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Guide Update 21-02: Multifamily Affordable Housing

Effective: 03/18/21
Retired: 03/18/22

Summary of Changes

HIGHLIGHTS
Effective March 18, 2021, Part III, Chapter 7: Multifamily Affordable Housing Properties was updated to expand delegation and clarify requirements, including new form Loan Documents and associated edits to: • Part I, Chapter 3 - Borrower, Guarantor, Key Principals, and Principals; • Part II, Chapter 3 - Legal Compliance; and • Part V, Chapter 4 - Asset Management: Loan Document Administration.

Primary Changes

Multifamily Affordable Housing Properties

- Expanded your delegated authority to underwrite:
  - rents on Properties with
    - new HAP contracts, or
    - recently approved HAP contract rents;
  - HAP contract rents up to 10% above market rents for certain Properties;
  - using 3% economic vacancy
    - in Nationwide markets, and
    - for Properties without HAP contracts;
  - using 2.5% Property management fees for certain Properties in
    - Strong Markets, or
    - Eligible MSAs;
  - the Florida Affordable Housing property tax exemption;
  - without a Restabilization Reserve for Tier 4 Mortgage Loans; and
  - using 35-year amortization for Properties with new LIHTCs and loan terms of at least 10 years.

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- Clarified information regarding:
  - Special Public Purpose and Sponsor Initiated Affordability;
  - components of Restricted and Unrestricted Values;
  - for LIHTC Properties,
    - when Sponsors elect to use LIHTC Income Averaging,
    - requiring a minimum 20% LIHTC equity contribution at closing,
    - deferred developer fees, and
    - applicable LIHTC rents equals the lower of maximum allowable LIHTC rents and actual rents in place;
  - LIHTC equity bridge loan
    - terms and conditions, and
    - requiring it to be paid off with the final LIHTC equity payment;
  - restrictive covenants and Affordable Regulatory Agreements apply to both MAH properties and non-MAH properties;
  - Conflict Mortgage Loan requirements if you have a LIHTC equity interest in the Property; and
  - for FHA Risk Sharing Mortgage Loans,
    - Special Public Purpose properties are ineligible,
    - specific Property locations are ineligible,
    - process change for reserving FHA units, and
    - when a subsidy layering review is required.

Associated Edits

Clarified:

- Any equity interest you acquire in the Borrower relating solely to obtaining the associated LIHTCs is not considered when determining if the Mortgage Loan is a Conflict Mortgage Loan.
- Any Affordable Regulatory Agreement for a non-MAH Property must be subordinated to the Security Instrument Lien.
- Asset management guidance for LIHTCs and added asset management requirements for an MAH Property with Sponsor-Initiated Affordability.

Added the following new required form Loan Documents for Sponsor-Initiated Affordability on www.fanniemae.com:

- Payment Guaranty (Pricing Incentive Recapture) (Form 6020.PIR);
- Modifications to Multifamily Loan and Security Agreement (Sponsor-Initiated Affordability Restrictions) (Form 6271); and
- Sponsor-Initiated Affordability Agreement (Form 6490).

Questions

Please contact Brian Wolf at brian_f_wolf@fanniemae.com, or Georgia Hessick at georgia_p_hessick@fanniemae.com with any questions.

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