Fannie Mae®

Multifamily Selling and Servicing Guide

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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	• minimum Cap Strike Rate as set by Fannie Mae for the Mortgage Loan, plus • Mortgage Loan margin equal to the sum of the - Investor spread, - Guaranty Fee, and - Servicing Fee.
Debt Service Constant	• Maximum Note Rate, plus • applicable amortization factor based on the Maximum Note Rate.

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.

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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.

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. **Synonyms** • 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. **Synonyms** • Multifamily Underwriting Standards

G

Guaranty	Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.
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
Investor Spread	Required spread above the Index (excluding the Guaranty Fee and Servicing Fee) charged by the Investor purchasing the: • Mortgage Loan; or • MBS Mortgage Loan.

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. **Synonyms** • LTV • LTV Ratio

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.

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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

N

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

Principal	Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors. **Synonyms** • Principals

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

Underwritten Debt Service Coverage Ratio	Ratio of Underwritten Net Cash Flow to the annual debt service for a Mortgage Loan amount based on a level debt service payment with the applicable amortization, and calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis, as adjusted for the applicable products and features in Part III. **Synonyms** • Underwritten DSCR
UPB	Unpaid Principal Balance **Synonyms** • UPBs