



Multifamily Selling and Servicing Guide

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703.02 Underwriting

703.02A Not-for-Profit (IRC §501[c][3]) Borrower may be a Multi-Asset Borrower

Requirements

Although a single-asset entity is preferred, a not-for-profit Borrower may be a multi-asset entity.

If the not-for-profit Borrower is a multi-asset Borrower, you must analyze the Borrower's other assets and general financial condition per [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302: Borrower Organizational Structure](#).

703.02B Appraised Value and Underwriting Value

Requirements

In addition to the Appraisal requirements in [Part II, Chapter 2: Valuation and Income, Section 201.02: Appraisal](#), you must:

- Include 2 separate opinions of the Appraised Value based on:
 - the Affordable Regulatory Agreement, using
 - comparable multifamily rental properties,
 - the Property's submarket, and
 - properties with similar rent or income restrictions; and
 - the Property's income and expenses without the Affordable Regulatory Agreement (e.g., market rents, occupancy, and operating expenses), using
 - comparable multifamily market rate rental properties, and
 - the Property's submarket.
- Ensure that each Appraised Value is based on a market cap rate without any upward or downward adjustment for:
 - special financing (other than adjusted cap rates for Credit Enhancement Mortgage Loans);
 - tax credit benefits; or
 - any perceived special risks or benefits associated with the Property and its Affordable Regulatory Agreement.
- Determine the appropriate Appraised Value for the Underwriting Value



per [Part II, Chapter 2: Valuation and Income, Section 201: Market and Valuation](#).

703.02C Market Study

Requirements

If the Property is subject to a HAP contract that will expire before the Mortgage Loan Maturity Date, you must include a market study (which can be part of the Appraisal) that:

- is prepared by a qualified real estate professional; and
- identifies the absorption rate, lease-up period, and rent level for comparable market rate rental properties in the submarket.

703.02D Restabilization Reserve

Requirements

You must establish a Restabilization Reserve for an MAH Property that has a HAP contract if the HAP contract term (disregarding any annual or other incremental government appropriation conditions) expires before the Mortgage Loan Maturity Date.

The Restabilization Reserve must:

- equal the monthly P&I on the Mortgage Loan, multiplied by the greater of
 - 6 months, or
 - the lease-up period determined by the market study per [Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703.02C: Market Study](#); and
- remain in place until
 - the Property achieves underwritten occupancy for 90 days at market rate rents, or
 - the HAP contract is renewed and expires after the Mortgage Loan Maturity Date.

703.02E Affordable Regulatory Agreement Restrictions

Guidance

To underwrite the Mortgage Loan as an MAH Property, the Affordable Regulatory Agreement restrictions should remain in effect for the term of the



Mortgage Loan.

Requirements

When the Affordable Regulatory Agreement restrictions have 3 or more years remaining but will expire before the Mortgage Loan Maturity Date, you must provide support to underwrite to the MAH Preservation standards in the Form 4660, taking into account factors such as:

- restricted rents below market rate rents;
- the Property's history of operating as an MAH Property;
- the Borrower's history and experience owning and operating MAH Properties;
- the Borrower's intention to renew the Affordable Regulatory Agreement;
- the amount of time between the Maturity Date and when the Affordable Regulatory Agreement restrictions expire;
- market strength; and
- how the Property compares to comparable market rate properties in terms of occupancy, condition, and amenities if the Borrower intends to convert the Property to market rate rents and if no rent advantage exists.

See [Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.01: Eligible Characteristics and Underwriting](#) regarding self-imposed restrictions.



Glossary

A

Affordable Regulatory Agreement

Regulatory, land use, extended use, or similar agreement or recorded restriction limiting rents, imposing maximum income restrictions on tenants, or placing other affordability restrictions on the use or occupancy of the Property (whether imposed by a government entity or self-imposed by a Borrower).

Appraisal

Written statement independently and impartially prepared by a qualified appraiser stating an opinion as to the market value of the Property as of a specific date, supported by the presentation and analysis of relevant market information.

Synonyms

- Appraisals

Appraised Value

Appraiser's opinion of the market value of the Property documented in the Appraisal, on an "as is" basis, unless use of an "as completed" basis is specifically permitted by the Guide.

Synonyms

- Appraised Values

B

Borrower

Person who is the obligor under the Note.

Synonyms

- Borrowers
- Borrower's

F



Form 4660

Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the minimum underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans.

Synonyms

- Multifamily Underwriting Standards

G

Guarantor

Key Principal or other Person who executes a Payment Guaranty, a Non-Recourse Guaranty, or any other guaranty in connection with the Mortgage Loan.

Synonyms

- Guarantors

M

Maturity Date

Date all amounts due and owing under the Mortgage Loan become fully due and payable per the Loan Documents.

Synonyms

- Maturity Dates

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

P

P&I

Principal and interest



Preservation

Renewal or continuation of rent, income and/or occupancy restrictions on multifamily rental housing eligible as an MAH Property, but

- is potentially at risk of being lost from the affordable housing inventory through conversion to market-rate housing, and
- is not receiving new LIHTC.

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

U

Underwriting Value

Value of the Property determined by the Lender to size the Mortgage Loan per [Part II, Chapter 2: Valuation and Income, Section 201: Market and Valuation](#).