Fannie Mae®

Multifamily Selling and Servicing Guide

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TABLE OF CONTENTS

Part III Section 703.02D LIHTC Average Income 3
GLOSSARY 4

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703.02D LIHTC Average Income

Requirements

You must identify and mitigate any risks from the Borrowers electing LIHTC Average Income per the Internal Revenue Code.

Guidance

When a Borrower elects LIHTC Average Income per the Internal Revenue Code for a Property with new LIHTCs, you should consider:

- Will LIHTC Average Income impact other non-LIHTC regulatory agreements?
- Is LIHTC Average Income compatible with other funding and subsidy source requirements, including any HAP Contract?
- Has LIHTC Average Income 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 re-syndication of a Property previously developed or preserved using LIHTCs and subject to an existing extended use agreement, or
  - if the Property is a re-syndication, have you confirmed the Property has completed its extended use period?
- Does the market study include capture rates for each unit designation supporting LIHTC Average Income?

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Glossary

B

Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

C

Commitment	Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan. **Synonyms** • Committed • Commitments

F

Forward Commitment	Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property. **Synonyms** • Forward Commitment's • Forward Commitments

G

Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

H

HAP Contract	An agreement providing a HUD Section 8 rental subsidy for the Property in the form of a: • project-based voucher contract (PBV), or • project-based rental assistance contract (PBRA). **Synonyms** • Housing Assistance Payment • HAP • HAP Contracts

I

Investor	MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan. **Synonyms** • Investors • Investor's

L

Lender Contract	Program Documents per the Multifamily Selling and Servicing Agreement. **Synonyms** • Lender’s Contract • Lender Contracts • Contract • Multifamily Selling and Servicing Agreement • MSSA
LIHTC Average Income	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.

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Low-Income Housing Tax Credit	Federal program offering tax credits to owners of eligible properties that contain low-income occupants and rent restrictions. **Synonyms** • Low-Income Housing Tax Credits • Low Income Housing Tax Credits • LIHTC • LIHTCs

P

Property	Multifamily residential real estate securing the Mortgage Loan, including the • fee simple or Leasehold interest, • Improvements, and • personal property (per the Uniform Commercial Code). **Synonyms** • Properties • Property's