Multifamily Mortgage Business Lender Letter 16-04

March 15, 2016

To: Multifamily Lender CEOs, Chief and Deputy Chief Underwriters, Technology and Operations Contacts

From: Michele Evans, Senior Vice President and Multifamily Chief Operating Officer

Subject: DUS Disclose

HIGHLIGHTS

Effective with the various system releases, and to support the release of DUS Disclose, Fannie Mae is:

- updating the Multifamily Selling and Servicing Guide (“Guide”) and acquisitions systems; and
- publishing draft data elements and definitions to assist Lenders in preparing for the upcoming acquisition system enhancements.

Overview

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, Fannie Mae is enhancing systems, and updating the Guide and associated Business Forms. Information about these changes, and what Lenders should expect in the coming months, is provided below.

System Enhancements

In support of DUS Disclose, Fannie Mae will relabel some data elements in the acquisitions systems and require Lenders to input additional data elements. The attached spreadsheets (Draft Data List – Underwriting and C&D Changes.xls and Draft Data List – Underwriting and MSFMS Changes.xls, collectively, “Draft Data Lists”) describe the new and modified data, the related changes to underwriting fields, and the details related to operating statement line items and DSCR information. Lenders can use this information to begin preparing for the upcoming system enhancements. Highlights of the changes include:

- Disclosure and underwriting terminology will align with the commercial real estate market. For example, the term Net Operating Income (“NOI”) will be replaced with the new Net Cash Flow (“NCF”) term.
- Underwriting income and expense line items will align with the Asset Management income and expense line items announced in January, 2016.
- A Mortgage Loan underwritten or quoted prior to the implementation of the acquisition system enhancements does not need to be re-underwritten or re-quoted; however, the Lender must deliver the new data requirements as of the effective date of the acquisition system release.
• Draft Data Lists are for informational purposes only, and are subject to change. Final release notes will be provided when available.

• Fannie Mae will schedule informational sessions to describe the changes and address any questions as Lenders prepare to support the upcoming acquisition system releases.

Guide

Updates to the Guide and associated Business Forms will be published separately, with an estimated effective date of July 15, 2016. However, details regarding the new income and expense line item requirements that may impact the Lender’s underwriting spreadsheets and origination systems are outlined in the New Guide Underwriting tab (Tab 1) of the attached “Draft Data List” spreadsheets. These updates do not impact Fannie Mae’s Debt Service Coverage requirements, or Pricing and Underwriting Tiers.

Communication and Training

To ensure Lenders are fully informed of the nature of the changes, Fannie Mae will provide the information below.

• Walkthroughs of the Draft Data Lists – Using the Lenders’ points of contact on the Underwriting, Operations, and Technology teams, Fannie Mae will schedule meetings to describe the Draft Data Lists in March. Lenders will be asked to provide a single point of contact to consolidate and submit the Lender’s feedback, either during the meeting or by an established date.

• Ongoing Communication – Fannie Mae will discuss these changes during the following meetings:
  o Chief Underwriter’s Forum;
  o Operations Forum;
  o Lender Technology Working Group; and
  o other ad hoc meetings, as needed.

• Training – Training sessions will be scheduled to instruct the Lenders regarding the changes related to underwriting, DSCR, and data requirements for the acquisition systems.

Next Steps

1. Lenders will review the Draft Data Lists and inform Fannie Mae of the Lender’s readiness.

2. Fannie Mae will schedule Lender meetings to describe the changes in the Draft Data Lists.

3. Fannie Mae will continue to communicate details about the enhancements as the release dates approach, including updates, announcements, and release notes, as available.

4. Fannie Mae will schedule training to instruct Lenders on the changes and address any questions.

Effective Date

The expected effective dates for the system releases are as follows:

• **April 1, 2016** release of the Multifamily Asset Management Portal (MAMP), used to submit ongoing Property Operating Statements. Several previous communications have been provided, including release notes and guide revisions. Refer to the upcoming Lender Memo 16-01 for details.
• **June 17, 2016** release of the Multifamily Structured Facility Management System (MSFMS), which facilitates collateral delivery and securitization for Structured Transactions. The attached Draft Data List – Underwriting and MSFMS Changes provides details about the new information required for this enhancement.

• **July 16, 2016** release of the Committing and Delivery System (C&D), used to commit and deliver loans. The attached Draft Data List – Underwriting and C&D Changes provides details about the new information required for this enhancement.

• **July 16, 2016** release of the Quote Sheet. Only one data field will be relabeled in the quote sheet: “Net Operating Income” will become “Net Cash Flow.” There are no changes to the calculations.

Questions

Please contact the following with any questions:

- DUS Disclose general questions and operational readiness – Derrick Lindsey at 202-752-2426, or derrick.m.lindsey@fanniemae.com
- Quote Sheet and Underwriting – Paul Gembara at 312-368-8831, or paul.r.gembara@fanniemae.com
- DSCR – Patty Lafean at 202-752-6240, or patty.l.lafean@fanniemae.com
- C&D – Sandra Opon at 202-752-7118, or sandra.c.opon@fanniemae.com
- MSFMS – Elizabeth Redmond at 703-833-8677, or elizabeth.a.redmond@fanniemae.com
- MAMP – Amr Fawzi at 202-752-6046, or amr.s.fawzi@fanniemae.com

Associated Documents

- Draft Data List – Underwriting and C&D Changes.xls
  a. Tab 1 - New Guide Underwriting
  b. Tab 2 - Base Current vs Future Labels
  c. Tab 3 - Senior Current vs Future Labels
  d. Tab 4 - List of New and Modified C&D
  e. Tab 5 - DSCR Calculations
- Draft Data List – Underwriting and MSFMS Changes.xls
  a. Tab 1 - New Guide Underwriting
  b. Tab 2 - Base Current vs Future Labels
  c. Tab 3 - Senior Current vs Future Labels
  d. Tab 4 - List of New and Modified MSFMS
  e. Tab 5 - DSCR Calculations for Bulk Delivery
  f. Tab 6 - DSCR Calculations for Credit Facility