# Multifamily Selling and Servicing Guide

Effective as of April 5, 2024

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## 203.02 Alternative Assumptions

### Guidance

If you determine the base assumptions do not appropriately estimate the Property's NCF over the Mortgage Loan term, you may present an alternative risk analysis using assumptions that deviate from the base assumptions.

You should:

- specifically identify and support any deviations with reliable evidence and historical and projected market trends; and
- state your conclusions and discuss any mitigating factors, such as the
  - strength of the Sponsor or the submarket,
  - Property's characteristics, or
  - Property's operating history and performance.

Income and Expense Growth Rates: Income and expense trending should incorporate projected market rates based upon general economic, market, and submarket conditions from reliable sources. For example:

- Rents on recently signed leases should only be used for estimating income growth in Loan Years 1 and 2.
- Rent projections greater than the Base Assumption Income Growth Rate should not be used beyond Loan Year 4.
- When improvements in market economic occupancy or sustained market rental rate increases are widely anticipated, growth trends above the Base Assumption Income Growth Rate may be supported.
- Projections of income growth resulting from Property renovations or improved operations should be limited to the first 3 Loan Years.
- When a Property is subject to a scheduled reassessment or a tax abatement phase-in period, tax expense should be adjusted appropriately.
- If a tax abatement, exemption, deferral, or PILOT begins phase out or expires more than 5 years after the Maturity Date, consider if the increased expense within 10 years after the Maturity Date may affect the Borrower's ability to refinance, and warrants
  - a lower Mortgage Loan amount,
  - faster amortization, or

- a reduced interest only period.

- When you expect to incur costs for tenant improvement allowances and leasing commissions, or to realize rent increases from the rollover of tenants, commercial income should be adjusted appropriately.

Economic Vacancy: Properties in submarkets with depressed economic conditions due to temporary demand or supply issues may be modeled to reflect the economic vacancy projected by a reliable source. If you expect a decrease in vacancy to achieve stabilized levels, you should consider

- the anticipated timing, and
- effect of decreased economic vacancy on projected income growth over the same time period.

# Glossary

## B

Borrower

Person who is the obligor per the Note.

**Synonyms**
• Borrowers
• Borrower's

## 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

## 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

## P

PILOT

Payment In Lieu Of Taxes.

**Synonyms**
• PILOTs

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

# S

Sponsor

Principal equity owner and/or primary decision maker of the Borrower (often the Key Principal or the Person Controlling the Key Principal).

**Synonyms**
• Sponsors
• Sponsor's