



Fannie Mae®

Multifamily Selling and Servicing Guide

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1903.03B Construction and Feasibility Review

➔ Guidance

You should:

■ Assess the:

- construction lender's capacity to fund and monitor the construction loan; and
- ability of the development team and general contractor to
 - complete the project, and
 - post an acceptable bond or letter of credit for the construction lender.

■ Review and approve the:

- project budget, including construction contingencies, and align any deferred development fee to market rates;
- LIHTC equity funding schedule;
- pro forma underwriting;
- feasibility of repaying the construction loan at conversion, including:
 - evaluating several stress-test scenarios such as a decline in rents, an increase in operating expenses, or other circumstances;
 - having the LIHTC investor or construction lender retain an appropriate portion of the development fee until specified construction and lease up milestones are met;
 - the sufficiency of the LIHTC investor's equity funding; and
 - the availability of other capital sources such as grants or subordinate debt;
- absorption schedule, including a capture band analysis of submarket income;
- Borrower organizational documents;
- Affordable Regulatory Agreements; and
- Subordinate Loan documents.

■ Ensure the Forward Commitment term is sufficient to allow for:

- the Property to be completed and leased;



- you to submit the conversion package;
- Fannie Mae to approve the conversion; and
- you to Deliver the permanent Mortgage Loan.



Glossary

B

Borrower

Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

F

Forward Commitment

Commitment to purchase a permanent Mortgage Loan for a to-be constructed or rehabilitated Property.

Synonyms

- Forward Commitment's
- Forward Commitments

M

Mortgage Loan

Mortgage debt obligation evidenced, or when made will be evidenced, by

- the Loan Documents, or
- a mortgage debt obligation with a Fannie Mae credit enhancement.

Synonyms

- Mortgage Loans
- Mortgage Loan's

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

S

Subordinate Loan

Multifamily residential real estate loan secured by a Lien against the Property having a lesser priority than the Lien securing another multifamily residential real estate loan on the same Property.

Synonyms

- Subordinate Loans