



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## Section 1102 Underwriting

### Requirements

You must calculate the minimum Underwritten DSCR based on an amortizing debt service constant.

Minimum Underwritten DSCR	
Term	Equals the sum of the...
Maximum Note Rate	<ul style="list-style-type: none"><li>• minimum Cap Strike Rate as set by Fannie Mae for the Mortgage Loan, plus</li><li>• Mortgage Loan margin equal to the sum of the<ul style="list-style-type: none"><li>- Investor spread,</li><li>- Guaranty Fee, and</li><li>- Servicing Fee.</li></ul></li></ul>
Debt Service Constant	<ul style="list-style-type: none"><li>• Maximum Note Rate, plus</li><li>• applicable amortization factor based on the Maximum Note Rate.</li></ul>

You must ensure the maximum SARM Loan amount is the lesser of the amount:

- calculated using the:
  - minimum DSCR per Form 4660 for both the
    - Maximum Note Rate for the adjustable interest rate, and
    - Fixed Rate Test described in Form 4660; and
  - maximum LTV Ratio per Form 4660; or
- 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](#).

### Guidance

The amortization used to underwrite the SARM Loan is different than the actual SARM Loan amortization schedule, which uses fixed monthly principal installments.



# Glossary

## C

**Cap Strike Rate** Index interest rate specified in the Interest Rate Cap Agreement at or above which a payment obligation will be triggered by the Interest Rate Cap provider.

## 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.

**Synonyms**

- Multifamily Underwriting Standards

## G

**Guaranty Fee** Fee retained by Fannie Mae for credit enhancing a Mortgage Loan or assuming credit risk on a Mortgage Loan, and which may be expressed as a percentage.

**Synonyms**

- Guaranty Fees

## I

**Investor** MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan.

**Synonyms**

- Investors
- Investor's

## M



## Maximum Note Rate

Equals the sum of the:

- minimum Cap Strike Rate as set by Fannie Mae; and
- Mortgage Loan margin equal to the sum of the
  - Investor spread,
  - Guaranty Fee, and
  - Servicing Fee.

## 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

## S

### Servicing Fee

Fee a Servicer receives for collecting payments, managing operational procedures, and assuming your portion of credit risk for a Mortgage Loan, and which may be expressed as a percentage.

### **Synonyms**

- Servicing Fees

## U

### UPB

Unpaid Principal Balance

### **Synonyms**

- UPBs