



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 202.03C Underwriting Value

### Requirements

Your Underwriting Value must not exceed the Appraised Value, as reduced by any adjustments you deem necessary, accounting for:

- your analysis of the Property's sales history; and/or
- Property deficiencies that cannot be cured within 6 months after the Appraisal Date.

If less than 12 months have passed between the Borrower's Acquisition and the Commitment Date, your Underwriting Value must not exceed the lower of the

- Appraised Value, or
- sum of the:
  - Property's Acquisition price per the title company settlement statement, with no allocations to:
    - goodwill,
    - business value (permitted for Seniors Housing Properties),
    - intangibles,
    - furniture,
    - fixtures (unless customary in the market), or
    - equipment;
  - cost of capital improvements or repairs that increase the Property's value, if
    - completed and fully paid, or
    - sufficient funds for completion are deposited in the Completion/Repair Escrow or reserve account; and
  - actual Acquisition costs, not exceeding 3% of the Acquisition price (but excluding all costs or fees paid to a Borrower Affiliate), including:
    - Origination Fee;
    - arm's length Acquisition fee (generally 1% - 2%) paid to an unrelated Person if documented in the Settlement Statement;
    - third-party report fees;



- Borrower-paid legal fees incurred on your behalf;
- title search and title insurance fees;
- survey fees;
- real estate and stamp taxes;
- deed-recording fees; and
- credit report charges.

## Guidance

Actual Acquisition costs should exclude any prepaid operating expenses or deposits applied toward future operating expenses or Property improvements, including:

- prepaid or escrowed
  - real estate taxes, or
  - insurance premiums;
- prepaid
  - utilities,
  - Mortgage Loan interest, including any interest rate buydown expense,
  - rents, or
  - security deposits;
- funded
  - Replacement Reserve (including any initial deposit),
  - Interest Rate Cap cost,
  - operating or Restabilization Reserve, or
  - Borrower-controlled Property operating or capital accounts;
- fees included in the Gross Note Rate, including any
  - Origination Fee, or
  - broker fee; and
- for an MAH Property, pre-paid Bond-related and compliance monitoring fees.



# Glossary

## A

### Acquisition

Any Purchase of either the:

- Property's fee simple or leasehold interest via a deed transfer; or
- Controlling Interest in the Borrower.

#### Synonyms

- Acquisitions

### Affiliate

When referring to an affiliate of a Lender, any other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender.

When referring to an affiliate of a Borrower or Key Principal:

- any Person that owns any direct ownership interest in Borrower or Key Principal;
- any Person that indirectly owns, with the power to vote, 20% or more of the ownership interests in Borrower or Key Principal;
- any Person Controlled by, under common Control with, or which Controls, Borrower or Key Principal;
- any entity in which Borrower or Key Principal directly or indirectly owns, with the power to vote, 20% or more of the ownership interests in such entity; or
- any other individual that is related (to the third degree of consanguinity) by blood or marriage to Borrower or Key Principal.

#### Synonyms

- Affiliates
- Affiliate's

### Appraisal Date

Effective date of value in the Appraisal.



## A

**Appraised Value** Appraiser's opinion of the Property's market value documented in the Appraisal, on an "as is" basis, unless use of an "as completed" basis is specifically permitted per the Guide.

**Synonyms**

- Appraised Values

## B

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

**Synonyms**

- Borrowers
- Borrower's

## C

**Commitment Date** Date a Commitment is confirmed by Fannie Mae per Part IV, Chapter 2: Rate Lock and Committing, Section 204: Commitments.

**Completion/Repair Escrow** Custodial Account funded on the Mortgage Loan Origination Date for Completion/Repairs or capital improvements per the Loan Documents.

## G

**Gross Note Rate** Interest rate stated in the Loan Documents.

## I



## I

Interest Rate Cap

Interest rate agreement between the Borrower and a provider for which the Borrower receives payments at the end of each period when the interest rate exceeds the Cap Strike Rate. The Interest Rate Cap provides a ceiling (or cap) on the Borrower's Mortgage Loan interest payments.

**Synonyms**

- Interest Rate Caps
- Interest Rate Hedge
- Interest Rate Hedges
- Interest Rate Swap
- Interest Rate Cap's

## M

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

## O

Origination Fee

Fee you charge the Borrower for underwriting and originating the Mortgage Loan.

**Synonyms**

- Origination Fees

## P



Person	Legal person, including an <ul style="list-style-type: none"><li>• individual,</li><li>• estate,</li><li>• trust,</li><li>• corporation,</li><li>• partnership,</li><li>• limited liability company,</li><li>• financial institution,</li><li>• joint venture,</li><li>• association, or</li><li>• other organization or entity (whether governmental or private).</li></ul>
	<b>Synonyms</b> <ul style="list-style-type: none"><li>• Persons</li><li>• Person's</li></ul>
<b>R</b>	
Replacement Reserve	Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.
	<b>Synonyms</b> <ul style="list-style-type: none"><li>• Replacement Reserves</li></ul>
<b>U</b>	
Underwriting Value	Value of the Property determined by the Lender to size the Mortgage Loan per Part II, Chapter 2: Valuation and Income, Section 202: Appraisal and Valuation.