Fannie Mae®

Multifamily Selling and Servicing Guide

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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		
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: • Property's 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.

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REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE 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)[1]
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]

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
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 Property's 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 Appraiser's 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 year's 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-arm's 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 • Appraiser's 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; • Appraiser's 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 Appraiser's 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 Property's 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 MSA's population is less than 1 million, and at least 5 if the MSA's 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 state's 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 Property's 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 Property's 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 Property's 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 HUD's 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 Borrower's 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.

Glossary

A

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
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

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	Appraiser's 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 Property's market value per USPAP. **Synonyms** • Appraiser's • Appraisers

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
Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

C

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
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

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

F

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.
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

G

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

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
HUD	U.S. Department of Housing and Urban Development **Synonyms** • HUD's

I

Investor	MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan. **Synonyms** • Investors • Investor'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
Lender Contract	Program Documents per the Multifamily Selling and Servicing Agreement. **Synonyms** • Lender's Contract • Lender Contracts • Contract • Multifamily Selling and Servicing Agreement • MSSA
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.

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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

Maturity Date	Date all Mortgage Loan amounts become fully due and payable per the Loan Documents. **Synonyms** • Maturity Dates
Metropolitan Statistical Area	Geographic delineation for a metropolitan area determined by the U.S. Census Bureau. **Synonyms** • MSA • MSA's
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 Origination Date	Date you fund a Mortgage Loan to the Borrower. **Synonyms** • Mortgage Loan's Origination Date • Origination Date

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

N

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

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

P

Pricing and Underwriting Tier	Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660). **Synonyms** • Tier
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
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

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.

R

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

Replacements	Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required. **Synonyms** • Replacement
Restricted Value	Appraised Value assuming an Affordable Regulatory Agreement or Private Affordability Agreement is in effect.

S

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
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

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.

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
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.

U

Underwriting Value	Value of the Property determined by the Lender to size the Mortgage Loan per Part II, Chapter 2: Valuation and Income, Section 202: Appraisal and Valuation.

Underwritten 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