Fannie Mae®

Notification 23-19: Form 4254.DEF

Effective: 08/31/23
Retired: 03/02/24

Summary of Changes

HIGHLIGHTS
Effective for Quarter 2 2023 Operating Statement submissions for SARM Loans: • extended the submission deadline until **October 16, 2023**; and • updated the Multifamily Analysis of Operations (Form 4254.DEF) to: - align with pending CREFC changes; and - revise the Fannie Mae Debt Service calculation if the Borrower: ▪ receives income per an interest rate cap agreement; or ▪ escrows for a replacement interest rate cap.

Primary Changes

Updated Form 4254.DEF to adjust the Fannie Mae Debt Service calculation as follows:

- for any income the Borrower receives from an interest rate cap agreement:
  - exclude it from Other Income; and
  - subtract it from the Fannie Mae Debt Service; and
- for any replacement interest rate cap escrow payments:
  - exclude them from Other Expenses; and
  - add them to the Fannie Mae Debt Service.

The resulting debt service for a SARM Loan with an interest rate cap agreement equals:

- Principal; plus
- Interest; minus
- income received from an interest rate cap agreement; plus
- replacement interest rate cap escrow.

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You must note any interest rate cap income and expense adjustments, estimates, and amounts in the Comments section.

Questions

Please contact the Multifamily Operating Statements Team at mf_operatingstatements@fanniemae.com with any questions.