



Fannie Mae®

Multifamily Selling and Servicing Guide

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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). |
| 2 | PLUS | Income from Cooperative Organization-owned units equal to the lesser of <ul style="list-style-type: none"> • 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 | | |



| REQUIRED ACTUAL COOPERATIVE PROPERTY NET CASH FLOW | | |
|---|----------|---|
| Item | Function | Description |
| 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 | | |
| 9 | MINUS | <p>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.</p> <p>You must assess:</p> <ul style="list-style-type: none"> • past operating history; • market expenses; • actual service contracts in place; and • the Propertys budget. <p>All expenses associated with STR should be underwritten in their respective expense line items.</p> |



| REQUIRED ACTUAL COOPERATIVE PROPERTY NET CASH FLOW | | |
|--|----------|---|
| Item | Function | Description |
| 10 | MINUS | <p>Real estate taxes based on the greatest of:</p> <ul style="list-style-type: none"> • actual future tax bill(s) covering a full calendar year; • prior full years taxes multiplied by 103% (the 3% trending is not required for trailing 12-month or year-to-date annualized expenses); or • in California, the greater of the assessed value or the Mortgage Loan amount, multiplied by the millage rate, plus any special assessments. <p>If the Property has real estate tax abatements, exemptions, or deferrals, they must:</p> <ul style="list-style-type: none"> • 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). <p>If the timeframe for the real estate tax abatement, exemption, or deferral is shorter than the Mortgage Loan term, you must consider</p> <ul style="list-style-type: none"> • 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 | <p>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.</p> <p>For STR:</p> <ul style="list-style-type: none"> 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. <p>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 \times 12$ months) as an other expense.</p> |
| | 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) |



Glossary

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

C

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 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 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

L



Lien Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.

Synonyms

- Liens

M

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

P

Pre-Review Mortgage Loan Mortgage Loan that is not delegated to you and requires Fannie Mae's approval before Rate Lock.

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

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