



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## Section 206

### Borrower Business Plan

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#### Requirements

For Acquisitions or refinances where the Property is being repositioned through a substantial capital improvement plan, you must analyze (and document in your Transaction Approval Memo) the:

- Sponsor's:
  - business plan (either through a written plan or by a conversation with the Sponsor), including
    - market rent growth expectations,
    - any planned capital improvements,
    - any expected rent premiums after renovations,
    - operating expense management, and
    - value appreciation through capitalization rate compression;
  - expected ownership period for the Property relative to the Mortgage Loan term; and
  - expected investment returns from owning/operating the Property, assuming
    - Acquisition at the Underwriting Value, and
    - a hypothetical disposition at the Mortgage Loan's Maturity Date;
- Mortgage Loan's Underwritten Capitalization Rate; and
- motivation in the Property's investment compared to the Borrower's other investment alternatives.



# Glossary

## A

Acquisition	Any Purchase of either the: <ul style="list-style-type: none"><li>• Property's fee simple or leasehold interest via a deed transfer; or</li><li>• Controlling Interest in the Borrower.</li></ul> <b>Synonyms</b> <ul style="list-style-type: none"><li>• Acquisitions</li></ul>
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## B

Borrower	Person who is the obligor per the Note.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Borrowers</li><li>• Borrower's</li></ul>
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## M

Maturity Date	Date all Mortgage Loan amounts become fully due and payable per the Loan Documents.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Maturity Dates</li></ul>
Mortgage Loan	Mortgage debt obligation evidenced, or when made will be evidenced, by <ul style="list-style-type: none"><li>• the Loan Documents, or</li><li>• a mortgage debt obligation with a Fannie Mae credit enhancement.</li></ul> <b>Synonyms</b> <ul style="list-style-type: none"><li>• Mortgage Loans</li><li>• Mortgage Loan's</li></ul>

## P



**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

## 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](#).

**Underwritten Capitalization Rate** Ratio, expressed as a percentage, of the

- Underwritten Net Cash Flow, divided by
- Underwriting Value.