

This Form 4254.DEF provides a detailed description of the “Borrower Actual” and “Normalized” fields to be completed by the Servicer on Form 4254 and Form 4254 Seniors in the Multifamily Asset Management Portal (MAMP).

“Borrower Actual” Field:

Enter values for “Borrower Actual” fields from the Borrower’s Operating Statement without normalizing. However, this figure must be annualized or adjusted for the required number of months in the operating statement period, provided that there are at least six months of information available. Annualization should only be done with six or more months of operating results and operating results of less than six months should not be reported. If a Mortgage Loan is assumed, the Servicer should attempt to get at least six months of operating data to allow annualization and reporting of fiscal year end information for that year. Items that are designated to be “omitted” should be omitted from both the “Borrower Actual” and “Normalized” fields.

“Normalized” Field:

For applicable fields, normalize the values from the Borrower’s Operating Statement, and annualize or adjust for the required number of months in the operating statement period, provided that there are at least six months of information available. Annualization should only be done with six or more months of operating results and operating results of less than six months should not be reported. If a Mortgage Loan is assumed, the Servicer should attempt to get at least six months of operating data to allow annualization and reporting of fiscal year end information for that year. Items that are designated to be “omitted” should be omitted from both the “Borrower Actual” and “Normalized” fields.

A. INCOME

1. Gross Potential Rent (GPR):

Enter the dollar amount of gross potential rental income as if all units were 100% occupied. This includes income that would have been generated from model, office, maintenance, employee, and other non-revenue units. Lease differential as well as Gain/Loss to Lease must be added/subtracted from GPR. GPR may also include rent loss insurance reimbursements. All other insurance proceeds must be excluded from GPR. For a Mortgage Loan secured by a Cooperative Property, GPR must include maintenance fees in addition to rental income from units owned by the Cooperative Organization. Rent Loss, Past Tenants Rent, and Prepaid Rent must be included in the “Borrower Actual” column but removed from the “Normalized” column.

2. Less Vacancy Loss (VAC):

Enter the dollar amount of the foregone residential income due to physical vacancy. Do not include foregone income from employees or other non-revenue producing units (such as model, office or maintenance) in Vacancy Loss as these items must be expensed in “Payroll and Benefits” or “General and Administrative” expense. Also, do not include foregone residential income due to Rental Concessions as this income must be captured in the “Less Concessions” field.

3. Less Bad Debt (BD):

Enter the dollar amount of Bad Debt (i.e., the aggregate amount of unpaid rental income due from non-paying tenants determined to be uncollectable).

4. Less Concessions (CON):

Enter the dollar amount of forgone residential income due to rental concessions (i.e., the aggregate amount of forgone residential income resulting from incentives granted to tenants for signing a lease, such as free rent for one or more months, move-in allowance, gift cards, etc.).

NOTE: For Form 4254 Seniors, rental Concessions (if applicable) may be included in Concessions or deducted from Private Pay as long as it is not double counted.

5. Laundry/Vending Income (LV):

Enter the dollar amount of laundry income, washer/dryer rental, and vending income.

6. Parking Income (PI):

Enter the dollar amount of parking and garage income.

7. Commercial Income (CI):

Enter the dollar amount of income (net of any vacancies) from commercial tenants.

8. Other Income (OI):

Enter the dollar amount of any income not reflected in the above categories.

Include in Other Income:

Applications Fees	Non-Refundable Fees
Cable Income	Non-Sufficient Fund Fees
Club House Rental Income	Other Income
Cooperative Property Flip Fees (Flip tax)	Pet Income
Cooperative Property Unit Sales	Premiums
Corporate Premiums	Rate Cap Agreement Funds Received – Ongoing
Forfeited Security Deposits	Reimbursements
Interest Reduction Payments (IRP)	Storage Income
Late Fees	Temporary Tenants
Miscellaneous Income	Utility Income

Omit from Other Income:

Corporate Tax and Refunds	Past Tenants Rent or Prepaid Rent (adjust from Gross Potential Rent)
Delinquency / Ending Delinquency	Sales Tax Collected
FASB 13 Straight Line Lease Income	Security Deposits Interest Income
Gain on Sale	Security Deposits Returned / Refunded
Insurance Proceeds (rent loss insurance proceeds must be included in Gross Potential Rent)	Security Deposits Collected
Interest Income	Straight Line Lease Income
Mobile Home Sales	Tax reimbursement (net from Real Estate Tax Expense only if tax reimbursement is related to the current period, omit prior period reimbursements)
Partnership (Funds Received)	

9. Effective Gross Income (EGI):

The system automatically calculates this figure. This field cannot be modified and will automatically recalculate if any Income line item changes.

10. Occupancy Rate Percentage (Physical):

Enter the percentage equal to the total number of units leased and occupied divided by the total number of units. For purposes of computing the occupancy level of a Property, a tenant must (i) have a lease with a term of at least six months, (ii) physically occupy the unit, and (iii) pay rent. Tenants under standard leases for at least six months that convert to month-to-month leases after the lease expires may be included as occupants for this purpose. If the Servicer demonstrates that shorter-term leases are commonly accepted in the market area and do not reflect weakness in the market, tenants with lease terms of less than six months may also be included as occupants. Non-revenue producing units such as management units, employee occupied units, maintenance units, model units, or other non-revenue producing units must be considered "occupied" and not be counted as vacant units. The methodology for calculating the occupancy rate must be consistent with the methodology used for underwriting.

11. Occupancy Date (MM/DD/YYYY):

Enter the date of the Occupancy Rate Percentage provided for the operating statement period.

12. Economic Vacancy Percentage:

The system automatically calculates this figure. This field cannot be modified, and will automatically recalculate if any Income line item changes.

B. EXPENSES**1. Management Fees (MFEE):**

Enter the dollar amount of management fees. The amount must be either (i) the underwritten management fee amount, (ii) the actual Property management fee amount paid during the operating statement period or as required by the management agreement, or (iii) 3% to 5% of Effective Gross Income ("EGI"). The management fee must not be less than

3% of EGI, except for a Mortgage Loan secured by a Cooperative Property, or purchased by Fannie Mae as part of a Credit Facility or a Bulk Delivery, and related party management fees should not exceed market rates. Regardless, the amount must not be less than the management fee used in underwriting the Mortgage Loan. The “Borrower Actual” field must include the actual amount reported by the Borrower. If the Borrower reports no management fee, the “Borrower Actual” field must be reported as zero, and the “Normalized” field must include the calculated/normalized amount defined above.

2. General and Administrative (G&A):

Enter the dollar amount for General and Administrative expenses.

Include in General and Administrative:

Administrative Fees	Licenses
Ad Valorem Tax	Life Safety
Alarm System	Mileage
Answering Service	Miscellaneous General and Administrative
Applicant Screening	Model Apartment (Model Unit)
Auto Leasing (Facility Vehicles)	Office Cleaning
Auto Repairs and Maintenance	Office Supplies / Equipment
Bank Charges	Office Unit (Non-Revenue Unit)
Broker Commissions and Fees	Permits
Business License	Personal Property Taxes
Cable / Satellite	Postage
Cell Phones / Pagers	Printing
Commissions	Public Relations
Computer Repairs, Equipment or Software	Rental Commissions
Courtesy Patrol	Rental Expense
Credit Check	Security
Donations	Security Services
Education, Continuing Education, and Training	Security Vehicle and Maintenance Vehicle
Entertainment	Space Design and Drawings
Equipment Lease and Rental	Subscriptions and Dues
Eviction Expense	Telephone
Fire Extinguisher and Moving Expense	Travel
Fire Prevention and Protection	Truck Repairs
Freight and Shipping	Uniform Service
Leased Equipment (Furniture Rental)	Utility Vehicle
Leasing Commissions	Vehicle Lease
Leasing Office Expense	Vehicle Repairs and Expense

Omit from General and Administrative:

Amortization	Mortgage Insurance premiums
Depreciation	Mortgage Loan principal payments
Entity Expenses	Owners Draw
Financing Fees (Including Refinance)	Partnership Fees
Franchise Tax (Partnership Related)	Rate Cap Agreement Costs – Upfront
Interest Expense	Sales Tax Paid
Life Insurance Premiums	Trust Account Fees

3. Payroll and Benefits (P&B):

Enter the dollar amount for Payroll and Benefits expenses.

Include in Payroll and Benefits:

401(k) Contributions	Manager Salaries
Assistant Manager and Leasing Staff Salaries	Medicare Tax Expense
Bonus	Payroll and Benefits
Contract Labor (Carpet Cleaning /Make Ready)	Payroll Processing / Services
Contract Work	Payroll Taxes
Custodian Salary	Salaries
Employee Benefits	Salaries Maintenance
Employee Expenses	Salaries or Wages (full or part time, including Maintenance Salaries)
Employee Insurance (Medical, Disability, Dental, Vision)	Subcontracted Labor
Employee Units / Rent	Temporary Help
FICA, FUTA, SUTA	Unemployment Insurance
Health Benefits	Workman's Compensation
Labor Plumbing	

4. Utilities (UTL):

Enter the dollar amount for trash removal, fuel, heating oil, gas, and electricity (paid by the Property owner and net of any rebates).

Include in Utilities:

Building Lights	Parking Lot Electric
Dumpster Rental	Parking Lot Lights
Electricity	Trash Removal (Including Contract)
Gas	Utilities
Heat	Vacant – Utilities
Non-Common Area Maintenance (CAM) Electric	

5. Water and Sewer (WS):

Enter the dollar amount for water, sewer and septic.

6. Advertising and Marketing (A&M):

Enter the dollar amount for Advertising and Marketing.

Include in Advertising and Marketing:

Advertising	Marketing
Apartment Finder's Guide	Media Commissions
Banners	Newspaper Ads
Brochures	Promotions
Building Signage	Signage
Finder's Fee	Supplies – Marketing
Tenant / Resident Relations	Yellow Pages

7. Professional Fees (PFEE):

Enter the dollar amount for Professional Fees.

Include in Professional Fees:

Accounting or Audit	Engineering Fees
Architectural Fees	Legal Fees and Expenses
Attorney Fees	Professional Fees
Bookkeeping fees	Tax Preparation Fees

8. Ground Rent (GDR):

Enter the dollar amount for ground rent and/or land lease payments.

9. Repairs and Maintenance (R&M):

Enter the dollar amount for Repairs and Maintenance. **Include in Repairs and Maintenance:**

Appliance Repairs	Make Ready
Building Repairs	Mechanical Repairs
Carpet Repairs	Painting (Turnover)
Cleaning	Parking Lot Lighting Repair
Cleaning Supplies	Parking Lot Repair (Minor)
Common Area Maintenance (CAM)	Pest Control
Decorating	Plumbing Repairs
Electrical Work	Pool Maintenance
Elevator Repairs	Repairs and Maintenance (General)
Equipment Repairs	Roof Repairs
Exterminating Services	Rubbish Removal
Floor Covering Repairs	Scavenger
HVAC Repairs	Snow Removals
Janitorial Services	Supplies
Landscaping (Exterior) / Gardening	Turnover
Landscaping / Plants (Interior)	Vacancy Preparation
Lawn and Grounds	Water Irrigation
Locks and Keys	Water Treatment
Maid Service	Window Covering Repair / Replacement (Minor)

Omit from Repairs and Maintenance:

R&M must not include repairs covered by proceeds received from Property Insurance claims or expenses identified as Capital Expenditures. For example, unit painting and unit cleaning are classified as R&M but the replacement of fixtures such as carpeting and appliances during unit turnover must be classified as Capital Expenditures. Further, the replacement of a single window screen or door is classified as R&M but the replacement of all or a majority of screens and/or doors at the Property over a short period of time must be classified as a Capital Expenditure. If the accountant amortizes or depreciates an item over a period of time, then it must be included in Capital Expenditures.

10. Property Insurance (PINS):

Enter the dollar amount for the actual Property insurance premium due for the applicable period (e.g., if the applicable period is one quarter, multiply the annual premium amount by 0.25). Include the cost of boiler, flood, hazard, liability and rent loss insurance, if applicable.

11. Real Estate Taxes (RET):

Enter the dollar amount due or paid directly by the Servicer for the related operating statement period, excluding any delinquent taxes or credits from prior years. If taxes are not escrowed or if the Borrower paid the real estate taxes directly during the operating statement period, the figure on the Borrower's operating statement may be used and the Servicer should verify the real estate tax expense. If the Property is tax-exempt, indicate the tax-exempt status on the Form.

12. Other Expenses (OEXP):

Enter the dollar amount for other expenses not listed above. For expenses in this field include a description in the Comment Section.

Include in Other Expenses:

Ancillary Expense
General Building
Miscellaneous
Other Expenses / Costs
Rate Cap Agreement Costs - Ongoing Monthly Escrow Payments

13. Total Operating Expenses (TOE):

The system automatically calculates this figure. This field cannot be modified, and will automatically recalculate if any of the Expense line items change.

14. Operating Expense Ratio Percentage:

The system automatically calculates Operating Expense Ratio as a percentage of EGI. This field cannot be modified, and will automatically recalculate if any Expense or Income line items change.

15. Management Fees Percentage of EGI:

The system automatically calculates Management Fee as a percentage of EGI. This field cannot be modified, and will automatically recalculate if any Income line items or the Management Fees change.

16. Net Operating Income (NOI):

The system automatically calculates Net Operating Income (NOI) by subtracting Total Operating Expenses (TOE) from EGI. This field cannot be modified and will automatically recalculate if any Income or Expense line items change.

C. CAPITAL EXPENDITURES (Replacement Reserve)

1. Capital Expenditures (Replacement Reserve) (CAPEX):

The “Borrower Actual” field must include the amount of items reported by the Borrower on its operating statement that are identified as Capital Expenditures (Replacement Reserve), which includes, but is not limited to, amounts released from the Replacement Reserve. The “Normalized” field must be the **greater** of (i) the underwritten value used to determine the Replacement Reserve contribution, or (ii) the actual Replacement Reserve contribution amount due pursuant to the Loan Documents, which may be adjusted by the Servicer from time to time (e.g., a revised amount required as a result of an updated Physical Condition Assessment (PCA)). If the underwritten value has not been provided and the escrow impound for the Replacement Reserve is waived, the amount should reflect a Replacement Reserve contribution on a per annum basis of \$250 per unit for a non-Senior Housing Property and \$300 per unit for a Senior Housing Property.

2. Extraordinary Capital Expenditures (ECAPEX):

The “Borrower Actual” field must include all items identified as major capital expenditures that were not funded from the Replacement Reserve. This field is not required to be normalized.

Include in Extraordinary Capital Expenditures:

Items that have been excluded from the repair and maintenance line item, typically considered to be of a capital nature and/or subject to amortization or depreciation, and that are not anticipated as part of Capital Expenditures (Replacement Reserve)	An Extraordinary Capital Expenditure is money used to purchase, upgrade, improve, or extend the life of long-term assets. Long-term assets are typically property, infrastructure, or equipment with a useful life of more than one year.
Furniture, Fixtures, and Equipment Reserve Account (FF&E)	
Repair Escrow	

D. CASH FLOW ANALYSIS

Operating Data and Debt Service should reflect the same number of months in the reported financial statement period. If a partial financial statement period of operating data is received from the Borrower, the Lender should always normalize the data to match the number of months in the reporting financial statement period (or request a waiver if the data is insufficient).

For a Mortgage Loan other than a Seniors Housing Mortgage Loan or a Structured Transaction:

- Q1 = 3 months of operating data and 3 months of debt service
- Q2 = 6 months of operating data and 6 months of debt service
- Q3 = 9 months of operating data and 9 months of debt service
- Q4 = 12 months of operating data and 12 months of debt service
- Annual = 12 months of operating data and 12 months of debt service

For a Seniors Housing Mortgage Loan or a Structured Transaction, the number of months of Operating Data and Debt Service must be three months for quarterly reporting periods and twelve months for annual reporting periods.

1. Net Cash Flow after Capital Expenditures (Replacement Reserve):

The system automatically calculates Net Cash Flow (NCF) by subtracting Capital Expenditures (Replacement Reserve) from Net Operating Income (NOI). This field cannot be modified and will automatically recalculate if any of the Income, Expense or Capital Expenditures (Replacement Reserve) line items change.

2. Fannie Mae Debt Service – A Note (1st Lien):

Enter Fannie Mae’s first or primary Lien actual debt service amount. If the Mortgage Loan is interest only or an Adjustable Rate Mortgage Loan (ARM Loan) enter the actual debt service collected from the Borrower for the operating statement period. If the Servicer does not have the payment history for the entire operating statement period, the Servicer must adjust or estimate the full reporting period amount. Any adjustments or estimates should be noted in the Comments.

NOTE: For one Mortgage Loan secured by multiple Properties or multiple Mortgage Loans secured by multiple Properties, the Debt Service must be allocated to each work item, created for each Property in the MAMP.

3. Fannie Mae Debt Service – B Note (2nd Lien):

Enter Fannie Mae’s second Lien and/or Fannie Mae’s approved second Lien (includes Supplemental loans) debt service amount for the entire reporting period. Example for a 2nd quarter T6 statement include 6 months of debt service. Similarly for a FYE T12 include 12 months of debt service. If the Servicer does not have the payment history for the entire operating statement period, the Servicer must adjust or estimate the full reporting period amount. If there are multiple first Liens, this field should be populated for the non-primary first Lien. The Lien source and type as well as any adjustments or estimates should be noted in the Comments. For one Mortgage Loan secured by multiple Properties or multiple Mortgage Loans secured by multiple Properties, each work item created for each Property in the MAMP must be provided with the allocated debt service amount for that Property. A Mortgage Loan sized with Interest Reduction Payments (“IRP”) that include the IRP payment in other income, must include the IRP supplemental debt service payment in the respective B or C Note Debt Service fields.

4. Fannie Mae Debt Service – C Note (All remaining Liens combined):

Enter the aggregate debt service amount for Fannie Mae’s remaining Liens and/or Fannie Mae’s approved remaining Liens (includes Supplemental loans) for the entire reporting period. Example for a 2nd quarter T6 statement include 6 months of debt service. Similarly for a FYE T12 include 12 months of debt service. If the Servicer does not have the payment history for the entire operating statement period, the Servicer must adjust or estimate the full reporting period amount. The Lien source and type as well as any adjustments or estimates should be noted in the Comments. For one Mortgage Loan secured by multiple Properties or multiple Mortgage Loans secured by multiple Properties, each work item created for each Property in the MAMP must be provided with the allocated debt service amount for that Property. A Mortgage Loan sized with Interest Reduction Payments (“IRP”) that include the IRP payment in other income, must include the IRP supplemental debt service payment in the respective B or C Note Debt Service fields.

5. Debt Service – Mezzanine Financing and/or Preferred Equity:

Enter Mezzanine Financing (Fannie Mae or non-Fannie Mae) and Preferred Equity debt service amount. For one Mortgage Loan secured by multiple Properties or multiple Mortgage Loans secured by multiple Properties, each work item created for each Property in the MAMP must be provided with the allocated debt service amount for that Property. The source of Mezzanine Financing and/or Preferred Equity should be noted in the comments.

6. Total Debt Service – A, B, C Notes: The system automatically calculates this figure.

7. DSCR (NOI/Debt Service – A Note): The system automatically calculates this figure.

8. DSCR (NOI/Debt Service – A, B Note): The system automatically calculates this figure.

9. DSCR (NOI/ Debt Service – A, B, C Note): The system automatically calculates this figure.

10. DSCR (NCF after CAPEX/Debt Service – A Note): The system automatically calculates this figure.

11. DSCR (NCF after CAPEX/Debt Service – A, B Note): The system automatically calculates this figure.

12. **DSCR (NCF after CAPEX/Debt Service – A, B, C Note):** The system automatically calculates this figure.
13. **Combined NOI:** The system automatically calculates this figure.
14. **Combined NCF after CAPEX:** The system automatically calculates this figure.
15. **Combined Debt Service – A, B, C Note:** The system automatically calculates this figure.
16. **Combined DSCR (Combined NOI / Combined Debt Service – A Note):** The system automatically calculates this figure.
17. **Combined DSCR (Combined NOI/Combined Debt Service – A, B Note):** The system automatically calculates this figure.
18. **Combined DSCR (Combined NOI/Combined Debt Service – A, B, C Note):** The system automatically calculates this figure.
19. **Combined DSCR (Combined NOI/Combined Debt Service with Mezzanine and/or Preferred Equity):** The system automatically calculates this figure.
20. **Combined DSCR (Combined NCF after CAPEX/Combined Debt Service – A Note):** The system automatically calculates this figure.
21. **Combined DSCR (Combined NCF after CAPEX/Combined Debt Service – A, B Note):** The system automatically calculates this figure.
22. **Combined DSCR (Combined NCF after CAPEX/Combined Debt Service – A, B, C Note):** The system automatically calculates this figure.
23. **Combined DSCR (Combined NCF after CAPEX/Combined Debt Service with Mezz and Preferred Equity):** The system automatically calculates this figure.
24. **Underwritten DSCR from Acquisition System:** This field is automatically populated and cannot be edited.

E. FOR COOPERATIVE PROPERTIES ONLY

1. Cash Reserves (Cooperative Properties only):

Enter the actual cash dollar amount held by the Cooperative Organization as a reserve to be used to fund capital replacements, improvements or operating shortfall, if any, at the end of the operating statement period. This field must be left blank for non-Cooperative Properties. The same value must be entered for the “Borrower Actual” field and the “Normalized” field.

2. Last Unit Sale Price (Cooperative Properties only):

Enter the dollar amount of the last unit sold. This field must be left blank for non-Cooperative Properties. The same value must be entered for the “Borrower Actual” field and the “Normalized” field.

F. CAPITAL EXPENDITURES (REPLACEMENT RESERVE) ACTIVITY

If Capital Expenditures (Replacement Reserve) are funded, enter the beginning balance, expenditures, and deposits or additions (including interest income). The system automatically calculates the ending balance.

1. Beginning Balance:

Enter the dollar amount of the Capital Expenditures (Replacement Reserve) as of the beginning of the operating statement period. This item should have the same value for both the “Borrower Actual” and “Normalized” fields.

2. Less Expenditures:

Enter a positive dollar amount for funds withdrawn during the operating statement period for expenditures. This item should have the same value for both the “Borrower Actual” and “Normalized” fields.

3. Plus Additions:

Enter the dollar amount of Capital Expenditures (Replacement Reserve) collected during the operating statement period. This item should have the same value for both the “Borrower Actual” and “Normalized fields”.

4. Ending Balance:

The system automatically calculates this figure.

G. QUESTIONS AND COMMENTS

Capital Expenditures (Replacement Reserve) Escrow Waived:

Select Yes or No (Y/N) to indicate whether the collection of Capital Expenditures (Replacement Reserve) escrow impounds has been waived.