



# Multifamily Selling and Servicing Guide

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## **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.Seniors Line Item Definitions ([Form 4254.DEF](#)), which is located at [www.fanniemae.com/multifamily](http://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

## B

**Borrower** Person who is the obligor under the Note.

**Synonyms**

- Borrowers
- Borrower's

## 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

## 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

## L

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

**Synonyms**

- Lenders
- Lender's

## 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](mailto: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

**W**

Watchlist

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