



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of December 13, 2024

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.



TABLE OF CONTENTS

Part III Section 707 HAP Contract Properties	3
707.01 Properties with Both HAP Contracts and LIHTC Units	3
707.02 Restabilization Reserve	4
707.03 HAP Contract Review Sheet	5
GLOSSARY	6



Section 707 HAP Contract Properties

707.01 Properties with Both HAP Contracts and LIHTC Units

Requirements

For a Mortgage Loan secured by an MAH Property or a Credit Enhancement Mortgage Loan, if the Property has both HAP contracts and LIHTC units, you must underwrite the Mortgage Loan using 1 of the following options.

Choice	Requirements
Option 1	<p>Underwrite the rents from HAP contract units using the lowest of</p> <ul style="list-style-type: none">• market rents,• HAP contract rents, and• applicable LIHTC rents. <p>Applicable LIHTC rents are the lower of</p> <ul style="list-style-type: none">• maximum allowable LIHTC rents minus utility allowances, and• actual rents in place for occupied units subject to a LIHTC Affordable Regulatory Agreement.



Choice	Requirements
Option 2	<p>Underwrite the rents from HAP contract units using the additional income above the LIHTC rents (LIHTC overage) if:</p> <ul style="list-style-type: none">• at least 20% of the Property's units are subject to a project-based HAP contract;• the HAP contract rents are less than or equal to market rents;• the weighted average LIHTC unit rents are least 10% below market;• the MAH Property is located in a market or submarket with 90% or greater economic occupancy, both for market rate and MAH Properties; and• the Sponsor has experience and success owning and operating properties with HAP contracts. <p>If the HAP contract expires before the Mortgage Loan Maturity Date, you must ensure the Property's Underwritten DSCR is greater than or equal to</p> <ul style="list-style-type: none">• 1.05 based on the LIHTC rents, and• 1.10 based on the LIHTC rents after the HAP contract expires.

707.02 Restabilization Reserve

Requirements

For all Tier 2 and Tier 3 Mortgage Loans, you must establish a Restabilization Reserve for an MAH Property that has a HAP contract if the HAP contract term (excluding any annual or incremental government appropriation conditions) expires before the Mortgage Loan Maturity Date.

The Restabilization Reserve must:

- equal the monthly Mortgage Loan P&I, 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 703.02B: 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 with an expiration date after the



Mortgage Loan Maturity Date.

You may eliminate the Restabilization Reserve if the:

- weighted average LIHTC unit rents are at least 10% below market;
- MAH Property is located in a market or submarket with 90% or greater economic occupancy, both for market rate and MAH Properties; and
- Sponsor has experience and success owning and operating properties with HAP contracts.

707.03 HAP Contract Review Sheet

Requirements

Before you Deliver the Mortgage Loan, you must:

- complete the Section 8 Housing Assistance Payments (HAP) Contract Review Sheet and Certification ([Form 6422](#)); and
- confirm that all conditions for approval are met.



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 per the Sponsor-Initiated Affordability Agreement ([Form 6490](#))).

C

Credit Enhancement Mortgage Loan

Mortgage Loan financed by a Bond issuance where Fannie Mae provides credit enhancement by

- a Credit Enhancement Instrument, or
- an MBS for Bonds.

Synonyms

- Credit Enhancement Mortgage Loans

H

HAP

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

Synonyms

- Housing Assistance Payment

M

Maturity Date

Date all Mortgage Loan amounts 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
- Mortgage Loan's

P

P&I

Principal and interest

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

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