



Fannie Mae®

---

# Multifamily Selling and Servicing Guide

Effective as of June 30, 2025

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.



**TABLE OF CONTENTS**

---

Part III Section 504.01 Underwritten NCF ..... 3

GLOSSARY ..... 8



## 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 <a href="#">Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF)</a> .
2	PLUS	Medicaid income (does not include Medicare, which is included in Skilled Nursing income).
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)). <sup>1</sup>
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). <sup>2</sup>
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. <sup>2</sup>
7	MINUS	Bad debt the aggregate amount of unpaid rental income determined to be uncollectable, including any adjustments to other income for bad debt. <sup>2</sup>



REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
	EQUALS	NET RENTAL INCOME (NRI) <sup>1</sup>
<p>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.</p> <p>2 The total of Items 5, 6, and 7 must equal the greater of:</p> <ul style="list-style-type: none"><li>• the difference between the trailing 3-month net rental collections (annualized) and the GPR; or</li><li>• the following percentages:<ul style="list-style-type: none"><li>- Independent Living: if the percentage of Independent Living units is greater than 50%, then use 5% of GPR.</li><li>- Assisted Living (60 total units or more): if the percentage of Assisted Living units or the combined percentage of Assisted Living and Alzheimer's/Dementia Care units is 50% or greater, then use 5% of GPR.</li><li>- Assisted Living (less than 60 total units): if the percentage of Assisted Living units or the combined percentage of Assisted Living and Alzheimer's/Dementia Care units is 50% or greater, then use 10% of GPR.</li><li>- Alzheimer's/Dementia Care: if the percentage of Alzheimer's/Dementia Care units is 100%, then use 10% of GPR.</li><li>- Skilled Nursing units: use 20% of collections based on the trailing period used in determining Skilled Nursing income in Item 3.</li></ul></li></ul> <p>You must determine if NRI declined per <a href="#">Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis</a> and adjust Underwritten NRI as required.</p>		
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 <a href="#">Part II, Chapter 1: Attributes and Characteristics, Section 109: Commercial Leases</a> .
13	MINUS	10% of the actual commercial space income. <sup>3</sup>
14	PLUS	Commercial parking income (e.g., public parking) that does not exceed actual trailing 12-month collections. <sup>3</sup>
	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	<p>Line-by-line stabilized operating expenses.</p> <p>Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a</p> <ul style="list-style-type: none"><li>• lease-up,</li><li>• rehabilitation, or</li><li>• other short-term positive or negative factors.</li></ul> <p>Non-recurring, extraordinary operating expenses must not be included.</p> <p>You must assess:</p> <ul style="list-style-type: none"><li>• past operating history;</li><li>• the Appraiser's expense analysis;</li><li>• all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and</li><li>• the Borrower's budget (in the case of an Acquisition).</li></ul> <p>You must:</p> <ul style="list-style-type: none"><li>• analyze historical operations at the Property; and</li><li>• apply an appropriate increase over the prior year's operations in determining an estimate.</li></ul>
16	MINUS	<p>Property management fee equal to the greatest of:</p> <ul style="list-style-type: none"><li>• 5% of EGI;</li><li>• actual property management fee, including any known contractual fee increases occurring over the next 24 months; or</li><li>• Appraiser's concluded market property management fee.</li></ul>
17	MINUS	<p>Real estate taxes per Item 17(b) in <a href="#">Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF)</a>.</p>



REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY)		
Item	Function	Description
18	MINUS	Insurance per Item 17(c) in <a href="#">Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF)</a> .
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 <a href="#">Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis</a> .
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
22	MINUS	Replacement Reserve expense per <a href="#">Part III, Chapter 5: Seniors Housing Properties, Section 505: Replacement Reserve</a> .
	EQUALS	UNDERWRITTEN NCF



# Glossary

## A

### Acquisition

Any Purchase of either the:

- Property's fee simple or leasehold interest via a deed transfer; or
- Controlling Interest in the Borrower.

#### **Synonyms**

- Acquisitions

### Appraiser

Person engaged to estimate a Property's 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

## B

### Borrower

Person who is the obligor per the Note.

#### **Synonyms**

- Borrowers
- Borrower's

## I





## 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

## P

### Property

Multifamily residential real estate securing the Mortgage Loan, including the

- fee simple or Leasehold interest,
- Improvements, and
- personal property (per the Uniform Commercial Code).

### Synonyms

- Properties
- Property's

## R

### Replacement Reserve

Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.

### Synonyms

- Replacement Reserves

## S

### Skilled Nursing

Seniors Housing Property with units that are highly regulated and provide 24-hour resident supervision and registered nursing care services.

## U



Underwritten Net Cash  
Flow

Net Cash Flow 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 NCF