



# Multifamily Selling and Servicing Guide

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## 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
<b>CALCULATION OF NET RENTAL INCOME</b>		
1		GROSS RENTAL INCOME <sup>1</sup> 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: <ul style="list-style-type: none"> <li>• MH Sites with model Manufactured Homes deducted in the model apartment operating expense in the general and administrative category; and</li> <li>• actual MH Site rent from employee Manufactured Homes deducted in the employee operating expense in the payroll and benefits category.</li> </ul>
	EQUALS	GROSS POTENTIAL RENT (GPR)
3	MINUS	Physical vacancy <sup>2</sup> <ul style="list-style-type: none"> <li>• market rents for vacant MH Sites based on a current rent roll (multiplied by 12); and</li> <li>• 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).</li> </ul>



REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
4	MINUS	Concessions the aggregate amount of forgone residential rental income resulting from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc. <sup>2</sup>
5	MINUS	Bad debt the aggregate amount of unpaid rental income determined to be uncollectable: include any adjustments to other income for bad debt. <sup>2</sup>
	EQUALS	NET RENTAL INCOME (NRI) <sup>3,4</sup>
<p>1Includes 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.</p> <p>2The total of Items 3, 4, and 5 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 GPR, or</li> <li>• 5% of GPR.</li> </ul> <p>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).</p> <p>3If NRI is greater than the trailing 1-month of actual NRI (annualized), then reduce to actual NRI.</p> <p>4You must assess any decline in NRI per <a href="#">Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis</a>, and adjust Underwritten NRIs as required.</p>		
<b>CALCULATION OF OTHER INCOME</b>		



REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
6	PLUS	<p>Actual other income generated through ongoing operations. The income must:</p> <ul style="list-style-type: none"> <li>• be stable;</li> <li>• be common in the market;</li> <li>• exclude one-time extraordinary non-recurring items; and</li> <li>• be supported by prior years.</li> </ul> <p>You must assess the individual month other income within the prior full-year operating statement or, at a minimum, an operating statement covering at least the trailing 6 months (annualized).</p> <p>If there are fluctuations, you may use other income that exceeds the trailing 3-month other income (annualized), as long as it does not exceed the highest 1-month other income used in the trailing 3-month other income calculation.</p>
7	PLUS	<p>For RV Sites with lease terms of 30 days or more, the lesser of</p> <ul style="list-style-type: none"> <li>• actual average net collections for the past 3 years, or</li> <li>• the current trailing 12-month RV Site rents, minus a 10% vacancy.<sup>5</sup></li> </ul>
<b>CALCULATION OF COMMERCIAL INCOME<sup>6</sup></b>		
8	PLUS	Actual income from occupied commercial space (and parking revenue for commercial spaces, if applicable).
9	PLUS	Actual average RV Site rental income for RV Sites with lease terms of less than 30 days.
10	MINUS	10% of the actual commercial income (total of Items 8 plus 9).



REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
<p>5If 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.</p> <p>6If 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.</p>		
11	PLUS	Laundry and, vending, parking, and all other income perPart II, Chapter 2: Valuation and Income, Section 202: Income Analysis.
EQUALS		EFFECTIVE GROSS INCOME (EGI)
CALCULATION OF OPERATING EXPENSES		
12	MINUS	<p>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.</p> <p>You must assess:</p> <ul style="list-style-type: none"> <li>• past operating history;</li> <li>• the appraisers 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 Borrowers budget (in the case of an acquisition).</li> </ul> <p>You must analyze historical operations at the Property and apply an appropriate increase over the prior years operations in determining an estimate.</p>



REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
13	MINUS	<p>Property management fee equal to the greatest of:</p> <ul style="list-style-type: none"> <li>• 3% of EGI;</li> <li>• actual property management fee (exclude any portion of a non-arms length property management fee that is subordinated to the Mortgage Loan); or</li> <li>• market property management fee.</li> </ul>
14	MINUS	<p>Real estate taxes based on the greatest of:</p> <ul style="list-style-type: none"> <li>• actual future tax bill(s) covering a full calendar year;</li> <li>• prior full years taxes multiplied by 103% (the 3% trending is not required for trailing 12-month or year-to-date annualized expenses); or</li> <li>• in California, the greater of the Mortgage Loan amount or the assessed value, multiplied by the millage rate, plus any special assessments.</li> </ul> <p>You must consider any automatic reassessment upon acquisition in the next 12-month period, and include ad valorem taxes for Borrower-owned Manufactured Homes.</p>
15	MINUS	<p>Insurance equal to:</p> <ul style="list-style-type: none"> <li>• the quoted expense, for insurance policies with a bona fide written quote from a reputable broker for a new 12-month policy; or</li> <li>• 110% of the current expense, for insurance policies with a remaining term less than 6 months.</li> </ul>
16	MINUS	<p>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 202: Income Analysis</a>.</p>



REQUIRED UNDERWRITTEN NCF (MANUFACTURED HOUSING COMMUNITY)		
Item	Function	Description
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
17	MINUS	Replacement Reserve expense perPart II, Chapter 4: Inspections and Reserves, Section 404: Replacement Reserve, with a minimum annual amount of \$25 per MH Site.
	EQUALS	UNDERWRITTEN NCF





# Glossary

## A

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

## B

Borrower

Person who is the obligor under the Note.

### **Synonyms**

- Borrowers
- Borrower's

## M

Manufactured Home

Factory-built home located on an MH Site.

### **Synonyms**

- Manufactured Homes

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

## P



## Property

Multifamily residential property securing the Mortgage Loan and including the land (or Leasehold interest in land), Improvements, and personal property (as defined in the Uniform Commercial Code).

### **Synonyms**

- Properties
- Property's

## **R**

## Replacement Reserve

Custodial Account established by the Lender and funded by deposits from the Borrower over the term of the Mortgage Loan to fund the replacement of capital items at the Property.

### **Synonyms**

- Replacement Reserves