



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 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"><li>• market rents,</li><li>• HAP contract rents, and</li><li>• applicable LIHTC rents.</li></ul> <p>Applicable LIHTC rents are the lower of</p> <ul style="list-style-type: none"><li>• maximum allowable LIHTC rents minus utility allowances, and</li><li>• actual rents in place for occupied units subject to a LIHTC Affordable Regulatory Agreement.</li></ul>
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"><li>• at least 20% of the Property's units are subject to a project-based HAP contract;</li><li>• the HAP contract rents are less than or equal to market rents;</li><li>• the weighted average LIHTC unit rents are least 10% below market;</li><li>• the MAH Property is located in a market or submarket with 90% or greater economic occupancy, both for market rate and MAH Properties; and</li><li>• the Sponsor has experience and success owning and operating properties with HAP contracts.</li></ul> <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"><li>• 1.05 based on the LIHTC rents, and</li><li>• 1.10 based on the LIHTC rents after the HAP contract expires.</li></ul>



## 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**

## 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