Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of October 26, 2026

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204.01 Base Assumptions

Requirements

For Loan Year 1, use the Underwritten NCF. For all subsequent Loan Years, you must derive proforma NCF as follows:

Factor	For...	Use...
Income Growth Rate	• Structured Transactions, and • Mortgage Loans secured by multiple Properties	2%.
	All other Mortgage Loans	the growth rates published in DUS Gateway for the Property.
Economic Vacancy	All Mortgage Loans	the underwritten economic vacancy rate.
Real Estate Taxes	California Properties	• for Acquisitions, 2%; or • for refinances, no trending is required until the year when the actual tax bill would surpass the underwritten taxes, then trend by 2%.
	Non-California Properties	• 3% for - Structured Transactions, and - Mortgage Loans secured by multiple Properties; and • for all other Mortgage Loans, the growth rates published in DUS Gateway for the Property.

Factor	For...	Use...
Real Estate Tax Abatements	All Mortgage Loans	• if a Tax Abatement begins a phase out or expires within 5 years after the Maturity Date, fully assessed real estate taxes; and • if a Tax Abatement expires or taxes are expected to rise during the Mortgage Loan term, increase taxes to the expected level, then trend by: - 3% for ▪ Structured Transactions, and ▪ Mortgage Loans secured by multiple Properties; or - the growth rate published in DUS Gateway in the year prior to the adjustment for all other Mortgage Loans.
Management Fee	All Mortgage Loans	the underwritten rate.
Replacement Reserves	All Mortgage Loans	the underwritten value.
Insurance and Other Expenses	• Structured Transactions, and • Mortgage Loans secured by multiple Properties	3%.
	All other Mortgage Loans	the growth rates published in DUS Gateway for the Property.

You must estimate the Mortgage Loan UPB at the Maturity Date as follows:

For...	Use...
Amortization	• 30 years, or • the amortization for the applicable product or features.
DSCR	The minimum Tier 2 DSCR for the applicable product or features, per Form 4660 .
LTV	The maximum Tier 2 LTV for the applicable product or features, per Form 4660 .

Guidance

In most cases, the combined effect of principal amortization and NCF growth should result in a refinancing at the minimum DSCR and maximum LTV for Tier 2, using a reasonable interest rate.

You should consider the following refinance parameters:

- A target reversion capitalization rate at least 2.0% greater than the initial capitalization rate used for determining Underwriting Value.
- A Refinance Interest Rate at least 2.00% greater than the Gross Note Rate.

Glossary

A

Acquisition	Any Purchase of either the: • Propertys fee simple or leasehold interest via a deed transfer; or • Controlling Interest in the Borrower. **Synonyms** • Acquisitions

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
DUS	Delegated Underwriting and Servicing
DUS Gateway	Multifamily pre-acquisition system, or any successor systems, recording deal registration, Pre-Review and/or waiver tracking, Mortgage Loan Commitments, and decision records.

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

Gross Note Rate	Mortgage Loan interest rate stated in the Loan Documents.
Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

L

Loan Year	Period beginning on the date of the Note and ending on the last day of the month that is 12 full months after the date of the Note, and each successive 12-month period thereafter. **Synonyms** • Loan Years
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

Maturity Date	Date all Mortgage Loan amounts become fully due and payable per the Loan Documents. **Synonyms** • Maturity Dates

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

Net Cash Flow	At underwriting or for any specified period, the amount calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III. **Synonyms** • NCF

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

Pricing and Underwriting Tier	Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660). **Synonyms** • Tier

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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
Property	Multifamily residential real estate securing the Mortgage Loan, including the • fee simple or Leasehold interest, • Improvements, and • personal property (per the Uniform Commercial Code). **Synonyms** • Properties • Property's

R

Refinance Interest Rate	Maximum interest rate that could be supported based on the UPB, required DSCR, and projected Net Cash Flow for the first year following the Maturity Date. **Synonyms** • Exit Interest Rate • Exit Rate
Replacement Reserve	Custodial Account the Borrower funds during the Mortgage Loan term for Replacements. **Synonyms** • Replacement Reserves

Replacements	Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required. **Synonyms** • Replacement

T

Tax Abatement	Any abatement, reduction, lessening, exemption, or deferral of real estate or other taxes levied against a Property, including any PILOT. **Synonyms** • Tax Abatements

U

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.
UPB	Unpaid Principal Balance **Synonyms** • UPBs

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