

ASSET UNDERWRITING / BORROWER FIELD GUIDE

Multifamily underwriting guide

Reconcile apartment rent, concessions, collections and operating costs before sizing debt.

An occupied apartment is not necessarily a paying apartment, and a signed lease is not the same as collected cash. Prepare a financing case that connects unit-level rent, concessions, arrears and operating costs to a repeatable cash-flow figure. The objective is to explain why the proposed loan remains supportable after the temporary benefits and missing expenses are removed.

Build a unit-to-cash bridge

Start with the same dated inventory in the rent roll, lease file and collection system. Separate vacant units, nonrevenue units, employee units and units unavailable for repair. Show contractual rent, billed concessions, cash collections and unpaid balances in separate columns. A tenant balance transferred to a payment plan is not cash received. Reconcile the monthly totals to bank deposits and identify timing items rather than forcing the rent roll to equal the income statement.

Normalize costs without hiding capital

Reconcile taxes, insurance, management, utilities, payroll, maintenance and turnover to actual bills and the proposed ownership structure. A seller-managed property may require a new management charge. Distinguish ordinary repairs from capital replacements and show both cash needs even if they sit in different model lines. An underwritten replacement reserve is not evidence that the owner has enough cash for a near-term roof, boiler or unit rehabilitation program.

Explain the trend and the proposed execution

Compare recent months with the trailing year using consistent units and definitions. A stronger recent run rate may reflect durable rent collection or merely a concession cycle, delayed repairs or seasonal costs. Preserve an adjustment log with amount, reason, supporting document and lender response. Agency, bank and other lender cash-flow treatments can differ; use the applicable program guide and lender instructions instead of treating one definition as universal.

Use this guide with the matching Excel model. Illustrative assumptions are editable; no lender approval, market quote or universal threshold is represented.

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What the lender needs to understand

Preparation questions and evidence to resolve them. Actual requests and acceptance standards depend on the lender and transaction.

01 / Which occupied units are actually paying?

Dated rent roll, tenant ledger, arrears aging and bank-reconciled collections using the same cutoff date.

02 / Which rents are contractual, collected or projected?

Executed leases, renewals, concession addenda and a separate market-rent schedule.

03 / What changed between the trailing year and recent months?

Monthly operating statements, unit-level changes and a bridge for each material adjustment.

04 / What does the first year require beyond recurring expenses?

Condition assessment, bids, turnover schedule and a funded capital plan.

05 / Can the sponsor absorb a slower collection recovery?

Verified available liquidity after closing, with restrictions and other commitments identified.

06 / Which definition controls the loan sizing?

Written lender assumptions identifying income exclusions, expense floors and reserve treatment.

Turn the request list into an evidence ledger

For each material question, record the document and date, the responsible owner, the unresolved fact, the party who can accept it, and the financing consequence if it remains unresolved. A file delivered to a lender is not necessarily an accepted answer.

Evidence state: requested / received / reconciled / accepted / still conditional. Preserve the lender response and avoid treating an unanswered question as approval.

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Document checklist: cash flow and collateral

Use a consistent cutoff date. Mark missing items, conflicts and explanations rather than simply counting files.

Cash flow and operations

Document / evidence request	Received / open
Current rent roll with unit type, size, occupied status and lease dates.	[] _____
Executed lease sample plus all material concessions, renewals and unusual terms.	[] _____
Tenant-level collections, arrears aging, write-offs and payment-plan history.	[] _____
Monthly operating statements and general ledger covering the requested periods.	[] _____
Bank-deposit reconciliation distinguishing rent, deposits, owner advances and other cash.	[] _____
Tax bills, insurance quotes, utility bills, payroll and management agreement.	[] _____

Property and collateral

Document / evidence request	Received / open
Unit inventory reconciled to legal use, survey and reported rentable area.	[] _____
Property-condition report with immediate repairs and replacement schedule.	[] _____
Environmental and other third-party reports requested for the proposed execution.	[] _____
Evidence of required occupancy approvals and unresolved violation responses.	[] _____
Capital bids with scope, access, tenant disruption and completion dates.	[] _____
Affordable, rent-regulatory or other restrictions applicable to actual units.	[] _____

Reconciliation note

The schedules should agree with the source documents or identify the exact reason for a difference. Keep the source amount, the adjustment and the lender-accepted amount visible as separate fields.

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Document checklist: sponsor and closing

Confirm who provides the money, when it is available and what evidence permits the transaction to fund.

Sponsor and execution

Document / evidence request	Received / open
Ownership chart and borrowing-entity documents identifying control and guarantors.	☐ _____
Sponsor experience with comparable property size, condition and resident profile.	☐ _____
Liquidity statements with restricted balances and overlapping commitments separated.	☐ _____
Real-estate debt schedule with maturities, guaranties and contingent obligations.	☐ _____
Management transition plan, staffing coverage and collection procedures.	☐ _____
Source-of-equity evidence and authority to make the required contribution.	☐ _____

Closing and funding

Document / evidence request	Received / open
Purchase agreement or current payoff statement and transaction deadlines.	☐ _____
Sources-and-uses ledger separating fees, deposits, escrows and usable proceeds.	☐ _____
Repair-holdback conditions, reimbursement steps and temporary cash requirement.	☐ _____
Insurance and tax-escrow instructions matched to the closing budget.	☐ _____
Loan assumptions, covenants and reserve definitions reconciled to the model.	☐ _____
Open-item log naming evidence owner, acceptance authority and funding consequence.	☐ _____

Before committing the next dollar

- ☐ Reconcile unit count, leased rent and collected cash before requesting a final quote.
- ☐ Resolve unsupported adjustments or show a separate lower-income scenario.
- ☐ Identify who funds repairs and operating deficits before any reimbursement.

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Use the model and reconcile the result

multifamily-underwriting-model.xlsx | Summary, Assumptions, Unit Mix, Operations, Debt and Funding, Review

1. Use Assumptions!D5 for Base (1) or Downside (2), and the labeled scenario input rows. Enter source data in Unit Mix!D10:K21; preserve formula cells and an untouched workbook copy.
2. Reconcile units, rent, occupancy and turnover in Unit Mix. A turn concession is a cash deduction; turn capital is below NOI. Average monthly occupancy is not a unit-level rent roll.
3. Reconcile Operations to Summary. Apply the entered lender adjustment separately to the modeled cash flow. Sizing uses amortizing debt service, while first-year payments reflect the entered interest-only period.
4. In Assumptions, replace illustrative value, LTV, DSCR, debt yield, rate, amortization and requested ceiling with the intended scenario. Review capacities in Debt and Funding. The smallest modeled capacity does not establish eligibility or approval.
5. Closing equity includes the entered opening cash and restricted reserves. Additional operating cash need is measured after that opening cash, so do not add it twice. Inspect monthly cash and remaining principal at maturity.
6. Read Review for model conventions and limitations. Save each scenario with its supporting evidence and date; actual lender definitions, legal rights and professional findings control the transaction.

Worked example: editable teaching assumptions

Illustrative Base / Downside inputs: Property value \$6,000,000 / \$5,200,000; Annual note rate 6.50% / 8.00%; Maximum LTV 65.00% / 60.00%; Minimum sizing DSCR 1.25 / 1.3; Minimum debt yield 9.00% / 10.00%; Amortization after IO (years) 25 / 25; Initial interest-only months 6 / 6.

Illustrative result	Base	Downside
Modeled revenue / contribution	\$1,027,824	\$876,898
NCF after reserve	\$752,693	\$580,169
NCF used for sizing	\$752,693	\$555,169
Modeled loan	\$3,900,000	\$3,120,000
Binding sizing constraint	LTV	LTV
First-year debt service	\$284,748	\$269,284
Required closing equity	\$2,000,000	\$2,780,000
Equity left / (closing gap)	\$500,000	-\$280,000
Additional operating cash need	\$0	\$0
Equity left / (combined gap)	\$500,000	-\$280,000
Principal at modeled maturity	\$3,574,328	\$2,907,601

Base NCF used for sizing is \$752,693. The modeled loan is \$3,900,000, with LTV binding. Closing uses of \$5,900,000 less that loan require \$2,000,000 of equity. Available equity is \$2,500,000; the signed combined surplus/gap is \$500,000 after any additional operating cash need. Downside changes the loan to \$3,120,000 and the combined result to -\$280,000.

Dollar results rounded to the nearest dollar; the workbook retains precision. Signed funding surplus is negative for a shortage. A positive funding surplus remains subject to actual source availability.

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Review the risks and the evidence

- Do not count billed rent and later collections twice when converting accrual records to cash evidence.
- Avoid using a full-property vacancy deduction after already excluding the same vacant units from rent.
- A replacement reserve and an actual capital project have different purposes; trace where each dollar is funded.
- Higher projected rents do not cure a closing cash shortage or prove an agency program will accept the projection.

Sources and applicability

Fannie Mae Section 905.01 was checked in the official PDF downloaded on October 21, 2026 (edition effective September 28, 2026), pages 3-6. Its cash-flow framework is program-specific; the guide does not apply its numerical thresholds to all apartment loans. Confirm the controlling version and lender treatment for the actual transaction.

1. Fannie Mae - Small Mortgage Loan property income analysis | Section 905.01, Required Underwritten Net Cash Flow table, PDF pages 3-6; edition effective September 28, 2026 | Checked 2026-10-21

Source-specific context; numerical examples and decision workflow are original hypothetical analysis.

<https://mfguide.fanniemae.com/fnmf-pdf/download/3771>

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Education and analysis do not establish a financing offer, appraisal, legal opinion or program eligibility. Confirm the current source, actual contract terms and professional advice relevant to the transaction.