Fannie Mae®

Multifamily Selling and Servicing Guide

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707.01 Properties with Both HAP Contracts and LIHTC Units

Requirements

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	Underwrite the rents from HAP Contract units using the lowest of • market rents, • HAP Contract rents, and • applicable maximum allowable LIHTC limits minus utility allowances.
Option 2	Underwrite the rents from HAP Contract units using the additional income above the LIHTC rents (LIHTC overage) if the: • Property has at least 20% of its units subject to a HAP Contract; • HAP Contract rents are less than or equal to market rents; • weighted average LIHTC unit rents are least 10% below market; • MAH Property is located in a market or submarket with 90% or greater economic occupancy, both for market rate and affordable properties; and • Sponsor has experience and success owning and operating properties with HAP Contracts. 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 • 1.05 based on the LIHTC rents, and • 1.10 based on the LIHTC rents after the HAP Contract expires.

Glossary

D

Debt Service Coverage Ratio	On an annual basis or any specified period, the ratio of Net Cash Flow to the total of: principal, interest, and required Mezzanine Financing or Hard Pay Preferred Equity payments. **Synonyms** • DSCR

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

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

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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

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
Multifamily Affordable Housing Property	Property that: • complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702: MAH Property Eligibility; and • is underwritten per Part III, Chapter 7: Multifamily Affordable Housing Properties. **Synonyms** • MAH • Multifamily Affordable Housing • MAH Property

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

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

U

Underwritten Debt Service Coverage Ratio	Ratio of Underwritten Net Cash Flow to the annual debt service for a Mortgage Loan amount based on a level debt service payment with the applicable amortization, and calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis, as adjusted for the applicable products and features in Part III. **Synonyms** • Underwritten DSCR