



Multifamily MSFMS Release Notes Version 4.0

June 3, 2016

Multifamily Operations announces the release of Multifamily MSFMS 4.0 on **July 24, 2016**, with the enhancements described below needed to support DUS Disclose.

Highlights

- Alignment of terminology with the market;
- Changes to operating statement line items to align with Asset Management;
- Debt Service Coverage Ratio (DSCR) changes; and
- Additional Information.

Introduction

Fannie Mae is developing DUS Disclose, a new MBS Disclosure platform, which will align Fannie Mae's MBS disclosure data with industry standards and increase the amount of data disclosed to Investors. In preparation for the release of DUS Disclose, MSFMS Release 4.0 will be implemented. Enhancements will enable the collection of new data and change the terminology for certain existing data fields. Operating statement field changes are made to align the system with Asset Management data collection and review. Additionally, new DSCR fields, calculations, and instructions will be introduced. MSFMS 4.0 system enhancements will conform to Guide and associated Business Form updates.

I. Enhancements to Align Terminology with the Market

MSFMS has several new and modified data attributes to align with the commercial real estate market. The changes are summarized below.

Net Operating Income (NOI) and Replacement Reserve field re-labels and Calculation updates

NOI fields are re-labeled to Net Cash Flow (NCF). Replacement Reserve fields are also re-labeled to Capital Expenditures (Replacement Reserves).

In addition, the calculation for Total Operating Expense (TOE) has been updated. Capital Expenditures (Replacement Reserves) is taken out of expenses. NCF will be net of Capital Expenditures (Replacement Reserves) and will continue to be used to calculate the DSCR. Reference the modified TOE and NCF calculations below for specifics.

- **TOE Underwriting Base** = Management Fees; plus
General & Administrative; plus
Payroll/Benefits; plus
Utilities; plus
Water & Sewer; plus



Repairs and Maintenance; plus
 Property Insurance; plus
 Real Estate Taxes; plus
 Other Expenses; plus
 Ground Rent; plus
 Professional Fees; plus
 Advertising & Marketing.

▪ **TOE Underwriting Senior**

= Management Fees; plus
 General & Administrative; plus
 Advertising & Marketing; plus
 Meals Expense; plus
 Payroll/Benefits; plus
 Utilities; plus
 Water & Sewer; plus
 Repairs and Maintenance; plus
 Property Insurance; plus
 Real Estate Taxes; plus
 Other Expenses; plus
 Ground Rent; plus
 Professional Fees; plus
 Room Expense - Housekeeping

▪ **Net Cash Flow**

=

Effective Gross Income; minus
 Total Operating Expense; minus
 Capital Expenditures (Replacement Reserves)

Green field additions

On the MBS Loan screen, the “Green Financing” field is added along with the following allowable values: “Green Preservation Plus”, “Green Rewards”, and “Other Green Financing”.

Also, on the Property Collateral screen the “Green Building Certification” field is added along with the following allowable values: “Leadership in Energy and Environmental Design (LEED), US Green Building Council”, “Green Communities, Enterprise Community Partners”, “GreenPoint Rated, Build It Green”, “EarthCraft, Greater Atlanta Home Builders Association & South Face”, “ENERGY STAR®, US EPA”, “National Green Building Standard (NGBS), Home Innovation Research Labs”, “Green Globes, Green Building Initiative”, and “Other Green Building Certification”.

Mezzanine field additions

For bulk deliveries, new “Mezzanine Monthly Payment” and corresponding “Current Mezzanine UPB” fields are added to the Loan Details section of the MBS Loan screen. The monthly payment field will be used in the calculation of UW NCF DSCR All In. On the MBS Pool screen, Pool Details section, “Mezzanine Combined LTV” is also added.

Property field additions

On the Property Collateral screen, Property Information section, “Age Restricted (as defined in the Housing for Older Persons Act (HOPA))?” and “Terrorism Insurance Coverage?” are two new, required fields with “Yes” and “No” allowable values for selection.

On the Property and Housing Goals Data screen, new affordability fields are included in the Housing Goals Data and Affordability Restrictions section. “Affordable Housing Type” is added and includes the following



allowable values: “LIHTC”, “Proj Based HAP (incl. Sec. 8)”, “Both LIHTC & Proj Based HAP”, “Other”, and “Not MAH”. Also, “Percentage of Units Set aside for Tenants with Household Income at or below 80%, 60%, and 50% of the Median Income” is added. In addition, “Units with Income or Rent Restrictions” is included.

New and re-labeled payment fields

The “Partial Interest Only Amortizing Payment Per Fannie Mae Participation” field is re-labeled to “Maximum Monthly Payment Per Fannie Mae Participation” on the Loan screen. The re-labeling is being done to ensure consistent field names across Acquisition systems.

Also, for credit facilities the following two new fields are included in the Pool Details section of the MBS Pool screen: “Total Annual P&I Payments for Loans in the Facility (includes amortizing payment for Partial IO)” and “Total Annual P&I Payments for Loans in the Facility (includes interest only payment for Partial IO)”. These fields are being added to support the calculation of the new DSCR fields “UW NCF DSCR at Facility Level” and “UW NCF DSCR IO at Facility Level”.

New LTV field

New “Lender Underwritten LTV” field is included in the Mezzanine Details section on the Loan screen.

II. Underwriting/Operating Statement field updates

In addition to the above enhancements several Property Collateral underwriting base and senior fields are added and modified to align MSFMS with Asset Management reviews, and Multifamily Asset Management Portal (MAMP) income and expense line items.

The following new expense fields are introduced, as applicable, for the Underwriting Base and Underwriting Senior screens: “Ground Rent”, “Professional Fees”, “Advertising & Marketing”, “Other Expenses”, and “Room Expense – Housekeeping”. Also, several income/expense fields are re-labeled.

Furthermore, in the Capital Expenditures (Replacement Reserves) and Escrow Requirements at Acquisition section, “Taxes Currently Escrowed?” is a new required field.

III. DSCR Changes

DSCR enhancements are also implemented to align with industry standards.

“Combined DSCR” is re-labeled to “Lender Underwritten DSCR per Guide Requirements” on the MBS Pool, DMBS Pool, Pool Statistics & Closing Data, and DMBS Security Submission Summary screens.

Also, on the MBS Loan screen the following new DSCR fields are introduced for bulk deliveries: “UW NCF DSCR”, “UW NCF DSCR IO”, “UW NCF DSCR at Cap”, and “UW NCF DSCR All In”. Also, on the MBS Pool Screen “UW NCF DSCR at Facility Level” and “UW NCF DSCR IO at Facility Level” are added.

IV. Additional Information

To align MSFMS with previous Guide updates, in respect to the elimination of baseline concepts, the Baseline Data section and fields are removed from the Underwriting Base and Underwriting Senior screens. As the above-mentioned enhancements impact various components of the MSFMS application, certain screens, calculations, and business rules will be updated respectively.

Mortgage Loans underwritten or quoted prior to the implementation of MSFMS release 4.0 will not need to be re-underwritten or re-quoted. Also, Lenders are not required to provide information for new fields associated to



properties existing prior to implementation. However, Lenders must deliver the new data requirements as of the effective date of this release for new submissions.

Effective Date

MSFMS 4.0 changes are effective July 24, 2016.

Questions

Please contact the following with any questions:

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