Fannie Mae®

# Multifamily Selling and Servicing Guide

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### ☑ Requirements

You must ensure that the maximum ARM Loan amount is the lowest of the amount:

- calculated applying the applicable minimum DSCR per Form 4660 for both the
  - maximum lifetime interest rate limit, and
  - Fixed Rate Test per Form 4660;
- calculated using the applicable maximum LTV per Form 4660; and
- you determined is appropriate.

You must use the Fixed Rate Test interest rate to determine the UPB for the refinance risk analysis per Part II, Chapter 2: Valuation and Income, Section 204: Refinance Risk Analysis.

For an ARM 5/5 Loan, you must:

- instruct the PCA Consultant to determine all required Property capital improvements over a 12-year period (i.e., the initial 5-year adjustable rate term, plus the optional 5-year adjustable rate term, plus 2 years); and
- calculate the Replacement Reserve based on the required capital improvements during the first 5-year adjustable rate term, plus 2 years.

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# Glossary

## A

| | |
|---|---|
| Adjustable Rate Mortgage Loan | Mortgage Loan with an interest rate that periodically adjusts based on an Index per the Note or Loan Documents.<br><br>**Synonyms**<br>• ARM Loan<br>• Adjustable Rate Mortgage Loans<br>• ARM Loans |

## D

| | |
|---|---|
| Debt Service Coverage Ratio | On an annual basis or any specified period, the ratio of Net Cash Flow to the total of: principal, interest, and required Mezzanine Financing or Hard Pay Preferred Equity payments.<br><br>**Synonyms**<br>• DSCR |

## F

| | |
|---|---|
| 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.<br><br>**Synonyms**<br>• Multifamily Underwriting Standards |

## I

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|---|---|
| Improvements | Buildings, structures, improvements, and alterations, including the multifamily housing dwellings, now or hereafter constructed or placed on the Property, including all fixtures (as defined in the UCC).<br><br>**Synonyms**<br>• Improvements' |

# L

| | |
|---|---|
| Loan-to-Value Ratio | Ratio of the actual aggregate UPB of the Mortgage Loan, plus any Pre-Existing Mortgage Loans, plus any Hard Pay Preferred Equity, plus any Mezzanine Financing, to the value of the Property, expressed as a percentage.<br><br>**Synonyms**<br>• LTV<br>• LTV Ratio |

# P

| | |
|---|---|
| PCA Consultant | Individual or firm conducting a PCA and preparing a PCA Report.<br><br>**Synonyms**<br>• PCA Consultant's |
| Property | Multifamily residential real estate securing the Mortgage Loan, including the<br>• fee simple or Leasehold interest,<br>• Improvements, and<br>• personal property (per the Uniform Commercial Code).<br><br>**Synonyms**<br>• Properties<br>• Property's |

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| | |
|---|---|
| Property Condition Assessment | Assessment of the Property's physical condition and historical operation.<br><br>**Synonyms**<br>• PCA<br>• PNA<br>• Physical Needs Assessment<br>• PCAs |

## R

| | |
|---|---|
| Replacement Reserve | Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.<br><br>**Synonyms**<br>• Replacement Reserves |
| Replacements | Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required.<br><br>**Synonyms**<br>• Replacement |

## U

| | |
|---|---|
| UPB | Unpaid Principal Balance<br><br>**Synonyms**<br>• UPBs |

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