



Multifamily Selling and Servicing Guide

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Section 503 Quarterly and Annual Financial Analysis of Operations

503.01 Electronic Reporting of Financial Analysis of Operations

The Servicer must submit quarterly and annual Financial Analysis of Operations reports (Form 4254) to Fannie Mae for each Property in accordance with the requirements of this Section. All reports are found on, and must be submitted electronically through, the MAMP.

503.02 Request for Waivers of Quarterly and Annual Reporting on Financial Analysis of Operations

503.02A Waivers for Reasons Other Than Unresponsive Borrowers

The Servicer must submit a waiver through the MAMP for each Property if a Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) is required by this Section, and:

- the Mortgage Loan was purchased from a Lender whose Lender Contract specifies that the collection of Property operating statements for any Mortgage Loan is not required;
- the Loan Documents either do not permit the Lender to collect, or require the Borrower to submit, financial reports; or
- the Mortgage Loan:
 - was liquidated in the current quarter (for waivers of quarterly reporting) or year (for waivers of annual reporting), prior to the Financial Analysis of Operations submission deadline;
 - was delivered under a Forward Commitment and has not yet converted to a permanent loan;
 - was defeased;
 - is subject to FHA or HUD risk sharing;
 - is being managed by Fannie Mae's Special Asset Management; or
 - was acquired by Fannie Mae in the current reporting year and less than 6 months of operating data is available for the Property.

503.02B Waivers due to Unresponsive Borrowers

If the Servicer is unable to submit an annual or quarterly Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) report for a



Property because the Borrower failed to provide the requested operating statements, before submitting a waiver request, the Servicer should:

- for the annual Financial Analysis of Operations, wait until 6 months have passed from the submission due date to submit a waiver request in the MAMP; and
- for a quarterly Financial Analysis of Operations, wait until the following quarterly submission due date to submit a waiver request in the MAMP.

Delaying the submission of the waiver request will provide additional time to obtain and submit the operating statement data, if received. If the Borrower fails to respond to at least 3 written requests within the applicable waiting period specified above, the waiver request should then be submitted, with the following condition:

“Unresponsive Borrower - The Borrower was contacted in writing at least 3 times and failed to provide the requested operating statements.”

Fannie Mae will review the waiver requests, and will notify the Servicer if additional information is required. If quarterly or annual operating statements are received after a waiver has been granted, the Servicer must submit the Financial Analysis of Operations report (Form 4254 or Form 4254.Seniors) upon receipt of such operating data.

503.03 Quarterly Reporting on Financial Analysis of Operations

503.03A Quarterly Reporting Requirements

The Servicer must submit detailed quarterly operating statements for each Property, normalized to account for any seasonal variations in income and expenses, in accordance with the requirements set forth for each Asset Class in the tables below. The reports must be submitted through the MAMP. All submitted operating statements will undergo automated quality control testing, and any quality control issues identified must be resolved timely.

The quarterly operating statements must reflect the actual physical occupancy level for the Property as of the end of each quarter, based on the most recently available rent roll. When quarterly reports are required, the Servicer must provide actual expenses, and must normalize certain expense items, including, but not limited to, real estate taxes, casualty insurance, Replacement Reserves, and management fees, consistent with the guidance provided in the MAMP for submitting annual financial statements. The Servicer must explain any seasonal data discrepancies, and provide comments if any of the following are observed:

- a variance of greater than 20% from the same reporting period in the prior year of any of Effective Gross Income, total



operating expenses, Gross Potential Rent, Private Pay, Medicare/Medicaid, Repairs and Maintenance, Utilities, Water and Sewer, Real Estate Taxes and Property Insurance;

- a variance in physical occupancy of greater than 10% from the immediately preceding reporting period;
- a change in the Property's tax-exempt status (if applicable);
- a change in the required P&I payments during a reporting period (e.g., interest-only to amortizing);
- management fees of less than 3%;
- a change in any other pertinent information related to the Property financial analysis; or
- the Mortgage Loan is on the Fannie Mae Watchlist.

Quarterly financial reporting is not required, and no waiver need be submitted, for any Mortgage Loan if it is secured by a Cooperative Property, or it is a Small Mortgage Loan, unless such Cooperative Property or Small Mortgage Loan is on the Fannie Mae Watchlist.

503.03B Quarterly Submission Requirements by Asset Class

1. All Asset Classes (except Seniors Housing Properties, Watchlist Properties, Credit Facilities, and Bulk Deliveries). The Servicer must submit detailed quarterly operating statements 75 days after the end of the second and third quarters, as set forth below.

All Asset Classes except Seniors Housing, Watchlist Properties, Credit Facilities, and Bulk Deliveries			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
Second	September 15	Financial operating statements for the period from January 1 through June 30	6 months year to date operating data



All Asset Classes except Seniors Housing, Watchlist Properties, Credit Facilities, and Bulk Deliveries			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
Third	December 15	Financial operating statements for the period from January 1 through September 30	9 months year to date operating data

*If any due date is not a Business Day, then the submission may be made on the next Business Day.

2. Seniors Housing Properties. For Seniors Housing Properties, the Servicer must submit detailed quarterly operating statements 75 days after the end of the first, second, third and fourth quarters, as set forth below.

Seniors Housing Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
First	June 15	Financial operating statements for the period from January 1 through March 31	Trailing 3 months operating data
Second	September 15	Financial operating statements for the period from April 1 through June 30	Trailing 3 months operating data



Seniors Housing Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
Third	December 15	Financial operating statements for the period from July 1 through September 30	Trailing 3 months operating data
Fourth	March 15	Financial operating statements for the period from October 1 through December 31	Trailing 3 months operating data

*If any due date is not a Business Day, then the submission may be made on the next Business Day.

3. Watchlist Properties. For Watchlist Properties (including any Mortgage Loan secured by a Cooperative Property or any Small Mortgage Loans), the Servicer must submit detailed quarterly operating statements 90 days after the end of the first quarter, and 75 days after the end of the second and third quarters, as set forth below.

Watchlist Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
First	June 30	Financial operating statements for the period from January 1 through March 31	3 months year-to-date operating data



Watchlist Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
Second	September 15	Financial operating statements for the period from January 1 through June 30	6 months year-to-date operating data
Third	December 15	Financial operating statements for the period from January 1 through September 30	9 months year-to-date operating data
*If any due date is not a Business Day, then the submission may be made on the next Business Day.			

4. Credit Facilities and Bulk Deliveries. For Credit Facilities and Bulk Deliveries, the Servicer must submit both the detailed quarterly operating statements and the Deal Level Structured Transaction (BD/CF) Quarterly report, including the Structured Facilities Monitoring Narrative (Form 4801), Spreadsheet (Form 4802), and any other relevant documents, 75 days after the end of the first, second, third, and fourth quarters, as set forth below.

Credit Facility and Bulk Delivery Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End



Credit Facility and Bulk Delivery Properties			
		Required Information	
Quarter	Due Date*	Property with a 12/31 Fiscal Year End	Property with other than a 12/31 Fiscal Year End
First	June 15	Financial operating statements for the period from January 1 through March 31, and deal level reports	Trailing 3 months operating data
Second	September 15	Financial operating statements for the period from April 1 through June 30, and deal level reports	Trailing 3 months operating data
Third	December 15	Financial operating statements for the period from July 1 through September 30, and deal level reports	Trailing 3 months operating data
Fourth	March 15	Financial operating statements for the period from October 1 through December 31, and deal level reports	Trailing 3 months operating data
*If any due date is not a Business Day, then the submission may be made on the next Business Day.			



503.04 Annual Reporting on Financial Analysis of Operations

The Servicer must submit a Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) annually to Fannie Mae for each Property for the previous calendar year or, if applicable, for the fiscal year ending in the previous calendar year.

503.04A Annual Financial Analysis Reporting Requirements

The Servicer must submit detailed operating statements for each Property, normalized to account for any seasonal variations in income and expense. The annual operating statements must reflect the actual physical occupancy rate for the Property as of the end of the reporting period, based on the most recent available rent roll. The Servicer must provide actual expenses and must also normalize certain expense items, including, but not limited to, real estate taxes, property casualty insurance, Replacement Reserves, and property management fees. The Servicer must provide comments if any of the following are observed:

- a variance of greater than 20% from the prior year of any of Effective Gross Income, total operating expenses, Gross Potential Rent, Private Pay, Medicare/Medicaid, Repairs and Maintenance, Utilities, Water and Sewer, Real Estate Taxes and Property Insurance;
- a variance in physical occupancy of greater than 10% from the reporting period immediately preceding the current reporting period;
- a change in the Property's tax-exempt status (if applicable) during the year;
- a change in the required P&I payments during the year (e.g., interest-only to amortizing);
- management fees of less than 3%;
- a change in any other pertinent information related to the Property financial analysis; or
- the Mortgage Loan is on the Fannie Mae Watchlist.

503.04B Submitting the Annual Financial Analysis of Operations

The following steps must be taken to complete and submit the annual Financial Analysis of Operations report (Form 4254 or Form 4254.Seniors) to Fannie Mae:

1. For a Mortgage Loan purchased by Fannie Mae on or before June 30 in any given year, the Annual Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) covering that first year must be submitted to Fannie Mae by June 1 of the following year, and the Servicer must



annualize the available operating data to represent a full 12 months of operations. If the Mortgage Loan was purchased by Fannie Mae on or after July 1 in any given year, the Servicer is not required to submit an annual Financial Analysis of Operations (Form 4254 or Form 4254.Seniors) until June 1 of the second year after purchase in order to collect 12 months of actual operating data.

For all subsequent years, the Servicer must submit an annual operating statement for each Property to Fannie Mae on or before June 1 or, if applicable, within 150 days following the fiscal year-end for any Property owned by a Borrower with a non-calendar fiscal year. For any Borrower with a non-calendar fiscal year, the Servicer must submit a data change request through the MAMP requesting a change to the Borrower's fiscal year end.

2 The Servicer must analyze the operating statements submitted by the Borrower in accordance with the Multifamily Analysis of Operations Form 4254 and Form 4254.Senors Line Item Definitions (Form 4254.DEF), which is located at www.fanniemae.com/multifamily or the MAMP. The Servicer must indicate on the Borrower's operating statements the line item under which each of the Borrower's income and expense line items is included.

3. For each Property, the Servicer must access the MAMP and provide the pertinent income, expense, and other required data for the current reporting period. All submitted operating statements will undergo automated quality control testing, and any issues must be resolved timely.

503.04C Annual Review

Fannie Mae will notify the Servicer which Mortgage Loans are subject to the annual review. Within 15 Business Days after receiving notice, the Servicer must submit through the MAMP for each Mortgage Loan under review:

- the Borrower's operating statements, with each income and expense line item coded by the Servicer according to the line item definitions in the Multifamily Analysis of Operations Form 4254 and Form 4254.Seniors Line Item Definitions (Form 4254.DEF);
- an escrow activity reconciliation of the Borrower's operating statement data; and
- any other documentation requested by Fannie Mae.

503.04D Asset Management Testing

The Multifamily Asset Management team tests compliance with many areas of the Asset Management process to ensure Servicers are properly adhering to Fannie Mae's requirements. Testing results are



communicated through the Lender Assessment process, and recommendations, requirements for corrective action, or best practice enhancements are proposed and monitored through completion.

503.04E Maintenance of Records

The Servicer must maintain the Borrower's operating statements and reconciliation for the life of the Mortgage Loan.



Glossary

A

Asset Class Type of Multifamily Property securing a Mortgage Loan (e.g., conventional, Seniors Housing, Manufactured Housing Community, Cooperative, etc.).

B

Borrower Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

Bulk Delivery

Structured Transaction that:

- is governed by a Bulk Delivery Agreement; and
- includes the ability to
 - add Mortgage Loans in the future, or
 - substitute a new Property for an existing Property as collateral.

Synonyms

- Bulk Deliveries

Business Day

Any day other than a

- Saturday,
- Sunday,
- day on which Fannie Mae is closed,
- day on which the Federal Reserve Bank of New York is closed, or
- for any MBS and any required withdrawal for remittance thereunder, a day on which the Federal Reserve Bank is closed in the district where any funds are held for the MBS.

Synonyms

- Business Days

C



Cooperative Property

Multifamily residential property owned by a Cooperative Organization.

Synonyms

- Coop
- Cooperative

Credit Facility

Structured Transaction that

- is governed by a Master Credit Facility Agreement, and
- includes cross-collateralized and cross-defaulted Mortgage Loans and Properties.

Synonyms

- Credit Facilities

E

Effective Gross Income

On an annual basis or any specified period, the total of Net Rental Income plus other income per [Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis](#) and the applicable products and features in Part III.

Synonyms

- EGI

F

FHA

Federal Housing Administration

Forward Commitment

Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property per Part XV of the DUS Guide, subject to certain conditions.

Synonyms

- Forward Commitments

G



Gross Potential Rent On an annual basis or any specified period, the total actual and potential rent for a Property (per [Part II, Chapter 2: Valuation and Income, Section 202: Income Analysis](#) and the applicable products and features in [Part III](#)).

Synonyms

- GPR

H

HUD U.S. Department of Housing and Urban Development

L

Lender Person approved by Fannie Mae to sell or service Mortgage Loans.

Synonyms

- Lenders
- Lender's

Lender Contract Program Documents per the Mortgage Selling and Servicing Agreement.

Synonyms

- Lender's Contract
- Lender Contracts
- Contract
- MSSA

Loan Documents All documents evidencing, securing, or guaranteeing the debt obligation executed for a Mortgage Loan and approved by Fannie Mae.

Synonyms

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents



M

MAMP

Multifamily Asset Management Portal used to submit Property inspections, operating statements, and requested modifications; asset management reports; and data corrections related to loan or property level attributes.

Synonyms

- Multifamily Asset Management Portal

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

Multifamily Asset Management

Team that can be contacted at drawer_am@fanniemae.com.

P

P&I

Principal and interest

Property

Multifamily residential property securing the Mortgage Loan and including the land (or Leasehold interest in land), Improvements, and personal property (as defined in the Uniform Commercial Code).

Synonyms

- Properties
- Property's

S



Servicer

Primary Person responsible for servicing the Mortgage Loan (e.g., the originator, the selling Lender, or a third-party servicer).

Synonyms

- Servicers

Small Mortgage Loan

Mortgage Loan with an original loan amount less than or equal to \$6 million and underwritten per [Part III, Chapter 9: Small Mortgage Loans](#).

Synonyms

- Small Mortgage Loans

Special Asset Management

Team that performs the work of the Special Servicer for Fannie Mae that can be contacted at sam_legal_mailbox@fanniemae.com.

Synonyms

- SAM
- Multifamily Special Asset Management

W

Watchlist

Mortgage Loan or Property exhibiting heightened credit risk as identified by the Lender or Fannie Mae.