



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of September 8, 2025

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.



TABLE OF CONTENTS

Part III Section 104 Underwritten NCF 3

GLOSSARY 9



Section 104 Underwritten NCF

Requirements

You must use the following table to calculate Underwritten NCF for Student Housing Properties and Dedicated Student Housing Properties.

For Dedicated Student Housing Properties, Fannie Mae will permit “by-the-bed” income and valuation for units occupied by students if the

- Property has at least 2 years of operating statements using that method, and
- rental rates are comparable to similar Student Housing Properties.

REQUIRED UNDERWRITTEN NCF (STUDENT OR DEDICATED STUDENT HOUSING PROPERTY)		
Item	Function	Description
CALCULATION OF NET RENTAL INCOME		
1		<p>GROSS RENTAL INCOME (GRI) market rents for vacant units based on a current rent roll (multiplied by 12), plus:</p> <ul style="list-style-type: none">• for a Student Housing Property the lower of<ul style="list-style-type: none">- actual rents in place for occupied units on a per unit basis, or- market rents that would be available if the Property was not leased to students; and• for a Dedicated Student Housing Property the lower of<ul style="list-style-type: none">- actual rents in place for occupied units on a per unit or "by the bed" basis, or- market rents for comparable Dedicated Student Housing Properties.



REQUIRED UNDERWRITTEN NCF (STUDENT OR DEDICATED STUDENT HOUSING PROPERTY)		
Item	Function	Description
2	PLUS	To the extent deducted as an operating expense, rents for other non-revenue units (e.g., model units deducted in the "model apartment" operating expense in the "general and administrative" category, or actual rent from employee units deducted in the "employee" operating expense in the "payroll and benefits" category).
	EQUALS	GROSS POTENTIAL RENT (GPR)
3	MINUS	Premiums (e.g., identifiable additional income from furnished units or short term leases) and/or corporate premiums (e.g., identifiable additional income from corporate units, housekeeping services, etc.).
4	MINUS	Physical vacancy market rents for vacant units based on a current rent roll (multiplied by 12). ¹
5	MINUS	Concessions - the aggregate amount of forgone residential rental income from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc. ¹
6	MINUS	Bad debt - the aggregate amount of unpaid rental income determined to be uncollectable, including any adjustments to other income for bad debt. ¹
	EQUALS	NET RENTAL INCOME (NRI)
<p>1 The total of Items 4, 5, and 6 must equal or exceed the greater of</p> <ul style="list-style-type: none"> • the difference between the trailing 12-month net rental collections (annualized) and GPR, or • 5% of GPR. <p>If trailing 12-month NRI is not available, use a minimum 10% of GPR.</p>		
CALCULATION OF OTHER INCOME		



REQUIRED UNDERWRITTEN NCF (STUDENT OR DEDICATED STUDENT HOUSING PROPERTY)		
Item	Function	Description
7	PLUS	<p>Actual other income (except premiums and corporate premiums) generated through ongoing operations. The income must:</p> <ul style="list-style-type: none"> • be stable; • be common in the market; • exclude one-time extraordinary non-recurring items; and • be supported by prior years. <p>You must assess the individual month's other income within the prior full year operating statement or, at a minimum, an operating statement covering at least the trailing 6 months (annualized).</p> <p>If there are fluctuations, you may use other income that exceeds the trailing 3-month other income (annualized), provided it does not exceed the highest 1-month other income used in the trailing 3-month other income calculation.</p>
CALCULATION OF COMMERCIAL INCOME		
8	PLUS	Actual income from leased and occupied commercial space per Part II, Chapter 1: Attributes and Characteristics, Section 109: Commercial Leases .
9	MINUS	10% of the actual commercial space income. ²
10	PLUS	Commercial parking income (e.g., public parking) that does not exceed actual trailing 12-month collections. ²
<p>² If net commercial income is greater than 20% of EGI, then reduce to 20% of EGI.</p>		



REQUIRED UNDERWRITTEN NCF (STUDENT OR DEDICATED STUDENT HOUSING PROPERTY)		
Item	Function	Description
11	PLUS	Premiums ³ , provided that the income must: <ul style="list-style-type: none"> • be stable or increasing; • be typical (in type and amount) in the market; • be supported by prior years; and • not exceed the income generated over the most recent year or trailing 12-month period.
12	PLUS	Corporate premiums ³ , provided that this income must: <ul style="list-style-type: none"> • not be included for more than 10% of the Property's units; • be stable or increasing; • be typical (in type and amount) in the market; • be supported by prior years; and • not exceed the income generated over the most recent year or trailing 12-month period.
13	PLUS	Laundry and vending, parking, and all other income per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis .
	EQUALS	EFFECTIVE GROSS INCOME (EGI)
3 Premium or corporate premium income cannot exceed 3% of GRI.		
CALCULATION OF OPERATING EXPENSES		



**REQUIRED UNDERWRITTEN NCF
(STUDENT OR DEDICATED STUDENT HOUSING PROPERTY)**

Item	Function	Description
14	MINUS	<p>Line-by-line stabilized operating expenses.</p> <p>Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a</p> <ul style="list-style-type: none">• lease-up,• rehabilitation, or• other short-term positive or negative factors. <p>Non-recurring, extraordinary expenses must not be included.</p> <p>You must assess:</p> <ul style="list-style-type: none">• past operating history;• the Appraiser's expense analysis;• all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and• the Borrower's budget (in the case of an Acquisition). <p>You must:</p> <ul style="list-style-type: none">• analyze historical operations at the Property; and• apply an appropriate increase over the prior year's operations in determining an estimate.



REQUIRED UNDERWRITTEN NCF (STUDENT OR DEDICATED STUDENT HOUSING PROPERTY)		
Item	Function	Description
15	MINUS	<p>Property management fee equal to the greatest of:</p> <ul style="list-style-type: none"> • 4% of EGI; • actual property management fee, provided you <ul style="list-style-type: none"> - exclude any portion of a non-arm's length property management fee that is subordinated to the Mortgage Loan, and - include any known contractual fee increases occurring over the next 24 months; or • Appraiser's concluded market property management fee.
16	MINUS	Real estate taxes per Item 17(b) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF) .
17	MINUS	Insurance per Item 17(c) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF) .
18	MINUS	Utilities, water and sewer, repairs and maintenance, payroll and benefits, advertising and marketing, professional fees, general and administrative, ground rent, and all other expenses per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis .
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
19	MINUS	Replacement Reserve expense per Part III, Chapter 1: Student Housing Properties, Section 105: Replacement Reserve .
	EQUALS	UNDERWRITTEN NCF



Glossary

A

Acquisition Any Purchase of either the:

- Property's fee simple or leasehold interest via a deed transfer; or
- Controlling Interest in the Borrower.

Synonyms

- Acquisitions

Appraiser Person engaged to estimate a Property's market value per USPAP.

Synonyms

- Appraiser's
- Appraisers

B

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

D

Dedicated Student Housing Property Multifamily rental Property in which 80% or more of the units are leased to undergraduate or graduate students.

Synonyms

- Dedicated Student Housing

M



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

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

Replacement Reserve

Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.

Synonyms

- Replacement Reserves

S

Student Housing Property

A multifamily residential rental property in which 40% or more, but less than 80%, of the units are leased to either undergraduate or graduate students.

Synonyms

- Student Housing

U



Underwritten Net Cash
Flow

Net Cash Flow as adjusted by the Lender per [Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis](#) and the applicable products and features in Part III.

Synonyms

- Underwritten NCF