



Fannie Mae®

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">• minimum Cap Strike Rate as set by Fannie Mae for the Mortgage Loan, plus• Mortgage Loan margin equal to the sum of the<ul style="list-style-type: none">- Investor spread,- Guaranty Fee, and- Servicing Fee.
Debt Service Constant	<ul style="list-style-type: none">• 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.



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.
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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.
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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.
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Synonyms

- Guaranty Fees

I

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