



Fannie Mae®

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# 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"><li>• actual rents in place for occupied units, plus market rents for vacant units, or</li><li>• an equivalent Cooperative Maintenance Fee based on similar units in the Property (multiplied by 12).</li></ul>  |
| 3  | PLUS     | Proposed increase in annual Cooperative Maintenance Fee income.  |
|  | EQUALS   | GROSS POTENTIAL RENT (GPR)   |
| 4  | MINUS    | Vacancy included at Fannie Mae's 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 <a href="#">Part II, Chapter 2: Valuation and Income</a> , or <a href="#">Part III, Chapter 9: Small Mortgage Loans</a> . |
| 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 Mae's sole discretion for any Pre-Review Mortgage Loan. A 10% vacancy rate must be applied to any STR income. <sup>1</sup>   |
| 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"> <li>• past operating history;</li> <li>• market expenses;</li> <li>• actual service contracts in place; and</li> <li>• the Property's budget.</li> </ul> <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"><li>• actual future tax bill(s) covering a full calendar year;</li><li>• prior full year's taxes multiplied by 103%; or</li><li>• in California, the greater of the assessed value or the Mortgage Loan amount, multiplied by the millage rate, plus any special assessments.</li></ul> <p>If the Property has real estate tax abatements, exemptions, or deferrals, they must:</p> <ul style="list-style-type: none"><li>• be in effect at closing, per written documentation from the state or local tax assessor; and</li><li>• 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).</li></ul> <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"><li>• a Bifurcated Mortgage Loan structure (i.e., 2 notes secured by a single first Lien Security Instrument),</li><li>• an amortization schedule that accommodates the elimination of the abatement, or</li><li>• providing clear justification and support in the refinance analysis.</li></ul> |



| 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 <a href="#">Part II, Chapter 2: Valuation and Income</a>, or <a href="#">Part III, Chapter 9: Small Mortgage Loans</a>, except for property insurance and management fees.</p> <p>For STR:</p> <ul style="list-style-type: none"> <li>• any taxes or fees imposed by the local jurisdiction; and</li> <li>• 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.</li> </ul> <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 (<math>\\$1,000 - \\$900 = \\$100 \times 12</math> months) as an other expense.</p> |
|  | EQUALS   | UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)  |
| 12   | MINUS    | Replacement Reserve expense included at Fannie Mae's 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. |
|                          | <b>Synonyms</b> <ul style="list-style-type: none"><li>• Bifurcated Mortgage Loans</li></ul>             |

## 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.                         |
|                                 | <b>Synonyms</b> <ul style="list-style-type: none"><li>• Cooperative Maintenance Fees</li></ul>   |
| 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.  |
|                                 | <b>Synonyms</b> <ul style="list-style-type: none"><li>• Co-op</li><li>• Cooperative</li></ul>  |

## 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