



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">• market rents,• HAP contract rents, or• Applicable LIHTC rents.
Option 2	<p>Underwrite the rents from HAP contract units using the additional income above the LIHTC rents (LIHTC overage) if the HAP contract rents are less than market rents. If the HAP contract expires before the Mortgage Loan Maturity Date, you must ensure that:</p> <ul style="list-style-type: none">• the Underwritten DSCR is greater than or equal to 1.05 based on the LIHTC rents; and• the Property has an Underwritten DSCR greater than or equal to 1.10 based on the LIHTC rents when the HAP contract expires.

You may use Option 2, or eliminate the Restabilization Reserve under either option, if you meet all of the following:

- all LIHTC rents are at least 10% below market;
- the MAH Property is located in a market or submarket with 90% or greater economic occupancy; and
- the Sponsor is experienced and successful in owning and operating properties with HAP contracts.



Glossary

C

Credit Enhancement
Mortgage Loan

Mortgage Loan underwritten and serviced by the Lender and financed by the issuance of Bonds where Fannie Mae is providing a Credit Enhancement Instrument.

Synonyms

- Credit Enhancement Mortgage Loans

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

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

S



Sponsor

Principal equity owner and/or the primary decision maker of the Borrower (often the Key Principal or the Person Controlling the Key Principal).