

Multifamily C & D Release Notes

Version 4.3

October 18, 2011

During the **weekend of October 29, 2011**, Fannie Mae will implement Committing and Delivery (C & DTM) Version 4.3, which includes the changes described below.

Highlights

- Announcing the release of Multifamily C & D 4.3 on October 29, 2011.
- Enhancements to Debt Service Coverage Ratio (DSCR) fields
- Lender Upload Template and Download File field additions
- Additional New Business Rules

Introduction

The C & D 4.3 release will implement changes to DSCR fields and calculations to promote more accurate reporting. The release also incorporates enhancements to permit the identification of Bridge and Green loans in the future. The Upload Template and Lender Download File have also been updated to reflect the associated new fields for the aforementioned enhancements. New rules associated with Initial Deposit to Replacement Reserve and Modified DUS Loss Sharing are also being introduced.

I. Changes to DSCR

Revised Definition for Existing Field – Actual DSCR

Actual DSCR shall be defined as, the ratio of the Underwritten NOI to the annualized initial debt service at Acquisition. For supplemental loans and loans with subordinate debt, payments on all existing loans should be included in the calculation of DSCR. For loans with a property type of Cooperative, the actual cooperative NOI will be used.

New Field Being Added – DSCR (IO/ARM)

The DSCR on Interest Only (IO) or Adjustable Rate Mortgage (ARM) shall be defined as, the ratio of Underwritten NOI to the highest potential debt service of the loan. For a partial interest only loan, the debt service is calculated using annualized partial interest only amortizing payment. For an ARM loan, the debt service is calculated at the maximum lifetime interest rate for the loan. (If the ARM loan does not have a maximum lifetime interest rate, the debt service will be calculated at the variable underwriting rate used to underwrite the loan). For supplemental loans and loans with subordinate debt, payments on all existing loans should be included in the calculation of DSCR. For a Cooperative, the rental equivalent NOI will be used.

The “DSCR Data C&D Instructions” link on the Loan page has also been revised to reflect the changes to the definitions as stated above and provide additional information.

The Upload Template and Lender Download file have been revised to include DSCR (IO/ARM), positioned after Actual DSCR, in the loan file.

In 2012, we intend to revise our approach to disclosing DSCR information. These two fields will be disclosed instead of Lender Underwritten DSCR. Additional information about the MBS disclosure changes will be provided at that time.

New and Modified DSCR Edits

Several new edits have been put in place and an existing edit modified to ensure accuracy in reporting Lender Underwritten DSCR, Actual DSCR and DSCR (IO/ARM) fields. The edits are as follows:

1. If Lender Underwritten DSCR is less than the Estimated DSCR on the Commitment, an edit will display stating "Lender Underwritten DSCR is less than the Estimated DSCR on the confirmed commitment. Please verify that the entered value is correct."
2. If DSCR IO/ARM is not populated an edit will display stating "DSCR (IO/ARM) should be populated."
3. If Lender entered DSCR (IO/ARM) for fixed rate partial interest only loans does not equal the system-calculated DSCR, an edit will display stating "DSCR (IO/ARM) does not equal our calculated DSCR. Please verify that the entered value is correct".
4. Revised Edit: Actual DSCR of <entered value> does not equal our calculated DSCR value of <calculated value>%. Please verify that the entered value is correct.

II. Additional Upload Template/Lender Download File Changes

In addition to DSCR (IO/ARM), as noted above, four fields have been added to the Upload Template and Lender Download file. For Bridge Loan, two fields have been added to the Commitment tab. For Green Initiative, one field to the Loan tab and one field to the Property tab. Should you run any routines you may need to verify. None of these four fields are required as of this announcement. Additional information on the executions will be provided via separate communication at a later date.

III. Additional New Business Rules

Initial Deposit to Replacement Reserve

On the Underwriting Valuation page, the Initial Deposit to Replacement Reserve (\$) field is now a required field. A new edit will be implemented to ensure a value is entered upon validating the Underwriting Valuation page and validating all on the MBS Financing Options page. A numerical value of zero is allowed.

Modified DUS Loss Sharing

Also on the Commitment page, an edit is implemented for Modified DUS Loss Sharing to ensure that when DUS Loss Sharing is modified the Lender Loss Sharing percentage is less than 100.

Effective Date

The changes are effective October 31, 2011.

Questions

If you have questions or need more information reach out to the contacts below:

DSCR

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Additional New Business Rules

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