Certification to Project Rent Roll For Residential Rental Units Only

Project Name: ____

Location: ____
(Street Address)

____
(City, State, Zip Code)

Seller/Servicer	Fannie Mae Multifamily Loan No.
	Seller/Servicer No.

Rental & Occupancy Data
Accurate as of: (D/M/Y)

This form is being submitted for the following purpose (check applicable box)
1 ☐ Loan Application
2 ☐ Mortgage Purchase
3 ☐ Other (State Purpose) ____

A. Certification of Mortgagor and Management Agent

We certify that:

1) The information contained on this form and Exhibit A is true and accurate.

2) The monetary value of any rent concessions, rebates, or goods given or scheduled to be given at any time during or after the lease term expires in order to induce the tenants to lease a unit in the project is shown on Exhibit A.

3) The monetary value of any rent subsidies given during the lease term in order to reduce the tenant's monthly rent payments is shown on Exhibit A.

4) The requirements for low and moderate income housing are in compliance with Section 103(b)(4)(A) of the Internal Revenue Code and the Issuer's Regulatory Agreement, if applicable.[1]

Name of Mortgagor	Name of Management Company
By: ______________________________	By: ______________________________
Title: ______________________________	Title: ______________________________
Date: ______________________________	Date: ______________________________

[1] Units counted toward these requirements are identified by an asterisk placed in front of the unit number on the Project Rent Roll (Exhibit A).

B. Certification of Fannie Mae Seller/Servicer

We certify that:

1. We have reviewed 25% (for projects of 100 units or less) or 10% (for projects of more than 100 units) of the written leases or rental agreements for the tenants against the Project's Rent Roll (Exhibit A).
   - ☐No discrepancies exist.
   - ☐Discrepancies exist and are described in an attached narrative.
2. We have physically inspected 10% of the occupied units and examined the cash sheets for those units, using a manual random selection.[2]
   - ☐No discrepancies exist between our sample and the Project's Rent Roll (Exhibit A).
   - ☐Discrepancies exist and are described in an attached narrative.
3. To the best of our knowledge and belief, after completing our due diligence in 1 and 2 above, the rental information contained in this form and the representations made by the mortgagor and management agent are accurate.

Insert Name of Fannie Mae Seller/Servicer:

By[3]:______________________________

Title:______________________________

Date: ______________________________

Telephone Number: ______________________________

[2] Identify units inspected by manually circling the unit number on the Project Rent Roll (Exhibit A).

[3] Must be signed by an officer.

INSTRUCTIONS FOR COMPLETING THE CERTIFICATION TO PROJECT RENT ROLL (FORM 4243) AND EXHIBIT A

Use: The Lender uses this form to provide Fannie Mae with information about the income-generating power of a conventional multifamily project at a specific point in time. The form includes occupancy information, a record of the monthly residential unit income (on all units exclusive of furnishings), the number of non-revenue-producing units and the monthly rent for those unit types, commercial space income, and the total annualized value of any cash and non-cash rental concessions.

Copies: Original, plus one.

Source: Lenders must reproduce this form. Camera-ready copies may be obtained from the Regional Offices.

Instructions: The Lender must complete the top portion of page 1 of the Form and give the form and these instructions to the Borrower. The Borrower must complete Exhibit A (the project rent roll). Both the Borrower and the management agent must sign the form, the Borrower must sign Part A and the Lender must sign Part B. The Lender should send us the original of the form and retain the copy.

Submission Requirements: The Lender must submit this form when it submits any of the following:

1. Loan application;
2. Mortgage purchase;
3. Assumption request;
4. Subordinate financing request;
5. Partial release requests;
6. Letter of Credit release request;
7. Repurchase Agreement release request;
8. Annual inspection report;
9. Insurance loss report (when the loss exceeds the lesser of $250,000 or 10 percent of the outstanding UPB); or
10. 45-day delinquency report.

Completing Form 4243

Certifications by Mortgagor/ Management Agent

The Borrower and management agent in all cases must certify as provided in items A.1, A.2, and A.3. When the multifamily Mortgage is part of a Multifamily Credit Enhancement transaction, the Borrower and the management agent must certify (in Item A.4) that the project is in compliance with the occupancy requirements of Section 103 (b)(4)(A) of the Internal Revenue Code for low and moderate-income housing and with the Issuer's Regulatory Agreement, if applicable. The Mortgager must also identify (by placing an asterisk in front of the unit number on the project rent roll) units that are counted toward compliance with these requirements.

The certification in A.4 is required only when the form is being submitted in connection with the Mortgage purchase, a request for an assumption, a request for a partial release of security, the annual inspection report, or the 45-day delinquency report. When the form is being submitted for a reason other than these five reasons listed, the Borrower may line out A.4.

Certification by Lender

In all cases, the Lender must certify as provided in Form 4243 B.3. When the form is being submitted in connection with the loan application, a request for the release of a Letter of Credit, the 45-day delinquency report, or in individual cases specifically required by Fannie Mae, the Lender must also certify as provided in B.1 and B.2 as to the accuracy of the information the Borrower and the management agent provided in Exhibit A. When the form is submitted for reasons other than these four reasons, the Lender only has to certify as provided in B.3; the phrase "after completing our due diligence in 1 and 2 above" can be lined out in those instances.

In order to make the certifications in B.1 and B.2, the Lender will have to exercise due diligence by reviewing 25 percent (for projects of 100 units or less) or 10 percent (for projects of more than 100 units) of the written leases or rental agreements against the project's rent roll and by physically inspecting a minimum of (i) 5 percent of the units for projects that contain 200 units or more, (ii) the greater of 5% or 10 units for projects that contain between 100 and 199 units, or (iii) the greater of 10% or 5 units for projects that contain fewer than 100 units. The Lender's physical inspection should encompass a reasonable mix of both occupied and vacant units. The Lender should inspect a higher number of units in cases in which (i) physical occupancy is less than 90%, (ii) there is evidence of deferred maintenance, (iii) major rehabilitation is being planned, or (iv) the inspection results indicate that a greater sampling is warranted in order to support appropriate conclusions. The Lender must also examine the cash sheets or cash receipts journal and ledger cards, if ledger cards are used, for the units physically inspected. To the extent possible the units selected for physical inspection should be the same units for which the Lender has reviewed written lease or rental agreements. The Lender should describe any discrepancies it identified in narrative form, which should be attached to Form 4243. If material discrepancies are detected in its review of written leases, physical inspection, or cash sheet examination, the Lender should expand its lease review, unit inspection and cash sheet examination, the Lender should expand its lease review, unit inspection, and cash sheet examination by another 10 percent random sample, and continue such sampling until no material discrepancies are identified. The Lender's Narrative should explain why the discrepancy exists. The Fannie Mae Regional Office or Multifamily Operations - Asset Management will review the disclosed discrepancies to determine the acceptability of the Form 4243. If necessary, Fannie Mae may require the Lender to review original written leases and/or personally interview the tenants or Fannie Mae may conduct its own sampling and review to satisfy any concerns about the accuracy of the data.

Acceptable Tenants

Usually, Fannie Mae considers residential rental income from units leased by individuals only. However, Fannie Mae will consider the income from units leased by tenants other than individuals--public or private entities-- on a case-by-case basis. In determining whether to consider such income, Fannie Mae will look at a number of factors, including the total number of non-individual tenant leases as a percentage of the total number of units in the project, the term of the lease, the security for performance of the lease, if any, the non-individual tenant's ability to cancel the lease and the likelihood that it would do so, and the market's ability to absorb a large number of units in the event the lease was cancelled or not renewed.

Ancillary Income

Fannie Mae considers as acceptable ancillary income only the income from the garage and the parking and the laundry facilities. Fannie Mae does not consider income from furniture rental, pet fees, forfeited security deposits, or other similar income as acceptable.

Completing Exhibit A: Project Rent Roll Form

The Borrower must provide a copy of the property's rent roll to be submitted as Exhibit A to Form 4243. The rent roll can be submitted in one of two formats: the Borrower may utilize the Exhibit A template attached to this form for rent roll submission or the Borrower may provide a computer printout in lieu of transferring the individual lease data to the sample Exhibit A. The heading of the computer printout must be labeled "Exhibit A, Project Rent Roll." The printout must include the project's name, the Fannie Mae loan number, the date of the information, and the following information (at a minimum) in columnar form in no particular order; for every residential rental unit in the project.

A. Unit Number
B. Unit Type
C. Square Footage
D. Tenant Name (If Unit Not Leased Insert "Vacant", "Model", "Office", "Employee", or "Storage" as Appropriate)
E. Monthly Unfurnished Contract Unit Rent Stated In Lease (Exclusive of Ancillary Income, gross of concessions and subsidies)
    - If the unit is leased to an employee, list the actual amount paid by the employee
    - If the unit is a non-revenue unit (offices, models, etc.), provide the latest or most up-to-date rent of a like-sized, occupied unit in the same building on the rent roll.
F. Monthly Ancillary Income Stated In Lease (insert letter code after amount to indicate laundry (L), parking (P), garage (G), or pets/animals (A))
G. Written Lease Inception Date
H. Written Lease Expiration Date
I. Value of Subsidy (if none, leave blank)
J. Rent Net of Subsidy (i.e. actual tenant rent paid)
K. Value of Cash Concession (if none, leave blank)
L. Reason Concession Given
M. Utilities included, Yes or No
    - "Yes" if ALL of the utilities are included in the rent. If any of the utilities below are NOT included in the rent, indicate "No."
        - Electricity
        - Piped or bottled gas
        - Water and Sewage disposal
        - Fuel (oil, kerosene, wood, solar energy, or other)
        - Garbage and Trash collection
N. Delinquencies? (Yes/ No)

Reflecting Subsidies in Unit Mix Data

The Mortgagor must disclose rental subsidies for subsidized tenants. Some of the more common forms of rental subsidies are HUD Section 8 vouchers or project-based HAP contracts.

Example

If the total monthly rent for a 2-bedroom unit is $500 a month and the subsidy payment is $150, the tenant would only be responsible for $350 of the monthly rent. In this case $350 would be the amount that should be included on the Rent Roll as the "Rent Net of Subsidy," and $150 would be included as the "Value of Subsidy." The Rent Roll reported "Monthly Unfurnished Contract Rent" should not be reduced by the subsidy amount.

Reflecting Concessions in Unit Mix Data on the Rent Roll

In all cases, the Mortgagor must disclose rental concessions given or scheduled to be given at any time during or after the lease term expires. The most common form of rental concessions are one or more months of free rent during the term of a lease.

Example

If the total monthly rent for a 2-bedroom unit is $500 a month, and the mortgagor offers the tenant one month of free rent, $500 is the amount that should be included on the Rent Roll as the "Value of Cash Concession." The Rent Roll reported "Monthly Unfurnished Contract Rent" should not be reduced by the concession amount.

Annual Value of Concessions for Underwriting

The following examples illustrate the method of calculating the annual value of some concessions for underwriting purposes.

Example (for cash-off or free rent during the lease term)

This example will be based on the scheduled rent of a 2-bedroom unit that rents for $500 a month with a six-month lease term of $3,000 ($500 x 6). If the mortgagor wants to induce a tenant to lease the unit, the mortgagor may offer the tenant one month of free rent--either all at once, prorated over the six-month lease term, or some combination thereof. This would mean that the actual total rent would be $2,500 ($3,000 - $500 for the free month = $2,500) and the actual monthly rent would be $416.67 ($2,500 ÷ 6 months). The annual value of the concession would be $1,000 ($500 scheduled monthly rent - $416.67 actual monthly rent = $83.33; $83.33 difference X 12 months = $1,000).

Example (for one or more months of free rent before/after lease term)

This example will be based on the scheduled rent of a 2-bedroom unit that rents for $500 a month and has a 12-month lease term is $6,000 ($500 X 12). If the mortgagor wants to induce a tenant to lease the unit, the mortgagor may offer a 13-month lease term for the same cost as a 12-month yearly lease. This would mean that the actual monthly rent would be $461.54 ($6,000 ÷ 13). The annual value of the concession would be $461.52 ($500.00 - $461.54 = $38.46; 38.46 x 12 = $461.52).

On the other hand, if the tenant were offered a seven-month lease for the cost of a six-month lease for this unit, the actual monthly rent would be $428.27 ($6,000 annual rent ÷ 2 = $3,000 rent for six months; $3,000 ÷ 7 months = $428.57). The annual value of the concession would be $857.16 ($500 scheduled monthly rent - $428.57 actual monthly rent = $71.43; $71.43 x 12 = $857.16).

Exhibit A - Project Rent Roll

(For Residential Rental Units Only)

Project Name: _____________________________________Date: ______________________ Fannie Mae Multifamily Loan No.: ____________________________________

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Unit No.	Unit Type*	Square Footage	Tenant Name (If Unit Not Leased Insert “Vacant”, “Model”, “Office”, “Employee”, or “Storage” as Appropriate)	Monthly Unfurnished Contract Unit Rent** Stated In Lease (Exclusive of Ancillary Income)	Monthly Ancillary*** Income Stated In Lease (Insert Letter Code After Amount)	Written Lease Inception Date	Written Lease Expiration Date	Value of Subsidy (if none, leave blank)	Tenant Rent Net of Subsidy	Value of Cash Concession (if none, leave blank)	Reason Concession Given	Utilities included?****	Delinquencies? (Yes/ No)

* (use "0" for Studio, "1" for 1 bedroom, "2" for 2 bedroom, "3" for 3 bedroom, etc.)

** Monthly contract rent should reflect rent gross of concessions and gross of subsidies.

***Ancillary Income Means: L = Laundry, G = Garage, P = Parking, A = Pets/Animals

**** “Yes” if ALL of these utilities are included in the rent: electricity, water and sewage disposal, fuel, garbage and trash collection. If any of these utilities are NOT included in the rent, indicate “No.”