully amortizes over its loan term. This may require hyper-amortization where all principal payments are applied

- first to the Taxable Tail until it fully amortizes, and
- then to the tax-exempt debt.

1809.02 Supplemental Mortgage Loans

Requirements

You must ensure any Supplemental Mortgage Loan:

- is taxable debt that is cross-collateralized and cross-defaulted with the Credit Enhancement Mortgage Loan Property;
- is originated after the Credit Enhancement Mortgage Loan;
- complies with the Bond documents; and
- is properly disclosed to Investors.

Section 1810 Third-Party Subordinate Financing

Requirements

For third-party subordinate financing, you must comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Third-Party Financing.

Section 1811 Moderate Rehabilitation Mortgage Loan with Side-by-Side Bond Financing

Guidance

Fannie Mae may purchase a Moderate Rehabilitation Mortgage Loan for an

MAH Property when the Borrower separately obtains side-by-side Bond financing. Since Fannie Mae does not credit enhance the Bonds, you may use your own outside counsel.

☑ Requirements

For a Moderate Rehabilitation Mortgage Loan with side-by-side Bond financing, you must ensure the Bonds

- have a shorter term than the Mortgage Loan,
- are fixed rate,
- are tax-exempt,
- are 100% secured by cash collateral, and
- are not secured by the MAH Property.

Chapter 19 Forward Commitments

Section 1901 Generally

1901.01 Description

Requirements

You must Deliver a permanent Mortgage Loan that complies with the Forward Commitment Confirmation.

1901.02 Eligible Properties

Requirements

A Property undergoing new construction or substantial rehabilitation is eligible for a Forward Commitment. Property substitutions are not permitted.

Section 1902 Funded Forward Commitments

Guidance

You may contact the Fannie Mae Deal Team for funded Forward Commitment information.

Section 1903 Unfunded Forward Commitments

1903.01 Terms and Interest Rate Determination

1903.01A Terms

Requirements

Terms	Unfunded Forward Commitment Requirements
Forward Commitment Term	30-month maximum for construction and lease up, unless extended per Part III, Chapter 19: Forward Commitments, Section 1903.05C: Forward Commitment Extensions.

Terms	Unfunded Forward Commitment Requirements
Borrower Commitment	Must: • have the same terms as the Forward Commitment Confirmation; • comply with this Chapter; and • comply with all Forward Commitment documents.
Loan Type	Must be a fixed rate or variable rate: • Mortgage Loan; or • tax-exempt bond credit enhancement or associated Taxable Tail.
Expiration or Termination	You must not Deliver a Mortgage Loan as an immediate Delivery if the Forward Commitment • expired, or • terminated.

1903.01B Interest Rate Determination and Rate Lock

Guidance

The interest rate for a permanent Mortgage Loan is determined:

- with a Rate Lock as of the Forward Commitment date; or
- for a Forward Commitment on a Credit Enhancement Mortgage Loan, at Bond pricing per Part IV, Chapter 8: Bond Transactions and Credit Enhancement Mortgage Loans, Section 801.04: Rate Lock.

Operating Procedures

You must

- set the Guaranty Fee and Servicing Fee at Rate Lock, and
- ensure they are paid only on the permanent Mortgage Loan.

No Guaranty Fee or Servicing Fee will be charged during the construction period.

1903.02 Good Faith Deposit and Fees

1903.02A Good Faith Deposit

☑ Requirements

You must collect the Good Faith Deposit from the Borrower per

- Part IV, Chapter 2: Rate Lock and Committing, Section 203.01: Borrower Deposit, and
- Part IV, Chapter 2: Rate Lock and Committing, Section 203.02: Minimum Good Faith Deposit.

1903.02B Fees

☑ Requirements

The following fees apply to Forward Commitments.

Fees	Requirements
Standby Fee	For the Forward Commitment term, the fee is: • per the Forward Commitment; and • due when the Forward Commitment is confirmed.
Standby Extension Fee	For each extension contemplated in the Forward Commitment, the fee is: • per the Forward Commitment; and • due when Fannie Mae processes the extension. Any additional extension terms and fees are at Fannie Maes discretion.
Rate Lock Extension Fee	For a Forward Commitment not involving a Credit Enhancement Mortgage Loan, per Part IV, Chapter 2: Rate Lock and Committing, Section 204.03B: Rate Lock Extensions and the Pricing Memo.

Fees	Requirements
Non-Delivery Fee	If the conversion conditions are not met or the permanent Mortgage Loan is not Delivered per the Forward Commitment, the fee is: • for: - a Forward Commitment involving a Credit Enhancement Mortgage Loan, per the Credit Enhancement Commitment Letter; or - all other Forward Commitments, per Form 4210; and • drafted from your account on the earlier of the Forward Commitments - expiration date, or - termination by Fannie Mae.
Shortfall Fee	For a Forward Commitment not involving a Credit Enhancement Mortgage Loan, if the permanent Mortgage Loan closes, but its original principal amount is less than 90% of the maximum Mortgage Loan amount, the fee is: • per Form 4210; and • drafted from your account by the permanent Mortgage Loan closing.
Origination Fee; Construction Loan Administration Fee	You must: • charge the Borrower: - an Origination Fee per the Pricing Memo; and - a Construction Loan Administration Fee covering the actual loan administration costs, but no less than $500 per month; and • not pay these fees to Fannie Mae.

1903.03 Forward Commitment Underwriting

1903.03A Generally

Requirements

You must:

- Underwrite, originate, and service a Forward Commitment Mortgage Loan as if it were an immediate funding Mortgage Loan.
- Agree to issue the Borrower Commitment.
- Determine the construction lender has
  - completed its underwriting, and
  - agreed to issue a construction financing commitment.
- Confirm the Investor will
  - issue its commitment to purchase the MBS, and
  - meet the Forward Commitment conditions, including timing.

1903.03B Construction and Feasibility Review

Guidance

You should:

- Assess the:
  - construction lenders capacity to fund and monitor the construction loan; and
  - ability of the development team and general contractor to
    - complete the project, and
    - post an acceptable bond or letter of credit for the construction lender.
- Review and approve the:
  - project budget, including construction contingencies, and align any deferred development fee to market rates;
  - LIHTC equity funding schedule;
  - pro forma underwriting;
  - feasibility of repaying the construction loan at conversion, including:
    - evaluating several stress-test scenarios such as a decline in rents,

an increase in operating expenses, or other circumstances;

- having the LIHTC investor or construction lender retain an appropriate portion of the development fee until specified construction and lease up milestones are met;
- the sufficiency of the LIHTC investors equity funding; and
- the availability of other capital sources such as grants or subordinate debt;

- absorption schedule, including a capture band analysis of submarket income;
- Borrower organizational documents;
- Affordable Regulatory Agreements; and
- Subordinate Loan documents.

- Ensure the Forward Commitment term is sufficient to allow for:
  - the Property to be completed and leased;
  - you to submit the conversion package;
  - Fannie Mae to approve the conversion; and
  - you to Deliver the permanent Mortgage Loan.

1903.03C Third-Party Reports

☑ Requirements

If you and the construction lender use a single set of third-party reports for underwriting, the reports

- must be addressed to both lenders, but
- can be contracted and paid for by either lender.

Operating Procedures

You must obtain the following reports.

Report	Timing	You must...
Property Condition Assessment	Before Forward Commitment	Complete a PCA for all substantial rehabilitation properties.
	Before conversion	Obtain a PCA and complete the Replacement Reserve Schedule per Part II, Chapter 4: Lease Audits, Inspections, and Reserves.
Environmental Site Assessment	Before construction	Obtain a Phase I ESA.
	Before conversion	• Obtain a new Phase I ESA. • Obtain a Phase II ESA if recommended by the new Phase I ESA. • Ensure any required remediation is complete before you Deliver the permanent Mortgage Loan.

Report	Timing	You must...
Architectural Review	Before Forward Commitment	From an independent consulting architect, obtain an architectural review assessing the Property's • preliminary plans and specifications, • compliance with local building codes, • site characteristics, • choice of building materials and finishes, • asset quality, • marketability, and • overall design appropriateness for the intended use.
	During construction	Use a consulting architect for in-field inspections.
	Final inspection	Require the consulting architect to conduct a final inspection confirming the Property: • was built according to the approved plans and specifications; and • meets all applicable building codes and zoning requirements.
Appraisal	Before Commitment	Obtain an Appraisal per Part II, Chapter 2: Valuation and Income.
	Before conversion	Obtain a new or updated Appraisal if • you request an increase in the permanent Mortgage Loan amount above the Forward Commitment terms, or • Fannie Mae requires it.

Guidance

You may use the same consulting architect as the construction lender if the consulting architect:

- is independent and not an employee of the construction lender
- is retained directly by you and engaged separately by the construction lender and
- acknowledges they may be required to make recommendations that do not align with those of the construction lender.

1903.04 Commitment

Requirements

All:

- Forward Commitments must comply with Part IV, Chapter 2: Rate Lock and Committing.
- Borrower Commitments must comply with Part IV, Chapter 2: Rate Lock and Committing, Section 201.01: Borrower Commitment.

Operating Procedures

You must

- complete the steps in the following table, and
- submit the Forward Commitment in C&D per the Committing & Delivery of Unfunded Forwards Job Aid.

Step	You must...
For All Mortgage Loans	

Step	You must...
1	Obtain an executed Borrower Commitment including: • Borrower covenants to - close the permanent Mortgage Loan per the Forward Commitment terms, and - pay all required fees and deposits; and • all required Loan Documents and third-party documents in final form, including - Affordable Regulatory Agreements (or other affordable housing restrictions), and - Subordinate Loan documents and subordination agreements.
2	Pay all fees or submit acceptable collateral to Fannie Mae.
3	Ensure the Borrower • accepted the construction loan commitment, and • complied with its conditions.
4	Obtain evidence that state and local authorities issued the Borrower all • land disturbance, • site, • grading, • foundation, and • building permits, or their equivalents.
Additionally, for all non-Credit Enhancement Mortgage Loans	
5	Obtain a Rate Lock.
6	Obtain the signed Delivery Assurance Agreement (Unfunded Forwards) (Form 6488).
7	Ensure any Delivery Assurance Security Instrument covers any permitted Borrower Commitment extension terms.
8	Record any Delivery Assurance Security Instrument on the Property before the construction loan closing.
Additionally, for all Credit Enhancement Mortgage Loans	

Step	You must...
9	Ensure Bond pricing complies with Part IV, Chapter 8: Bond Transactions and Credit Enhancement Mortgage Loans, Section 801.04: Rate Lock.
10	Obtain the Credit Enhancement Commitment Letter.

After you complete these steps, Fannie Mae will confirm the Forward Commitment in C&D.

Within 30 days after the Forward Commitment is confirmed, you must Deliver the documents listed in:

- steps 4, 6, 8, and 10; and
- the Pre-Construction Monitoring Package (Form 4543).

1903.05 Construction Period

1903.05A Monitoring

Requirements

You must monitor the construction process to ensure that when the permanent Mortgage Loan is converted it will comply with the

- Forward Commitment, and
- permanent Mortgage Loan Commitment.

Guidance

During the construction or substantial rehabilitation period:

Responsible Party	Activities
You	• Evaluate inspections and change orders. • Reject any change orders that would: - change the Property'smain design or asset quality features; - make material changes; or - result in combined hard and contingency costs greater than the construction loan budget (i.e., the construction loan must remain in balance). • Review the consulting architects progress reports and provide them to Fannie Mae upon request. • Monitor the construction loan and lease-up status.
Consulting Architect	• Regularly perform on-site construction progress inspections. • Ensure the time between inspections is not more than 2 months. • Issue a progress report after each - inspection, and - whenever the construction lender approves a disbursement.

You and the construction lender may both use the same consulting architect for the

- preliminary and final plans,
- specification reviews, and
- construction period inspections.

1903.05B Reporting

☑ Requirements

You must provide quarterly reports to Fannie Mae via DUS Gateway using Construction Period Monitoring (Form 4211).

1903.05C Forward Commitment Extensions

☑ Requirements

You must inform the Fannie Mae Deal Team and the Forwards Team if conversion may be delayed.

Guidance

If the Forward Commitment permits, you may approve a maximum delegated Forward Commitment extension up to:

- for MBS for Bonds, two 6-month periods; or
- for any other Mortgage Loan, one 6-month period.

Operating Procedures

The delegated Forward Commitment extension will become effective when all of the following occur:

- you submit the following extension documentation to Fannie Mae at least 30 days before the Forward Commitment expiration:
  - the Borrower's extension request;
  - a project status report, including reasons for the delay;
  - verification the Forward Commitment is likely to convert to a permanent Mortgage Loan within the extension period;
  - anticipated shortfall analysis of the Mortgage Loan amount at conversion and the source of funds for filling the shortfall;
  - confirmation there has been no material adverse change in the Borrower or Property; and
  - confirmation the Borrower's construction loan will be extended by the same extension period as the Forward Commitment term.
- Fannie Mae processes the extension request; and
- at least 1 business day before the Forward Commitment expiration:
  - you enter all fees into C&D;
  - Fannie Mae receives the fees;
  - you submit a C&D request to adjust the Forward Commitment expiration date; and
  - you are notified the adjustment has been completed.

Requirements

Fannie Mae must approve all Forward Commitment extensions beyond the maximum delegated term. To request Fannie Mae approval:

- you must submit

- all extension documentation required for a delegated extension, and
- any requested revised stabilization analysis; and

- the Borrower must pay any required fees.

1903.06 Construction Completion

Reqiurements

You must ensure that all Improvements on the Property are completed, including

- amenities,
- landscaping,
- signage,
- parking, etc.

If sufficient funds will be reserved in a Completion/Repair Escrow, minor punch list and weather-sensitive items may be incomplete.

Guidance

Use the following table for confirming construction completion and occupancy.

Responsible Party	Activities
Consulting Architect	• Conduct a final Property inspection. • Certify the Property was completed per this Section.

Responsible Party	Activities
You	Ensure all Improvements: • were completed in a good and workmanlike manner per the approved plans and specifications; • are Lien-free; and • for all governmental authorities with jurisdiction over the Property, comply with all - applicable laws, - building codes, - zoning requirements, - subdivision requirements, - fire and safety laws, - ADA requirements, and - design and construction requirements per the Fair Housing Act. Obtain: • certificates and reports showing the Borrower completed all Improvements per the Guide from the - architect, - consulting architect, and - other project consultants; • evidence of all public utilities for the Property; • copies of: - all Property operating permits and licenses; and - either: ▪ each unconditional certificate of occupancy (or the local equivalent) for all required portions of the Property; or ▪ evidence the Property passed all inspections and received all approvals before occupancy, if local law does not require certificates of occupancy; and • a Certification of Substantial Completion (AIA Document G704) stating the Improvements were completed per the final plans and specifications, and executed by the appropriate parties, including the - architect, - general contractor, and - Borrower.

1903.07 Permanent Loan Final Underwriting

1903.07A Generally

☑ Requirements

Before converting, you must complete the permanent Mortgage Loan final underwriting.

Topic	You must...
DSCR and LTV	Ensure the Property complies with the committed DSCR and LTV.
Eligibility	Ensure: • The Borrower: - does not change; - remains eligible; and - still owns the Property. • The Key Principals: - do not change; and - have not reduced their direct or indirect ownership interest and control over the Borrower or the Property. • There is no material adverse change in the condition, financial or otherwise, of - the Borrower, - any Guarantor, - any Key Principal, or - the Property.
Construction Loan Status	Ensure the Borrower • is current on the construction loan payments and not in default, and • has not been delinquent during the previous 12 months.
Certification of Rent Roll	On the permanent Mortgage Loan Origination Date, certify with the Borrower there has been no material adverse change in the Certification of Project Rent Roll.

Topic	You must...
Equity Contributions	As of the permanent Mortgage Loan Delivery, obtain a Borrower certificate, or other Fannie Mae-accepted evidence, that all funds reflected on the Borrower's sources and uses of funds statement were: • received, including all equity contributions; and • properly invested in the Property.
LIHTC Reservation or Allocation	If the Property is eligible for LIHTCs, verify the Borrower's IRS Form 8609 issued by the state housing finance agency reflects the required LIHTC amount.

Guidance

Fannie Mae may defer the requirement to obtain IRS Form 8609 before conversion based on factors such as whether:

- the Property's financials exceed the pro-forma underwriting per the Forward Commitment;
- all other conversion criteria were met;
- the Borrower certified the Property complies with the LIHTC requirements;
- you and the tax accountant approved the cost certification;
- the Borrower submitted the cost certification to the state, with no anticipated significant adjustments;
- the LIHTC investor contributed at least 90% of their equity, with the remaining 10% withheld for any minor adjustments to the
  - Property tax depreciable basis,
  - adjusters, or
  - developer fee;
- the sources and uses of funds are in balance, and all required funds were received to complete and lease-up the Property;
- you have documentation confirming the IRS Form 8609 application and the states acknowledgement of receipt;
- you expect to receive the IRS Form 8609 timely post-conversion;
- you will monitor receipt of IRS Form 8609 as a post-closing matter and

deliver a copy to Fannie Mae; and

- the Borrower has experience complying with IRS Form 8609 in the specific state.

1903.07B 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 Underwriters 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.

STABILIZED NCF		
3	PLUS	For an MAH Property, include annualized other income per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703.01: Underwritten NCF.
4	PLUS	Commercial income per Part II, Chapter 2: 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).
	EQUALS	STABILIZED NCF
1 Assess if there was any decline in NRI per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.		

1903.07C Final Permanent Mortgage Loan Amount

Requirements

You must ensure the permanent Mortgage Loan amount is less than or equal to the Forward Commitment.

Operating Procedures

Steps	Actions
1	You must determine the permanent Mortgage Loan amount using the Forward Loan Conversion Analysis (Form 4212).
2	If the Property's actual stabilized NCF before permanent Mortgage Loan Delivery is less than the original Forward Commitment underwriting, reduce the permanent Mortgage Loan amount to comply with the Forward Commitment DSCR and LTV.
3	If the permanent Mortgage Loan amount in Step 2 is less than the Forward Commitment Confirmation Mortgage Loan amount, verify the Borrower has secured a source of funds, whether debt or equity, to cover the difference.
4	Ensure any additional debt the Borrower incurs to cover the difference in Step 3, is only secured by a Lien on the Property if • it is an MAH Property, and • the subordinate debt complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Third-Party Financing.
5	If the permanent Mortgage Loan amount in Step 2 results in a loan curtailment, • the Borrower must close the permanent Mortgage Loan at the reduced amount, and • you must Deliver the permanent Mortgage Loan at the reduced amount.

Steps	Actions
6	If the Property qualifies for additional financing beyond the Forward Commitment Confirmation Mortgage Loan amount, submit via DUS Gateway: • a request for additional financing; • your conversion documentation; and • a comparative analysis showing the stabilized NCF is greater than the original Forward Commitment underwriting. A new pre-conversion Appraisal is not required if the pre-construction Appraised Value and permanent Mortgage Loan amount comply with the Forward Commitment maximum LTV.
7	Any increase in the permanent Mortgage Loan amount approved by Fannie Mae will: • be limited to the Maximum Loan Amount Increase percentage per the Forward Commitment; • be made on the currently available terms and conditions; and • not be approved simply because construction costs, cost overruns, or change orders were higher than expected.

1903.07D Third-Party Reports

☑ Requirements

You must obtain third-party reports per Part III, Chapter 19: Forward Commitments, Section 1903.03C: Third-Party Reports.

1903.08 Conversion

1903.08A Eligibility

☑ Requirements

To convert to the permanent Mortgage Loan, you must confirm:

- construction is complete;
- the Property achieved the

- minimum occupancy,
- income, and
- debt service coverage;

- the eligibility criteria in Part III, Chapter 19: Forward Commitments, Section 1903.07A: Generally have been met; and
- the permanent Mortgage Loan is Delivered on Fannie Mae Loan Documents.

1903.08B Timeline

Operating Procedures

Timing	You must...
30 days before the Borrower's closing	• Contact the Fannie Mae Deal Team and Forwards Team, to provide the - project development status, and - anticipated conversion and Delivery date. • Submit via DUS Gateway: - Preliminary Notice of Conversion: ▪ for Credit Enhancement Mortgage Loans, using the form attached in the Credit Enhancement Commitment Letter ; and ▪ for all other Mortgage Loans, using Form 4616; - Forward Loan Conversion Analysis (Form 4212); - Forward Conversion Analysis Summary (Form 4618); and - compliance evidence required by Fannie Mae conditions. • Receive a conversion approval letter from the Forwards Team after all Fannie Mae imposed conditions are met.

Timing	You must...
At Conversion	• Submit the permanent Mortgage Loan Commitment in C&D per the Committing & Delivery of Unfunded Forwards Job Aid. • Document the permanent Mortgage Loan using Fannie Mae Loan Documents attached to the Borrower Commitment. • For Credit Enhancement Mortgage Loans, submit via DUS Gateway the final conversion notice using the form attached in the Credit Enhancement Commitment Letter.
By the Delivery Deadline	• Deliver the permanent Mortgage Loan Delivery Package and submit the permanent Mortgage Loan data per - Part IV, Chapter 4: Delivery, Section 401: Delivery Deadline, and - Part IV, Chapter 4: Delivery, Section 402: Submission. • For a Credit Enhancement Instrument, also submit applicable data on the Bond, Loan, Borrower, and Property pages in C&D within 3 Business Days after the Mortgage Loan closing.

1903.09 MBS Issuance

Operating Procedures

The MBS will be issued per your delivery instructions after you Deliver the permanent Mortgage Loan.

1903.10 Forward Commitment Termination

Guidance

Fannie Mae may terminate the Forward Commitment if:

- You fail to Deliver a permanent Mortgage Loan per the Forward Commitment Confirmation terms and conditions.
- The Borrower does not begin Property construction or substantial rehabilitation within 180 days after you accept the Forward Commitment.
- A construction loan default occurs and is not cured within 90 days.

- A substantial construction defect occurs that may threaten tenant life and safety unless:
  - the Borrower repairs the defect within 90 days;
  - the repairs satisfy both you and your consulting architect; and
  - after paying all repair costs, the available remaining funds are sufficient to pay for all
    - work performed,
    - materials used or ordered, and
    - other required unpaid project costs per the contract.

☑ Requirements

If Fannie Mae terminates the Forward Commitment, all applicable fees must be paid per the Forward Commitment terms.

If the Borrower terminates the Forward Commitment, you must:

- submit a request to collapse the transaction to the Fannie Mae Deal Team and the Forwards Team at least 30 days before the Forward Commitment expiration;
- for Bond transactions, coordinate with Fannie Maes counsel; and
- contact Multifamily Acquisitions to withdraw the transaction in C&D.

Chapter 20 Condominium Properties

Section 2001 Eligible Mortgage Loans

☑ Requirements

For any Condominium Property, you must:

- evaluate the Condominium Documents for compliance with the Condominium Document Review Checklist (Form 6498);
- determine if it is a:
  - Residential Condominium where the Borrower owns:
    - 100% of the units (i.e., a Wholly-Owned Condominium); or
    - less than 100% but at least 80% of the units (i.e., a Fractured Condominium); or
  - Commercial Condominium where the Borrower owns 100% of the residential units but does not own any other unit;
- ensure each Condominium Property unit:
  - is a separate tax parcel; and
  - has a separate tax bill;
- confirm:
  - the entire Property is subject to the Condominium regime;
  - all assessments and payments due per the Condominium Documents are current;
  - future assessments and payments from the Borrower are subordinate to the Mortgage Loan;
  - the Borrower is:
    - complying with all Condominium Documents; and
    - not involved in any Condominium Property disputes that may
      - result in material litigation, or
      - materially adversely impact the Property; and
- retain Form 6498 in your Servicing File.

Section 2002 Control

☑ Requirements

Control Requirements	
For a...	To be eligible for Delivery, you must ensure the Borrower has...
Wholly-Owned Condominium	Complete control to directly or indirectly manage and operate the Condominium Property, through voting rights, consent rights, or ownership, to control all: • voting outcomes; and • actions taken, including for: - Condominium termination; - Condominium Document amendments; - assessments and budgets; - insurance requirements; and - post casualty or condemnation: ▪ restoration and repair; and ▪ proceeds or award application.

Control Requirements	
For a...	To be eligible for Delivery, you must ensure the Borrower has...
Fractured Condominium or Commercial Condominium	Material control (including the requisite votes in any Person directly or indirectly governing the Condominium), either individually or with its mortgagee, to: • prevent: - Condominium termination; and - any Material Amendment to the Condominium Documents; and • require, either directly or per the Condominium Documents: - Condominium repair and restoration, including common elements, for any casualty or condemnation damage equal to 80% or less of either the ▪ common elements, or ▪ Borrower-owned Condominium units; and - for any casualty or condemnation neither repairable nor restorable, timely distribution of insurance or condemnation proceeds to Condominium unit owners.

Guidance

Condominium Document Review	
Topic	You should review the Condominium Documents to evaluate...
Governing Body	Membership • composition, • appointment, and • removal.

Condominium Document Review	
Topic	You should review the Condominium Documents to evaluate...
Voting	Thresholds for • making decisions, • amending documents, and • terminating the condominium structure.
Association	• Responsibilities for - collecting fees, - managing maintenance tasks, - obtaining adequate insurance, and - mediating disputes. • Requirements and restrictions for - operations, - physical appearance, - common area alterations, - unit alterations, and - rebuilding.
Assessment Fees	Provisions for • establishment, • escalation, and • special assessments.
Common Areas	Use of • shared amenities, • ingress/egress, and • parking.
Financials	Reasonableness of • annual budget, • 3 years Condominium income/expense statements, and • reserves.

Condominium Document Review	
Topic	You should review the Condominium Documents to evaluate...
Insurance Proceeds and Condemnation Awards	How funds are • held, • applied, and • disbursed.
Covenant Enforcement	Ability to, and history of, • levying fines, • collecting interest, and/or • placing and foreclosing liens.
Insurance	Coverage for • property (e.g., accidents, fire, equipment failure, flood, wind, etc.), • liability (personal injury), and • directors and officers (e.g., theft, fraud, etc.).

Section 2003 Loan Documents

☑ Requirements

Loan Documents	
For a...	You must ensure execution of...
Wholly-Owned Condominium	• Modifications to Multifamily Loan and Security Agreement (Condominium Provisions) (Form 6202); and • Modifications to Security Instrument (Condominium Subordination) (Form 6304).

Loan Documents	
For a...	You must ensure execution of...
Fractured Condominium or Commercial Condominium	• Modifications to Multifamily Loan and Security Agreement (Fractured/Commercial Condominium Provisions) (Form 6258); • Estoppel Certificate attached to Form 6258 , executed by the condominium association; • Modifications to Security Instrument (Condominium Subordination) (Form 6304);and • Guaranty of Non-Recourse Obligations (Form 6015).

Chapter 21 Sponsor-Dedicated Workforce (SDW) Housing Properties

Section 2101 Description

Requirements

An SDW Housing Property is a Property where:

- either
  - all rent restrictions are newly imposed by the Borrower, or
  - new rent restrictions are being added to existing rent restrictions; and
- the aggregate rent restrictions:
  - meet or exceed 20% @ 80%: at least 20% of all units have rent restrictions in place making them affordable to households earning up to the following as adjusted for family size:
    - 80% of AMI; or
    - 100% of AMI in an FHFA-designated cost-burdened market; or
    - 120% of AMI in an FHFA-designated very cost-burdened market;
  - are in place at the Property by the Mortgage Loan Origination Date; and
  - remain in place during the entire Mortgage Loan term.

An SDW Housing Property is ineligible if:

- 3 or more years of LIHTC restrictions remain; and
- the Borrower intends to enter into the Qualified Contract Process (per Internal Revenue Code Section 42) within 3 years after the Mortgage Loan Origination Date.

Guidance

- FHFA annually designates the cost-burdened and very cost-burdened markets.
- As designated by FHFA, the income threshold for affordability is:
  - 100% of AMI or below for cost-burdened markets; and
  - 120% of AMI or below for very cost-burdened markets.

- This market designation is available in the:
  - Very Cost-Burdened and Cost-Burdened Renter Multifamily Markets; and
  - Sponsor-Dedicated Workforce (SDW) Housing section of the Affordable Housing & Tax Relief Data Guidance.

Section 2102 Compliance

Requirements

You must:

- ensure the Borrowers execution of the:
  - Modifications to Multifamily Loan and Security Agreement (Sponsor-Dedicated Workforce Housing) (Form 6271.SDW); and
  - Modifications to Security Instrument (Sponsor-Dedicated Workforce Housing) (Form 6325);
- require the Propertys compliance within 12 months after the Mortgage Loan Origination Date; and
- ensure the SDW units are at least proportional to the Propertys overall unit mix.

Guidance

An example of an acceptable unit mix is:

Sample 100-Unit Building		
Apartment Type	Number of Units	Minimum 20% Unit Mix
Studio	10	2
1 Bedroom	50	10
2 Bedroom	30	6
3 Bedroom	10	2
Total	100	20

Operating Procedures

You must use the Sponsor-Dedicated Workforce (SDW) Housing Job Aid

to commit and Deliver a Mortgage Loan qualifying for a Sponsor-Dedicated Workforce Housing pricing incentive.

Glossary

3

30-Day Average SOFR	Compounded average of SOFR over a specified interest period of 30 days.

A

ACheck	Lender due diligence performed for the Borrower, Key Principal, and Principal using the ACheck™ application. **Synonyms** • Applicant Experience Check
Acquisition	Any Purchase of either the: • Propertys fee simple or leasehold interest via a deed transfer; or • Controlling Interest in the Borrower. **Synonyms** • Acquisitions
Actual Cooperative Property Basis	Financial analysis or valuation of a Cooperative Property conducted based on its actual operating performance.
Additional Disclosure	Information you provide that is published as an addendum to the disclosure documents when an MBS is issued and describes special Security, Mortgage Loan, or Property characteristics or terms that differ from those described in the standard Multifamily MBS Prospectus. **Synonyms** • Additional Disclosures • Special Disclosure

Adjustable Rate Mortgage Loan	Mortgage Loan with an interest rate that periodically adjusts based on an Index per the Note or Loan Documents. **Synonyms** • ARM Loan • Adjustable Rate Mortgage Loans • ARM Loans
Administering Agent	Third-party compliance monitoring company.
Affiliate	When referring to an affiliate of a Lender, any other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender. When referring to an affiliate of a Borrower or Key Principal: • any Person that owns any direct ownership interest in Borrower or Key Principal; • any Person that indirectly owns, with the power to vote, 20% or more of the ownership interests in Borrower or Key Principal; • any Person Controlled by, under common Control with, or which Controls, Borrower or Key Principal; • any entity in which Borrower or Key Principal directly or indirectly owns, with the power to vote, 20% or more of the ownership interests in such entity; or • any other individual that is related (to the third degree of consanguinity) by blood or marriage to Borrower or Key Principal. **Synonyms** • Affiliates • Affiliate's

Affiliate-Owned Manufactured Home	Manufactured Home or park model home located on an MH Site that is owned by an Affiliate of the Borrower. **Synonyms** • Affiliate-Owned Manufactured Homes • Affiliate-Owned Home • Affiliate-Owned Homes
Affordable Regulatory Agreement	Recorded or unrecorded regulatory, land use, extended use, restrictive covenant, or similar agreement or restriction that is imposed by a Public Entity, placing rent, income, or other affordability restrictions on the use or occupancy of the Property, but which does not include a HAP Contract. **Synonyms** • Affordable Regulatory Agreements
Age-Restricted MH Community	MH Community that limits residents to those who are over a particular age (e.g., persons who are age 62 or older, or at least 80% of the Manufactured Homes occupied by at least 1 person who is age 55 or older).
All-Age MH Community	MH Community that accepts residents of any age.
Appraisal	Written statement independently and impartially prepared by a qualified Appraiser stating an opinion of the Property's market value • as of a specific date, and • supported by the presentation and analysis of relevant market information. **Synonyms** • Appraisals • Appraisal's

Appraised Value	Appraisers opinion of the Property's market value documented in the Appraisal, on an as is basis, unless use of an as completed basis is specifically permitted per the Guide. **Synonyms** • Appraised Values
Appraiser	Person engaged to estimate a Propertys market value per USPAP. **Synonyms** • Appraiser's • Appraisers
Assisted Living	Seniors Housing Property offering services limited to non-medical personal care, including ADL assistance, which are typically licensed and regulated by a state or local governmental authority. **Synonyms** • AL
ASTM	American Society for Testing Materials

B

Bifurcated Mortgage Loan	Single Senior Mortgage Loan that is evidenced by 2 Notes with the same payment and collateral priority. **Synonyms** • Bifurcated Mortgage Loans
Blanket Policy	Insurance policy providing coverage for multiple properties and/or multiple perils. **Synonyms** • Blanket

Bond Liquidity Fee Rate	Fee charged by the provider of a letter of credit, standby bond purchase agreement, or other arrangement providing liquidity to purchase securities (typically variable rate demand obligations), that were tendered to the Issuer but cannot be immediately remarketed to new investors, expressed as an annualized percentage.
Bond Trustee	Trustee for a Credit Enhancement Instrument. **Synonyms** • Bond Trustee's
Bonds	Tax-exempt or taxable multifamily revenue bonds, or other tax-exempt or taxable bonds, issued to finance 1 or more Credit Enhancement Mortgage Loan Properties. **Synonyms** • Bond
Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's
Borrower Commitment	Your written commitment with the Borrower to originate a Mortgage Loan, and any separate written or oral rate lock agreements between you and the Borrower to rate lock the Mortgage Loan. **Synonyms** • Borrower Commitments

Bulk Delivery	Structured Transaction governed by a Bulk Delivery Agreement that allows future: • Mortgage Loan additions; and/or • Property substitutions. **Synonyms** • Bulk Deliveries
Bulk Delivery Agreement	Agreement evidencing the terms and conditions of a Bulk Delivery.
Business Day	Any day other than a • Saturday, • Sunday, • day when Fannie Mae is closed, • day when the Federal Reserve Bank of New York is closed, or • for any MBS and required remittance withdrawal, day when the Federal Reserve Bank is closed in the district where any of the MBS funds are held. **Synonyms** • Business Days

C

Cap Strike Rate	Index interest rate specified in the Interest Rate Cap Agreement at or above which a payment obligation will be triggered by the Interest Rate Cap provider.
Cash Mortgage Loan	Mortgage Loan purchased by Fannie Mae in exchange for cash. **Synonyms** • Cash Mortgage Loans

Choice Refinance Loan	Mortgage Loan refinancing a Portfolio Mortgage Loan using streamlined underwriting per Part III, Chapter 17: Choice Refinance Loans. **Synonyms** • Choice Refinance Loans
Closed Indenture	Indenture for a Bond transaction where all of the Bond proceeds finance only the Property securing the Mortgage Loan.
Co-Tenant Borrower	Borrower consisting of tenants-in-common that own the Property in equal or unequal shares. **Synonyms** • Co-Tenant Borrowers
Collateral	Property, Personal Property, or other property securing a Mortgage Loan.
Commercial Condominium	Mixed-use Condominium Property combining Borrower-owned multifamily residential units with 1 or more other uses (e.g., retail, hotel, office, etc.) which may not be Borrower-owned.
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
Commitment Date	Date a Commitment is confirmed by Fannie Mae per Part IV, Chapter 2: Rate Lock and Committing, Section 204: Commitments.

Completion/Repair Escrow	Custodial Account funded on the Mortgage Loan Origination Date for Completion/Repairs or capital improvements per the Loan Documents.
Completion/Repair Schedule	The Required Repair Schedule to the Multifamily Loan Agreement (Form 6001 series) and the applicable parts of the Multifamily Loan Agreement, or other Fannie Mae-approved agreement, evidencing: • the Borrowers agreement to - fund the Completion/Repair Escrow, and - perform Completion/Repairs; and • Completion/Repair Escrow disbursement terms. **Synonyms** • Completion/Repair Schedules
Completion/Repairs	Repairs or capital item replacements and deferred maintenance: • identified per the Property Condition Assessment; and • required per the - Completion/Repair Schedule, or - Completion/Repair Agreement. **Synonyms** • Completion/Repair
Condominium	Statutorily established Property ownership regime where Condominium Documents designate: • individual units for separate ownership; and • common areas for shared use and joint ownership by the unit owners.

Condominium Documents	Governing documents: • for the Condominium and owners associations - creation, - operation, and - management; and • including Condominium instruments for Condominium governance, such as - declarations, - plats, - bylaws, - rules and regulations, - articles of incorporation, or - any other document required by law. **Synonyms** • Condominium Document
Continuing Care Retirement Community	Seniors Housing Property that provides a continuum of care on a single campus, including any combination of Independent Living, Assisted Living, Alzheimers/Dementia Care, or Skilled Nursing units. **Synonyms** • CCRC • CCRCs
Control	Possessing, directly or indirectly, the power to direct or cause the management and operations of an entity (e.g., through the ownership of voting securities or other ownership interests, or by contract). **Synonyms** • Controlling • Controlled • Controls
Controlling Interest	For any entity, ownership or control of 50% or more of the ownership interests in the entity or the power or right to control or modify, directly or indirectly, the management and operations of the entity.

Cooperative Gross Sellout Value	Value based upon the sum of the gross sales prices of all units (subject to discounts on rent restricted units) plus the aggregate UPB of all existing Mortgage Loans (prior to any proposed refinancing) secured by a Lien on the Cooperative Property.
Cooperative Maintenance Fee	Periodic fee assessed each shareholder or owner of a Cooperative Organization to fund costs and expenses associated with ongoing operations of the Cooperative Property. **Synonyms** • Cooperative Maintenance Fees
Cooperative Maintenance Fee Accounts Receivable	Cooperative Maintenance Fees due the Cooperative Organization that are more than 30 days past due.
Cooperative Market Rental Basis	Financial analysis or valuation of a Cooperative Property conducted as if it were operated as a conventional multifamily property subject to applicable rental restrictions.
Cooperative Operating Reserve	Liquid funds, including loan proceeds, controlled by the Cooperative Organization to cover operating and capital expenses, and comprised of unrestricted cash, less the sum of accounts payable.
Cooperative Organization	Corporation or legal entity where each shareholder or equity owner is granted the right to occupy a unit in a multifamily residential property under a proprietary lease or occupancy agreement.

Cooperative Property	Multifamily residential property owned by a Cooperative Organization. **Synonyms** • Co-op • Cooperative
Cooperative Property Sponsor	Person who invested in, converted, or is converting a residential rental apartment building to a Cooperative Property and continues to own unsold shares in the Cooperative Organization.
Cost Certification	Independent third-party audit report itemizing the Property's construction and development costs, including a statement of eligible and qualified basis, submitted to the state housing finance agency to obtain IRS Form 8609(s).
Credit Enhancement Fee	Fee due to Fannie Mae for a Credit Enhancement Instrument.
Credit Enhancement Instrument	Agreement between Fannie Mae and a Bond Trustee where Fannie Mae provides credit enhancement of a Credit Enhancement Mortgage Loan, Bonds issued to finance a Credit Enhancement Mortgage Loan, or an Interest Rate Hedge Agreement; and if applicable, a Bond liquidity facility. **Synonyms** • Credit Enhancement Instruments
Credit Enhancement Mortgage Loan	Mortgage Loan financed by a Bond issuance where Fannie Mae provides credit enhancement by • a Credit Enhancement Instrument, or • an MBS for Bonds. **Synonyms** • Credit Enhancement Mortgage Loans

Credit Facility	Structured Transaction governed by a Master Credit Facility Agreement requiring Mortgage Loans and Properties to be • cross-defaulted, and • cross-collateralized. **Synonyms** • Credit Facilities • Credit Facility's
Custodial Account	Account established by the Servicer for depositing P&I payments, T&I payments, and escrow, reserve, or other funds received from the Borrower per any Loan Document, including the: • Collateral Agreement; • Multifamily Loan Agreement; or • Security Instrument. **Synonyms** • Custodial Accounts

D

Debt Service Coverage Ratio	On an annual basis or any specified period, the ratio of Net Cash Flow to the total of: principal, interest, and required Mezzanine Financing or Hard Pay Preferred Equity payments. **Synonyms** • DSCR
Dedicated Student Housing Property	Multifamily rental Property in which 80% or more of the units are leased to undergraduate or graduate students. **Synonyms** • Dedicated Student Housing
Delivered Mortgage Loan Amount	UPB of a Mortgage Loan when it is purchased by Fannie Mae.

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Delivery	Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Maes satisfaction. **Synonyms** • Deliver • Delivered • Deliveries
Delivery Assurance Security Instrument	The applicable Security Instrument (Form 6025 series), as modified by the Modifications to Security Instrument (Unfunded Forwards) (Form 6321).
Direct Pay	Credit enhancement under which Fannie Mae makes principal and interest payments directly to the Bond Trustee (for payment to bondholders) regardless of whether the Borrower has reimbursed Fannie Mae for such payments.
DocWay	Business-to-business electronic documentation delivery application, or any successor system.
Dual Commitment Option	For a Streamlined Rate Lock Mortgage Loan trade with the Multifamily Trading Desk, your ability to increase the Mortgage Loan Rate Lock amount.
DUS	Delegated Underwriting and Servicing
DUS Gateway	Multifamily pre-acquisition system, or any successor systems, recording deal registration, Pre-Review and/or waiver tracking, Mortgage Loan Commitments, and decision records.

DUS Lender	Lender approved to Deliver loans under the Delegated Underwriting and Servicing program. **Synonyms** • DL
DUS Lender Affiliate Mezzanine	Mezzanine Financing provided by an approved mezzanine lending affiliate of a DUS Lender. **Synonyms** • DLA Mezzanine Financing

E

Effective Gross Income	For any specified period, the Property's total Net Rental Income, plus commercial income, plus other income, all calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III. **Synonyms** • EGI
Efficiency Measures	Energy- and water-efficiency measures that the Borrower agrees to implement per the Multifamily Loan Agreement to qualify as a Green Rewards Mortgage Loan, and which project a reduction in the Property's annual energy or water consumption. **Synonyms** • Efficiency Measure

Environmental Site Assessment	Investigation and resulting report (Phase I ESA or Phase II ESA) conducted per Environmental Due Diligence Requirements (Form 4251), identifying if a Property has Recognized Environmental Conditions or Business Environmental Risks. **Synonyms** • ESA • Environmental Site Assessments
Excess Net Cash Flow	For any specified period, the Net Cash Flow remaining after subtracting, in order of priority: • first, all amounts due and owing on the Mortgage Loan, including: - principal and interest; and - any other funding obligations per the Loan Documents; • second, any payments due on any Third-Party Financing that is not Soft Financing compliant with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.04: Soft Financing; and • third, any payments due on any Third-Party Financing not already subtracted per the above. **Synonyms** • Excess NCF • Surplus Net Cash Flow • Surplus NCF

F

Fannie Mae Deal Team	Team responsible for reviewing Pre-Review Mortgage Loans, waivers, etc. **Synonyms** • Deal Team
FHA	Federal Housing Administration

FHA Risk Sharing	MAH Mortgage Loan with mortgage insurance from FHA.
FHFA	Federal Housing Finance Agency.
Foreclosure Event	Any of the following: • Foreclosure per the Security Instrument; • Fannie Mae's exercise of rights and remedies per the Security Instrument or applicable law (including Insolvency Laws) as holder of the Mortgage Loan and/or the Security Instrument, where Fannie Mae (or its designee or nominee), or a third-party purchaser, becomes the Property owner; • Borrower delivers Fannie Mae (or its designee or nominee) a deed or other conveyance of the Property in lieu of any of the foregoing; or • in Louisiana, any dation en paiement.
Foreign Person	Person who is not: • a United States citizen; • a legal permanent resident of the United States; or • an entity organized and existing under the laws of the United States of America, or its states or territories.
Form 4660	Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans. **Synonyms** • Multifamily Underwriting Standards
Forward Commitment	Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property. **Synonyms** • Forward Commitment's • Forward Commitments

Forwards Team	Team that can be contacted at mf_forwards_team@fanniemae.com.
Fractured Condominium	Residential Condominium Property where the Borrower owns less than 100% of the units.

G

Good Faith Deposit	Amount you collect from the Borrower when originating a Mortgage Loan per Part IV, Chapter 2: Rate Lock and Committing, Section 203: Good Faith Deposits. **Synonyms** • Good Faith Deposits
Grant Funding	Funding for the Propertys construction or renovation given to the Borrower, or to a Borrower Affiliate that in turn loans or grants the funds to the Borrower, with no repayment obligation if specified requirements are met.
Green Building Certification	Designation awarded by a third-party organization that is recognized by Fannie Mae and listed in the Green Building Certifications (Form 4250) for multifamily properties constructed or maintained to meet specified energy and water efficiency standards or other sustainability criteria.
Green Mortgage Loan	Mortgage Loan secured by a Property that incorporates features expected to have a positive environmental outcome including, but not limited to, reducing energy and water consumption at a Property, generating energy, or meeting criteria set by a third-party green building certification organization. **Synonyms** • Green Mortgage Loans



Green Rewards Mortgage Loan	Mortgage Loan secured by a Property where the Borrower agrees to undertake 1 or more Energy- and Water-Efficiency Measures that comply with Part III, Chapter 4: Green Mortgage Loans, Section 403: Green Rewards Mortgage Loans. **Synonyms** • Green Rewards Mortgage Loans • Green Rewards
Gross Note Rate	Mortgage Loan interest rate stated in the Loan Documents.
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
Ground Lease	Contract for the rental of land, usually on a long term basis.
Guarantor	Key Principal or other Person executing a • Payment Guaranty, • Non-Recourse Guaranty, or • any other Mortgage Loan guaranty. **Synonyms** • Guarantors
Guaranty	Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.



Guaranty Fee	Fee retained by Fannie Mae for credit enhancing a Mortgage Loan or assuming credit risk on a Mortgage Loan, and which may be expressed as a percentage. **Synonyms** • Guaranty Fees
Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

H

HAP Contract	An agreement providing a HUD Section 8 rental subsidy for the Property in the form of a: • project-based voucher contract (PBV), or • project-based rental assistance contract (PBRA). **Synonyms** • Housing Assistance Payment • HAP • HAP Contracts
High Performance Building Module	PCA High Performance Building Module assessing cost effective opportunities to increase a Propertys energy and water efficiency and reduce costs. **Synonyms** • HPB Module
Homeowner	For an MH Community, a tenant of the Borrower who pays ground rent to the owner for use and occupancy of the MH Site and for use of the MH Communitys utilities and amenities. **Synonyms** • Homeowners

HPB	High Performance Building
HUD	U.S. Department of Housing and Urban Development **Synonyms** • HUD's
HUD Use Agreement	Contract between HUD and the Borrower identifying Property use restrictions and default remedies for HUD programs such as Housing Assistance Payments and Rental Assistance Demonstration.
Hybrid ARM Loan	Mortgage Loan with a total term of 30 years, comprised of an initial term when interest accrues at a fixed rate, and which automatically converts to a term where interest accrues at an adjustable rate. **Synonyms** • Hybrid ARM Loans
Hybrid ARM Loan Conversion Date	Date when the UPB of a Hybrid ARM Loan automatically converts from accruing at a fixed interest rate to accruing at an adjustable interest rate. **Synonyms** • Hybrid ARM Conversion Date

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'

Indenture	Bond issuer trust indenture or resolution listing Bond terms.
Independent Living	Seniors Housing providing limited programs of assistance for domestic activities (e.g. meals, housekeeping, activities, transportation, etc.), and typically resembles market rate units. **Synonyms** • IL
Index	Basis for determining an ARM Loan Gross Note Rate or entering a Streamlined Treasury Lock on a fixed rate Mortgage Loan, including any required alternative index deemed necessary by Fannie Mae because the prior Index: • is no longer widely accepted; or • was replaced as the index for similar financial instruments.
Intangible Property	Business value, goodwill, and any other intangible value attributed to the Property being operated as a multifamily housing development.
Interest Rate Cap	Interest rate agreement between the Borrower and a provider for which the Borrower receives payments at the end of each period when the interest rate exceeds the Cap Strike Rate. The Interest Rate Cap provides a ceiling (or cap) on the Borrower's Mortgage Loan interest payments. **Synonyms** • Interest Rate Caps • Interest Rate Hedge • Interest Rate Hedges • Interest Rate Swap • Interest Rate Cap's

Interest Rate Cap Agreement	Contract setting forth the terms and conditions of an Interest Rate Cap, Hedge, or Swap. **Synonyms** • Interest Rate Hedge Agreement • Interest Rate Swap Agreement
Investor	MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan. **Synonyms** • Investors • Investor's
Investor Spread	Required spread above the Index (excluding the Guaranty Fee and Servicing Fee) charged by the Investor purchasing the: • Mortgage Loan; or • MBS Mortgage Loan.
IRP	Interest Reduction Payment **Synonyms** • Interest Reduction Payment
Issue Date	First day of the month a Security is issued.
Issuer	Entity that: • issues Bonds for a Credit Enhancement Mortgage Loan; • packages mortgages for sale as a Security for an MBS; or • issues a Letter of Credit. **Synonyms** • Issuers

K

Key Principal	Person who • controls and/or manages the Borrower or the Property, • is critical to the successful operation and management of the Borrower and the Property, and/or • may be required to provide a Guaranty. **Synonyms** • Key Principals • Key Principal's

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
Leasehold	Property held under a long-term lease or Ground Lease.
Lender	Person Fannie Mae approved to sell or service Mortgage Loans. **Synonyms** • Lenders • Lender's
Lender Affiliate	Other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender.

Lender Contract	Program Documents per the Multifamily Selling and Servicing Agreement. **Synonyms** • Lender's Contract • Lender Contracts • Contract • Multifamily Selling and Servicing Agreement • MSSA
Letter of Credit	Letter of Credit approved by Fannie Mae per Part I, Chapter 2: Mortgage Loan, Section 204: Letters of Credit. **Synonyms** • Letters of Credit • Letter of Credit's • LOC • LOCs
Lien	Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind. **Synonyms** • Liens
LIHTC Average Income	Internal Revenue Code Section 42 election allowing LIHTC property owners to rent units to households earning up to 80% of AMI, provided: • a minimum of 40% of the residential units are both rent-restricted and occupied by households with a maximum income up to an average of 60% of AMI; and • the unit's rents are limited to 30% of the qualifying income level. For example, for a 30% AMI unit, the maximum rent that may be charged to a household is 30% of AMI.

Limited Equity Cooperative Property	Cooperative Organization that has income, rent, or equity build-up restriction (not including any transfer taxes), which may be dictated by a governmental entity, a third-party capital provider, or its own organizational documents. **Synonyms** • Limited Equity Cooperative Properties
Loan Documents	All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan. **Synonyms** • Loan Document • Mortgage Loan Document • Mortgage Loan Documents
Loan Number	10-digit number assigned by Fannie Mae to each Mortgage Loan.
Loan Year	Period beginning on the date of the Note and ending on the last day of the month that is 12 full months after the date of the Note, and each successive 12-month period thereafter. **Synonyms** • Loan Years
Loan-to-Value Ratio	Ratio of the actual aggregate UPB of the Mortgage Loan, plus any Pre-Existing Mortgage Loans, plus any Hard Pay Preferred Equity, plus any Mezzanine Financing, to the value of the Property, expressed as a percentage. **Synonyms** • LTV • LTV Ratio

Local Borrower	For Small Mortgage Loans, a Borrower or at least 1 Key Principal of the Borrower that has a primary residence located within 200 miles of the Property.
Low-Income Housing Tax Credit	Federal program offering tax credits to owners of eligible properties that contain low-income occupants and rent restrictions. **Synonyms** • Low-Income Housing Tax Credits • Low Income Housing Tax Credits • LIHTC • LIHTCs

M

Manufactured Home	Factory-built home complying with the Manufactured Home HUD Code. **Synonyms** • Manufactured Homes
Manufactured Home HUD Code	National Manufactured Home Construction and Safety Standards Act of 1974 (HUD Code) (42 USC 5401 et seq) and the Manufactured Home Construction and Safety Standards (24 CFR Part 3280), as amended.
Manufactured Housing Community	Residential real estate development with lots on which manufactured homes are located, together with amenities, utility services, landscaping, roads, and other infrastructure. **Synonyms** • Manufactured Housing Property • MH Community • MH Community's • MH Communities • MHC

Manufactured Housing Community Score	Score of 3 through 5 based on characteristics of the MH Community per Part III, Chapter 6: Manufactured Housing Communities, Section 603.02: MH Community Score. **Synonyms** • MH Community Score • MHC Score
Manufactured Housing Site	Developed lot within an MH Community on which a Manufactured Home can be located. **Synonyms** • MH Site • MH Sites
Master Credit Facility Agreement	Agreement evidencing the terms and conditions of a Credit Facility.
Material Amendment	Change to the Condominium Documents pertaining to: • modifying, after a casualty or condemnation, - insurance requirements, - use of insurance proceeds, or - rebuild requirements; • altering or restricting the use of the - Condominium units, - common elements, or - other easements; • decreasing mortgagee - rights, or - notices; • altering or diluting - voting rights, or - the number of board seats; • diluting Borrower's ownership interest in, or use of, common elements; • changing the structure or methodology for determining assessments and special assessments; or • causing or allowing termination of the Condominium structure without Borrower or mortgagee consent.

Material Commercial Lease	Lease, sublease, license, concession, grant, or other possessory interest • for commercial purposes comprising 5% or more of the Property's annual EGI, or • relating to: - solar power, thermal power generation, or co-power generation, or the installation of solar panels or any other electrical power generation equipment, and any related power purchase agreement; or - any Property dwelling units leased to ▪ a Borrower Affiliate, ▪ any Key Principal, or ▪ any Principal. **Synonyms** • Material Commercial Leases
Maturity Date	Date all Mortgage Loan amounts become fully due and payable per the Loan Documents. **Synonyms** • Maturity Dates
Maximum Note Rate	Equals the sum of the: • minimum Cap Strike Rate as set by Fannie Mae; and • Mortgage Loan margin equal to the sum of the - Investor spread, - Guaranty Fee, and - Servicing Fee.
MBA	Mortgage Bankers Association **Synonyms** • MBA's
MBS	Mortgage-Backed Security

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MBS for Bonds	Fannie Mae MBS: • issued to credit enhance tax-exempt Bonds; or • exchanged for Bonds redeemed at MBS issuance. **Synonyms** • MBS Exchange • MTEB • MTEM
MBS Investor	For MBS Mortgage Loans, either a Third Party MBS Investor for Lender-Arranged Sales, or the Multifamily Trading Desk.
MBS Mortgage Loan	Mortgage Loan purchased by Fannie Mae in exchange for an issued MBS backed by the Mortgage Loan. **Synonyms** • MBS Mortgage Loans
Medicaid Funds	Funds paid to a provider by governmental authorities or managed care organizations, under Medicaid provider agreements.
Metropolitan Statistical Area	Geographic delineation for a metropolitan area determined by the U.S. Census Bureau. **Synonyms** • MSA • MSA's
Mezzanine Financing	Subordinate debt financing provided to a direct or indirect owner of a Borrower that is secured by a pledge of the direct or indirect equity interest in the Borrower held by the owner, and not by a Lien on the Property.

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Military Housing Property	Multifamily rental Property in which 40% or more of the units are occupied by individuals serving in, or employed by, the United States military. **Synonyms** • Military Housing
Minimum 1% Prepayment Premium	For a prepayment, an amount equal to 1% of the UPB.
Minimum Good Faith Deposit	Amount you are required to collect when originating a Mortgage Loan per Part IV, Chapter 2: Rate Lock and Committing, Section 203.02: Minimum Good Faith Deposit.
Moderate Rehabilitation Property	Property that will undergo at least $8,000 per unit of Rehabilitation Work. **Synonyms** • Moderate Rehabilitation
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

Mortgage Loan Broker	Third-party Person who arranges • Mortgage Loan financing on the Borrowers behalf, or • Transfers/Assumptions on behalf of the - new Borrower for an assumption, or - transferee for a transfer. **Synonyms** • Broker • Brokers • Mortgage Loan Brokers
Mortgage Loan Delivery Package	Loan Documents and underwriting material required in connection with the Delivery of a Mortgage Loan.
Mortgage Loan Origination Date	Date you fund a Mortgage Loan to the Borrower. **Synonyms** • Mortgage Loan's Origination Date • Origination Date
Multifamily Acquisitions	Team that can be contacted at mf_acquisitions@fanniemae.com.
Multifamily Affordable Housing Property	Property that: • complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702: MAH Property Eligibility; and • is underwritten per Part III, Chapter 7: Multifamily Affordable Housing Properties. **Synonyms** • MAH • Multifamily Affordable Housing • MAH Property

Multifamily Certification and Custody	Team responsible for taking custody of and certifying Mortgage Loans that can be contacted at • multifamcert_team@fanniemae.com, • (800) 940-4646, or • for submissions: Fannie Mae (Multifamily) Certification and Custody 21240 Ridgetop Circle Suite 125-130 Sterling, VA 20166. **Synonyms** • DDF • Document Delivery Facility • Document Delivery System
Multifamily Committing and Delivery System	Electronic committing and delivery system used for issuing and confirming Commitments for acquiring Mortgage Loans, or any such successor system. **Synonyms** • C&D • Multifamily Committing and Delivery Systems
Multifamily Loan Agreement	Agreement evidencing Mortgage Loan terms using • Form 6001 series Loan Documents, or • another Fannie Mae-approved form. **Synonyms** • Multifamily Loan Agreements
Multifamily Mortgage Loan Delivery Package Table of Contents	Form 6502.Folder.I.and.Folder.III, Form 6502.Folder.II, or another Fannie Mae-approved Table of Contents for a Mortgage Loan Delivery Package.
Multifamily Trading Desk	Team that: • purchases and trades Cash Mortgage Loans and MBS Mortgage Loans for Fannie Mae's own account; and • can be contacted at (888) 889-1118.

Multifamily Underwriting Certificate	Multifamily Underwriting Certificate (Form 6460 series) , and/or other agreement approved by Fannie Mae that provides underwriting information for a Mortgage Loan.

N

Near Stabilized Property	Newly constructed or recently rehabilitated Property, with all construction or rehabilitation complete, which is expected to achieve Stabilized Residential Occupancy and the applicable required Underwritten Debt Service Coverage Ratio within 120 days after the Mortgage Loan Origination Date.
Net Cash Flow	At underwriting or for any specified period, the amount calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III. **Synonyms** • NCF
Net Operating Income	At underwriting or for any specified period, the Property's total Effective Gross Income minus operating expenses. **Synonyms** • NOI
Net Rental Income	For any specified period, the Property's net rental income calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III. **Synonyms** • NRI
New Construction	Property recently developed/constructed with any certificates of occupancy received within 12 months before the Commitment Date.

Non-Contiguous Parcels	Multiple parcels of land securing a Mortgage Loan that do not share common boundaries or that are separated by dedicated or private streets that are major arterials. **Synonyms** • Non-Contiguous Parcel
Non-Performing Mortgage Loan	Mortgage Loan with an uncured default. **Synonyms** • Non-Performing Mortgage Loans • Non-Performing Mortgage Loan's • Non-Performing
Non-Recourse Guaranty	Guaranty executed by a Key Principal on Form 4501 series or Form 6015 series, or approved by Fannie Mae. **Synonyms** • Guaranty of Non-Recourse Obligations

Note	Instrument evidencing a Mortgage Loan obligation, including
	• Form 6010 series,
	• any other Fannie Mae-approved note, and
	• all applicable
	  - addenda,
	  - schedules, and
	  - exhibits.
	
	Synonyms
	• Notes

O

Open Indenture	Indenture for a Bond transaction where a portion of the Bond proceeds finance projects in addition to the Property securing the Mortgage Loan.

Operations and Maintenance Plan	Required plan for remediating a Recognized Environmental Condition or Business Environmental Risk as described in Environmental Due Diligence Requirements (Form 4251). **Synonyms** • O&M • O&M Plan • O&M Plans
Origination Fee	Fee you charge the Borrower for underwriting and originating the Mortgage Loan. **Synonyms** • Origination Fees

P

P&I	Principal and interest

Payment Default	Borrower's failure to fully pay any required Mortgage Loan payment when due, including,
	• principal,
	• interest,
	• late charges,
	• default interest,
	• fees,
	• pricing incentive recapture,
	• prepayment premium,
	• escrows, or
	• other collateral accounts for
	  - taxes,
	  - insurance,
	  - assessments,
	  - Completion/Repair Escrow, and
	  - Replacement Reserve.
	
	Synonyms
	• Payment Defaults

PCA Consultant	Individual or firm conducting a PCA and preparing a PCA Report. **Synonyms** • PCA Consultant's
PCA Report	Property Condition Assessment Report documenting the findings of a PCA.
Performance Default	Borrower's failure to perform any promise or covenant within any applicable grace periods per the Mortgage Loan, other than a Payment Default. **Synonyms** • Performance Defaults
Person	Legal person, including an • individual, • estate, • trust, • corporation, • partnership, • limited liability company, • financial institution, • joint venture, • association, or • other organization or entity (whether governmental or private). **Synonyms** • Persons • Person's
Personal Property	Furniture, fixtures, equipment, and other tangible personal property located on or used in connection with the Property.

Phase I ESA	Environmental Site Assessment conducted per the current ASTM E-1527 standard and the resulting report. **Synonyms** • Phase I Environmental Site Assessment • Phase I ESAs
Phase II ESA	Environmental Site Assessment conducted per the current ASTM E-1903 standard, or any other post-Phase I ESA, and the resulting report. **Synonyms** • Phase II Environmental Site Assessment
PILOT	Payment In Lieu Of Taxes. **Synonyms** • PILOTs
Plan Number	Number identifying the applicable loan characteristics for any Mortgage Loan that accrues interest at a variable rate at any time during the loan term. **Synonyms** • Plan Numbers
Portfolio Mortgage Loan	Mortgage Loan purchased by Fannie Mae and held as of a certain date regardless of whether it is a Cash Mortgage Loan or an MBS Mortgage Loan. **Synonyms** • Portfolio Mortgage Loans • Portfolio Mortgage Loan's

Pre-Existing Mortgage Loan	Multifamily residential real estate loan secured by Liens against the Property having higher priority than the Lien securing the Subordinate Loan purchased by Fannie Mae. **Synonyms** • Pre-Existing Mortgage Loans
Pre-Review	Requirement that you obtain Fannie Maes approval before you Rate Lock a Mortgage Loan.
Pre-Review Mortgage Loan	Mortgage Loan that is not delegated to you and requires Fannie Maes approval before Rate Lock.
Preferred Equity	A direct or indirect investment in the Borrower, for which the organizational documents provide that equity investor with: • an asset management fee or other fee before dividends, distributions, payments, or returns are paid to the investors; or • preferred or unequal rights to receive dividends, distributions, payments, or returns relative to other equity owners, but excluding: - an equity investment made solely for the allocation of LIHTCs; or - preferred dividends, distributions, payments, or returns paid to: ▪ a REIT Equity Investor from Excess Net Cash Flow; or ▪ an equity investor in the form of • payments or a promote return after pari passu payments are made to all equity investors based on a specified minimum internal rate of return or return threshold; or • repayment of a protective advance to pay debt service or other amounts due under the Loan Documents, or any other amounts reasonably required for the operation and maintenance of the Property.

Prepayment Premium	For a Mortgage Loan prepayment, amount the Borrower must pay in addition to the prepaid principal and accrued interest per the Loan Documents. **Synonyms** • Prepayment Premiums
Prepayment Premium Option	Applicable Form 6104 series schedule to the Loan Agreement.
Prepayment Premium Period End Date	Last date when a Borrower owes a Prepayment Premium for a voluntary Mortgage Loan prepayment.
PRF	Account you hold accumulating principal amortization payments for variable rate Bond credit enhancements. **Synonyms** • Principal Reserve Fund
Pricing and Underwriting Tier	Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660). **Synonyms** • Tier
Pricing Memo	Applicable DUS Pricing Memo or non-DUS Pricing Memo communicating pricing for various products and features. **Synonyms** • Pricing Memos
Primary Risk Mortgage Loan	Mortgage Loan where Fannie Mae bears all losses or you and Fannie Mae share losses. **Synonyms** • Primary Risk Mortgage Loans • Primary Risk

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Principal	Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors. **Synonyms** • Principals
Private Affordability Agreement	Recorded or unrecorded regulatory, land use, extended use, restrictive covenant, agreement, or restriction that is imposed by any non-Public Entity, placing rent, income, or other affordability restrictions on the use or occupancy of the Property. **Synonyms** • Private Affordability Agreements
Project	Multifamily buildings • on multiple Properties, • owned by the same Borrower, and • that comply with Part II, Chapter 1: Attributes and Characteristics, Section 103.01: Single Borrower Ownership. **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

Property Condition Assessment	Assessment of the Property's physical condition and historical operation. **Synonyms** • PCA • PNA • Physical Needs Assessment • PCAs
Property Condition Rating	An assessment of the Propertys overall condition per the MBA Standard Inspection Form, expressed on a scale from 1 (the best Property Condition Rating) to 5 (lowest Property Condition Rating). **Synonyms** • Property Condition Ratings
Public Entity	A federal, state, or local government entity, or an entity that: • is created by - state statute, or - one or more governmental entities acting pursuant to applicable statutory authority; • has a governing body that is - elected by voters in the applicable jurisdiction, or - appointed by an official or body that has been elected by voters in the applicable jurisdiction; • is formed for a governmental purpose and performs a governmental function; • is required by law to - publicly post its meeting agendas and minutes, and - hold meetings that are open to the public to the same extent as state or local governmental entities in its state of domicile; • does not permit any part of its net revenues or earnings to inure to the benefit of any private Person; and • is not a community development financial institution.

Q

Qualified Occupant	Party occupying a dwelling unit in a Property in full compliance with a lease. **Synonyms** • Qualified Occupants • Qualified Tenant • Qualified Tenants

R

Rate Lock	Agreement between you and the Investor containing the terms of the Lender-Arranged Sale or Multifamily Trading Desk trade of the Mortgage Loan and the MBS terms and conditions relating to the underlying MBS, if applicable, which may be documented via a recorded telephone conversation. **Synonyms** • Rate Locks
Reduced Occupancy Affordable Rehabilitation Work	Aggregate repairs, replacements, or improvements being performed at the ROAR Property. **Synonyms** • ROAR Work
Rehabilitation Reserve Account	Custodial Account established by the Lender and funded by deposits from the Borrower per the Rehabilitation Reserve Agreement to fund the Rehabilitation Work.
Rehabilitation Reserve Agreement	Borrowers agreement to undertake identified Rehabilitation Work, the terms for funding the Rehabilitation Work, and the disbursement of funds from the Rehabilitation Reserve Account (e.g., Form 6222 or Form 4523).



Rehabilitation Work	Aggregate repairs, replacements, or improvements (including all Completion/Repairs) required to be performed and completed within a specified time period after the Mortgage Loan Origination Date for a Moderate Rehabilitation Property.
Remarketing Agent	Person selected by the Issuer to reset the interest rate on the Bonds in order to resell any Bonds tendered by investors on the interest rate reset date.
Rent-Stabilized Property	Property where rent increases on more than 50% of the residential units are limited by state or local statutory controls, not by an Affordable Regulatory Agreement. **Synonyms** • Rent-Stabilized Properties
Replacement Reserve	Custodial Account the Borrower funds during the Mortgage Loan term for Replacements. **Synonyms** • Replacement Reserves
Replacement Reserve Schedule	The Required Replacement Schedule to the Multifamily Loan Agreement (Form 6001 series) and the applicable parts of the Multifamily Loan Agreement (or other agreement approved by Fannie Mae), that evidence the: • Borrowers agreement to replace identified capital items and perform required maintenance; • terms for funding the identified capital item replacement and maintenance; and • disbursement of Replacement Reserve funds. **Synonyms** • Replacement Reserve Schedules

Replacements	Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required. **Synonyms** • Replacement
Residential Condominium	Condominium Property where all units are residential.
Restabilized Residential Occupancy	Achievement of Underwritten NCF for 3 consecutive months after completion of the ROAR Work.
Restricted Value	Appraised Value assuming an Affordable Regulatory Agreement or Private Affordability Agreement is in effect.
ROAR Loan	Reduced Occupancy Affordable Rehabilitation Loan
ROAR Stressed NCF	Minimum Underwritten NCF projected to occur during the ROAR Work period at a ROAR Property.

S

Secondary Risk Mortgage Loan	Mortgage Loan where you bear all losses until your recourse obligation is exhausted. **Synonyms** • Secondary Risk Mortgage Loans • Secondary Risk • Top Loss
Secured Overnight Financing Rate	For any Business Day, the Secured Overnight Financing Rate as published by the Federal Reserve Bank of New York, or any successor administrator, on the Federal Reserve Website. **Synonyms** • SOFR

Security	MBS, PFP MBS, or REMIC. **Synonyms** • Securities
Security Instrument	Instrument creating a lien or encumbrance on 1 or more Properties and securing the Loan Document obligations. **Synonyms** • Security Instruments • Security Instrument's
Senior Mortgage Loan	Senior loan purchased by Fannie Mae. **Synonyms** • Senior Mortgage Loans
Seniors Housing Property	Multifamily residential rental property with any combination of Independent Living, Assisted Living, Alzheimers/Dementia Care, or Skilled Nursing units. **Synonyms** • Seniors Housing • Seniors Housing Properties
Servicer	Primary Person servicing the Mortgage Loan, including • the originator, • seller, or • a third party. **Synonyms** • Servicers • Servicer's

Servicing Fee	Fee a Servicer receives for collecting payments, managing operational procedures, and assuming your portion of credit risk for a Mortgage Loan, and which may be expressed as a percentage. **Synonyms** • Servicing Fees
Servicing File	Your file for each Mortgage Loan serviced. **Synonyms** • Servicing Files
Short Term Rental	Property permitting leases or master leases (including subleases, licenses, and other possessory interests, whether oral or written) of an individual dwelling unit where the intended occupancy of the unit is for less than 30 days, regardless of the stated lease term, such as through a peer-to-peer online marketplace or homestay network (e.g., Airbnb, VRBO, etc.). **Synonyms** • STR • STRs
SIFMA Municipal Swap Index	The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.
Skilled Nursing	Seniors Housing Property with units that are highly regulated and provide 24-hour resident supervision and registered nursing care services.
Small Mortgage Loan	Mortgage Loan with an original loan amount less than or equal to $9 million. **Synonyms** • Small Mortgage Loans

Solar Photovoltaic System	A renewable energy system located on the Property that converts sunlight into electricity and/or a battery storage system containing lithium ion batteries or equivalent technology capable of storing electricity received from the electric grid or a renewable energy system and delivering stored electricity to the Property. **Synonyms** • Solar PV System
Special Flood Hazard Area	Special Flood Hazard Area designated by FEMA. **Synonyms** • SFHA • SFHAs • SFHA Zone
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
Sponsor-Initiated Affordability Agreement	Voluntary agreement signed by the Borrower and recorded in the land records against the Property, putting rent and income restrictions in place to preserve or create multifamily affordable housing.
Stabilized Residential Occupancy	Percentage of Property units physically occupied by Qualified Occupants, per Part II, Chapter 1: Attributes and Characteristics, Section 107.02: Qualified Occupants as adjusted for the applicable Part III products and features.

Standby	Credit enhancement under which Fannie Mae makes principal and interest payments directly to the Bond Trustee (for payment to bondholders) if the Borrower fails to make required mortgage note payments or if a bankruptcy event has occurred.
Streamlined Rate Lock	Optional process permitting a Rate Lock before completing full Mortgage Loan underwriting, per Part IV, Chapter 3: Streamlined Rate Lock. **Synonyms** • SRL
Structured Common Equity	Equity interests in the Borrower's organizational structure (not including Preferred Equity) where the investor has: • Forced Sale rights; or • Control Takeover rights.
Student Housing Property	A multifamily residential rental property in which 40% or more, but less than 80%, of the units are leased to either undergraduate or graduate students. **Synonyms** • Student Housing
Subordinate Loan	Multifamily residential real estate loan secured by a Lien against the Property having a lesser priority than the Lien securing another multifamily residential real estate loan on the same Property. **Synonyms** • Subordinate Loans

Supplemental Mortgage Loan	Mortgage Loan purchased by Fannie Mae that is subordinated to, and has a Mortgage Loan Origination Date after, the Senior Mortgage Loan that is also owned by Fannie Mae. **Synonyms** • Supplemental Mortgage Loans

T

Tax Abatement	Any abatement, reduction, lessening, exemption, or deferral of real estate or other taxes levied against a Property, including any PILOT. **Synonyms** • Tax Abatements
Taxable Tail	Taxable debt secured by the Property securing the Credit Enhancement Mortgage Loan.
Taxes and Insurance	Taxes or assessments that may become a Lien on the Property and insurance premiums. **Synonyms** • T&I • Tax and Insurance

Tenant Site Lease Protections	MH Site Lease with the Homeowner or tenant of a Manufactured Home with: • a 1-year renewable (at the MH Site Lease tenants election) lease term, unless good cause for nonrenewal exists; • a minimum 30-day written notice of rent increases; • 5-day minimum grace period for non-payment of rent, and the right to cure rent payment defaults within the specified cure period (or 10 days if no cure period is specified); • the Homeowners right to: - sell the Manufactured Home without first relocating it out of the MH Community; - sublease or assign the MH Site Lease (for the remaining unexpired term), if the Manufactured Home purchaser satisfies the MH Communitys ▪ rules and regulations, and ▪ then-applicable credit and background check requirements; - post for sale signs on the MH Site per the MH Communitys rules and regulations; and - sell the Manufactured Home in place within 45 days after eviction, while the Manufactured Home remains on site and connected to public and private utilities; and • at least 60-days notice before any planned MH Community sale or closure. **Synonyms** • Tenant Site Lease Protection • TSLP
Third Party MBS Investor	MBS Investor for an MBS Mortgage Loan that is not the Multifamily Trading Desk. **Synonyms** • Third Party MBS Investor's

Third-Party Financing	Any loan to, or indebtedness of, a Borrower that: • is not a Supplemental Mortgage Loan or Pre-Existing Mortgage Loan; and • either: - requires repayment by the Borrower; or - is forgiven (over time or at maturity) subject to Borrower compliance with certain covenants or conditions.
Tier Dropping Supplemental Mortgage Loan	A Supplemental Mortgage Loan where • the combined Underwritten DSCR of the Supplemental Mortgage Loan and all Pre-Existing Mortgage Loans is below the minimum Underwritten DSCR of the original underwriting Tier of the Senior Mortgage Loan, or • the combined LTV of the Supplemental Mortgage Loan and all Pre-Existing Mortgage Loans is above the maximum LTV of the original underwriting Tier of the Senior Mortgage Loan. **Synonyms** • Tier Dropping Supplemental Mortgage Loans
Total Credit Fees	For any Mortgage Loan or Credit Enhancement Mortgage Loan, the sum of the Guaranty Fee and the Servicing Fee, specified in the: • Indicative Pricing Table in DUS Gateway; or • Quote Letter.
Transfer/Assumption	Transaction changing the ownership of the Borrower or Property. **Synonyms** • Transfers/Assumptions

U

UCC	Uniform Commercial Code

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 Debt Service Coverage Ratio	Ratio of Underwritten Net Cash Flow to the annual debt service for a Mortgage Loan amount based on a level debt service payment with the applicable amortization, and calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis, as adjusted for the applicable products and features in Part III. **Synonyms** • Underwritten DSCR
Underwritten Net Operating Income	Net Operating Income 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. **Synonyms** • Underwritten NOI
Unrestricted Value	Appraised Value assuming an Affordable Regulatory Agreement or Private Affordability Agreement is not in effect.
UPB	Unpaid Principal Balance **Synonyms** • UPBs

W

Watchlist	The risk rating classification if you or Fannie Mae determine the Mortgage Loan has heightened credit risk.
Wholly-Owned Condominium	Residential Condominium Property where the Borrower owns 100% of the units.

Y

Yield Maintenance Period End Date	Last day on which a Borrower owes yield maintenance for a voluntary Mortgage Loan prepayment. **Synonyms** • Yield Maintenance Period End Dates