



Fannie Mae®

Multifamily Selling and Servicing Guide

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703.02F LIHTC Income Averaging

Guidance

When a Sponsor elects LIHTC Income Averaging for a Property with new LIHTCs, you should consider:

- Will LIHTC Income Averaging impact other non-LIHTC regulatory agreements?
- Is LIHTC Income Averaging compatible with other funding and subsidy source requirements, including any project-based HAP contract?
- Has LIHTC Income Averaging been approved by the
 - state agency, and
 - LIHTC investor or syndicator?
- Will the on-site Property management staff have sufficient experience?
- Will the unit mix be impacted, including
 - unit parity,
 - multi-building election,
 - floating units, and
 - market rate units?
- What is the rent advantage, especially for units above 60% of AMI?
- For a Forward Commitment,
 - is the Property not a resyndication of a property previously developed or preserved using LIHTCs and subject to an existing extended use agreement, or
 - if the Property is a resyndication, have you confirmed the property has completed its extended use period?
- Does the market study include capture rates for each unit designation supporting LIHTC Income Averaging?

Requirements

You must identify and mitigate any risks from electing LIHTC Income Averaging.



Glossary

F

Forward Commitment Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property per Part XV of the DUS Guide, subject to certain conditions.

Synonyms

- Forward Commitments

H

HAP HUD project-based Section 8 rental subsidy in the form of a Housing Assistance Payment contract.

Synonyms

- Housing Assistance Payment

L

LIHTC Income Averaging Internal Revenue Code Section 42 election allowing LIHTC property owners to rent units to households earning up to 80% of AMI, provided

- a minimum of 40% of the residential units are both rent-restricted and occupied by households with a maximum income up to an average of 60% of AMI, and
- the unit's rents are limited to 30% of the qualifying income level.

For example, for a 30% AMI unit, the maximum rent that may be charged to a household is 30% of AMI.

P



Property

Multifamily residential property securing the Mortgage Loan and including the land (or Leasehold interest in land), Improvements, and personal property (as defined in the Uniform Commercial Code).

Synonyms

- Properties
- Property's

S

Sponsor

Principal equity owner and/or primary decision maker of the Borrower (often the Key Principal or the Person Controlling the Key Principal).

Synonyms

- Sponsors
- Sponsor's