Multifamily Selling and Servicing Guide

Effective as of August 3, 2026

Fannie Mae

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Chapter 7 Multifamily Affordable Housing Properties

Section 701 Generally

701.01 Description

Requirements

To qualify as an MAH Mortgage Loan, the MAH Property must:

- comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702: MAH Property Eligibility; and
- be underwritten per Part III, Chapter 7: Multifamily Affordable Housing Properties.

701.02 Underwriting

Requirements

You must:

- reflect the impact of the rent and income restrictions in your underwriting;
- apply the MAH Property underwritten DSCR, underwritten LTV, and underwriting Interest Rate Floors per Form 4660 to the:
  - LIHTC Affordability Type per LIHTC (24456);
  - HAP Affordability Type per HAP Contract (24466); and
  - Rent and Income Restricted Properties Affordability Type per Properties with Both Rent Restrictions and Income Restrictions (24471);
- apply the conventional mortgage loan underwritten DSCR, underwritten LTV, and underwriting Interest Rate Floors per Form 4660 to the:
  - Rent or Income Restricted Properties Affordability Type per Properties with Either Rent Restrictions or Income Restrictions (24476);
  - SPP Affordability Type per Special Public Purpose (24481); and
  - SIA Affordability Type per Sponsor-Initiated Affordability (24486); and
- maintain, in your Servicing File, a copy of any applicable

- Affordable Regulatory Agreement, and/or
- Private Affordability Agreement.

701.03 Committing and Delivery

Operating Procedures

To commit and Deliver a Mortgage Loan for a Property subject to rent or income restrictions (even if the Property does not qualify as an MAH Property), refer to the Affordable Housing Data Guidance Job Aid.

Section 702 MAH Property Eligibility

702.01 Eligibility Characteristics

Requirements

You must ensure an MAH Property is subject to:

- either a:
  - HAP Contract complying with HAP Contract (24466); or
  - Sponsor-Initiated Affordability Agreement (Form 6490) complying with Sponsor-Initiated Affordability (24486); and
- at least 1 Affordable Regulatory Agreement that:
  - is imposed by a Public Entity;
  - is recorded against the MAH Property on or before the Mortgage Loan Origination Date;
  - complies with Minimum Set Asides and Other Criteria (24441);
  - for an MAH Property, has a minimum remaining term of 3 years; and
  - for a LIHTC Property:
    - has a minimum remaining term of 3 years; and
    - for which the Borrower must sign the Modifications to Multifamily Loan and Security Agreement (Tax Credit Properties) (Form 6219) agreeing not to pursue a Qualified Contract Process available under the
      - Internal Revenue Code, and
      - if applicable, Affordable Regulatory Agreement.

If any Affordable Regulatory Agreement has 3 or more years remaining but will expire before the Mortgage Loan Maturity Date, you must document in the Transaction Approval Memo your analysis of the following factors to support underwriting to the applicable MAH standards in Form 4660:

- restricted rents below market rate rents;
- history of the Property operating as an MAH Property;
- the Sponsor's history and experience owning and operating multifamily properties subject to affordability restrictions;
- the Borrower's intention to renew that Affordable Regulatory Agreement;
- how much of the Mortgage Loan term will remain after that Affordable Regulatory Agreement expires;
- market strength; and
- how the MAH Property compares to comparable market rate properties in terms of occupancy, condition, and amenities if
    - the Borrower intends to convert the MAH Property to market rate rents, and
    - no rent advantage exists.

Guidance

An MAH Property may also:

- be subject to:
    - other Affordable Regulatory Agreements that do not comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.01: Eligible Characteristics and Underwriting (e.g., the Affordable Regulatory Agreement has a remaining term of fewer than 3 years, or does not comply with Minimum Set Asides and Other Criteria (24441)), provided that any other Affordable Regulatory Agreement complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 705: Restrictive Covenants and Affordable Regulatory Agreements, including the submission of an Affordability Restriction Checklist (Form 6419);
    - FHA Risk Sharing; or
    - inclusionary zoning (e.g., zoning variances or density bonuses granted in exchange for affordability restrictions, etc.);
- be financed using tax-exempt Bonds; or

- receive other state, local, or federal subsidies which are conditioned on the affordability of some or all of the units in the Property, including:
  - Rural Housing Service (RHS) Section 515 Loans; and
  - loans insured per the National Housing Act
    - Section 202, or
    - Section 236.

702.02 Minimum Set Asides and Other Criteria

Requirements

You must ensure the:

- Affordable Regulatory Agreement recorded against the MAH Property contains rent and/or income restrictions:
  - at least as restrictive as 1 of the affordability types in:
    - LIHTC (24456);
    - Properties with Both Rent Restrictions and Income Restrictions (24471);
    - Properties with Either Rent Restrictions or Income Restrictions (24476);
    - Special Public Purpose (24481); and
  - not subject to change by the Public Entity without Lender consent; or
- MAH Property is subject to a:
  - HAP Contract complying with HAP Contract (24466); or
  - Sponsor-Initiated Affordability Agreement (Form 6490) complying with Sponsor-Initiated Affordability (24486).

You must use existing tenant files, lease sampling, and rent roll testing, to verify the required occupancy by eligible tenants per:

- LIHTC (24456);
- Properties with Both Rent Restrictions and Income Restrictions (24471);
- Properties with Either Rent Restrictions or Income Restrictions (24476); or

- Special Public Purpose (24481).

However, you may rely on

- Borrower certifications,
- compliance reports, and
- documentation of exceptions.

You may treat an over-income tenant as an income eligible tenant if allowed by the applicable Public Entity program requirements, with the exception documented in your Transaction Approval Memo.

702.03 Affordability Types

702.03A LIHTC

Requirements

You must verify that by the Mortgage Loan Origination Date, restricted units:

- are occupied by income eligible tenants per the LIHTC program requirements; and
- meet at least 1 of the following:
  - **20% @ 50%:** at least 20% of all units are restricted to occupancy by households earning no more than 50% of AMI as adjusted for family size with rents not exceeding 30% of the income limit, as adjusted for family size;
  - **40% @ 60%:** at least 40% of all units are restricted to occupancy by households earning no more than 60% of AMI as adjusted for family size with rents not exceeding 30% of the income limit, as adjusted for family size;
  - **Average Income:** at least 40% (or 25% for New York City only) of all units are restricted to occupancy by households earning not more than the income limitation designated for that unit. The average of the income limits must not be more than 60% of AMI as adjusted for family size with rents not exceeding 30% of the designated income limit. The income limit can only be 20%, 30%, 40%, 50%, 60%, 70% or 80% of AMI. This option is only available for LIHTC projects that made this set-aside election after March 23, 2018, using Internal Revenue Service Form 8609; or
  - **25% @ 60% in New York City:** at least 25% of all units are restricted to occupancy by households earning no more than 60% of AMI as adjusted for family size with rents not exceeding 30% of the income limit, as adjusted for family size.

702.03B HAP Contract

Requirements

You must ensure that, by the Mortgage Loan Origination Date, at least 20% of all units are:

- subject to a HAP Contract; and
- restricted by the HAP Contract to households earning no more than 80% of AMI.

702.03C Properties with Both Rent Restrictions and Income Restrictions

Requirements

By the Mortgage Loan Origination Date, you must verify the restricted units are occupied by households that qualify for 1 of the following rent and income restrictions:

- **20% @ 50%:** at least 20% of all units are restricted:
  - to occupancy by households earning no more than 50% of AMI, as adjusted for family size; and
  - with rents not exceeding 30% of 50% of AMI, as adjusted for family size; or
- **40% @ 60%:** at least 40% of all units are restricted:
  - to occupancy by households earning no more than 60% of AMI, as adjusted for family size; and
  - with rents not exceeding 30% of 60% of AMI, as adjusted for family size.

702.03D Properties with Either Rent Restrictions or Income Restrictions

Requirements

By the Mortgage Loan Origination Date, you must confirm the following.

For Properties with...	You must confirm...
Rent restrictions (but no income restrictions)	The rent roll reflects the restricted rents are implemented.
Income restrictions (but no rent restrictions)	The restricted units are occupied by income eligible tenants.

The Property must have:

- **20% @ 50%:** at least 20% of all units restricted:
  - to occupancy by households earning no more than 50% of AMI, as adjusted for family size; or
  - with rents not exceeding 30% of 50% of AMI, as adjusted for family size; or
- **40% @ 60%:** at least 40% of all units restricted:
  - to occupancy by households earning no more than 60% of AMI, as adjusted for family size; or
  - with rents not exceeding 30% of 60% of AMI, as adjusted for family size.

702.03E Special Public Purpose

Requirements

You must have verified, on or before the Mortgage Loan Origination Date, that at least:

- 20% of all units are restricted to occupancy by households earning no more than 80% of AMI, as adjusted for family size, and the restricted units are occupied by income eligible households; and/or
- 20% of all units have rents not exceeding 30% of 80% of AMI, as adjusted for family size.

Operating Procedures

For general information, as well as information for how to register, obtain a Commitment, and Deliver a Special Public Purpose Mortgage Loan, refer to Multifamily Affordable Housing Property Definition – Special Public Purpose FAQs.

702.03F Sponsor-Initiated Affordability

Requirements

You must ensure the Borrower voluntarily self-imposes affordability restrictions preserving or creating multifamily affordable housing by requiring the Property to have affordability restrictions meeting all of the following:

- 20% @ 80%: at least 20% of all units are restricted to occupancy by households earning no more than 80% of AMI, as adjusted for family size, with rents not exceeding 30% of the income limit;

- are recorded against the Property by executing the Sponsor-Initiated Affordability Agreement (Form 6490);
- are in place at the Property by the Mortgage Loan Origination Date;
- require the Property to comply with the Sponsor-Initiated Affordability Agreement (Form 6490) within 12 months after the Mortgage Loan Origination Date;
- remain in place during the Mortgage Loan term; and
- are certified annually by the Borrower and monitored by an Administering Agent for compliance with the Sponsor-Initiated Affordability Agreement (Form 6490).

Operating Procedures

For any Property with Sponsor-Initiated Affordability, the Borrower must execute the:

- Sponsor-Initiated Affordability Agreement (Form 6490); and
- Modifications to Multifamily Loan and Security Agreement (Sponsor-Initiated Affordability Restrictions) (Form 6271).

For general information, as well as information for how to register, obtain a Commitment and Deliver a Sponsor-Initiated Affordability Mortgage Loan, refer to the Sponsor-Initiated Affordability FAQs.

Section 703 Property Income and Underwriting

703.01 Underwritten NCF

Requirements

You must use the following table to calculate Underwritten NCF.

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
CALCULATION OF NET RENTAL INCOME		

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
1		GROSS RENTAL INCOME the least of: • rents permitted under any federal, state, or local subsidy program applicable to the Property, as adjusted for AMI, family size, and number of bedrooms in a unit, and reductions for the applicable utility allowances;[1, 2] • rents permitted under theAffordable Regulatory Agreement, any Private Affordability Agreement, or any Third-Party Financing documents; or • based on a current rent roll: - actual rents in place for occupied units;and - for vacant units, the lowest of: ▪ actual rents in place for comparable occupied units; ▪ market rents; and ▪ permitted rents, described above (multiplied by 12). For MAH Properties with units occupied by tenant-based Housing Choice Voucher (HCV) holders, you may underwrite the excess of the annualized HCV unit income over Gross Rental Income up to 5% of GPR, when the: • Property's current and average 3-year physical occupancy is at least 95%;and • MAH Property is located in a Strong Market or an Eligible MSA . For Properties with both a HAP Contract and LIHTC, you must include incremental HAP Contract income per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 707.01: Properties with Both HAP Contracts and LIHTC Units.
2	PLUS	To the extent deducted as an operating expense, rents for other non-revenue units (e.g., model units deducted in the "model apartment" operating expense in the "general and administrative" category, or actual rent from employee units deducted in the "employee" operating expense in the "payroll and benefits" category).
	EQUALS	GROSS POTENTIAL RENT (GPR)[1]
3	MINUS	Physical vacancy applicable actual rents for vacant units and MAH unit type (e.g., 20% @ 50%, 40% @ 60%, or HAP Contract) based on a current rent roll (multiplied by 12).[3]
4	MINUS	Concessions the aggregate amount of forgone residential rental income from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc.[3]
5	MINUS	Bad debt the aggregate amount of unpaid rental income determined to be uncollectable, including any adjustments to other income for bad debt.[3]

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)

Item	Function	Description
	EQUALS	NET RENTAL INCOME (NRI)[2, 3, 4]

1 For Properties with HAP Contracts, you may:

• use newly approved rents if they are effective by the first day of the month after the Mortgage Loan Origination Date, even if the rents exceed trailing GPR;but
• not use rents based on
  - an agreement to enter into a HAP Contract (AHAP),
  - a commitment to enter into a Housing Assistance Payment contract (CHAP), or
  - a "comfort letter".

2 If a Property has a HAP Contract expiring after the Maturity Date, and current and average 3-year physical occupancy is at least 95%, and the Property's most recent HUD REAC or NSPIRE score is passing, you may underwrite HAP Contract rents up to:

• 5% above market rents, by unit type,if located in an Eligible MSA;
• 10% above market rents, by unit type,if located in a Strong Market;or
• 20% above market rents, by unittype, if:
  - located in a Strong Market; and
  - the HAP Contract type is:
    ▪ Option 4 renewal;
    ▪ Low-income Housing Preservation and Resident Homeownership Act (LIHPRHA); or
    ▪ Emergency Low-Income Housing Preservation Act (ELIHPA).

3 The total of Items 3, 4, and 5 must equal the greater of:

• the GPR, including any permitted HAP Contract rent increases per Footnote 1, multiplied by the percentage difference between the trailing
  - 3-month net rental collections (annualized), and
  - GPR, but excluding any HAP Contract rent increases not in effect before the Mortgage Loan Origination Date; and

• either:
  - 5% of GPR, including any permitted HAP Contract rent increases per Footnote 1;or
  - less than 5%, but no less than 3% of GPR, including any permitted HAP Contract rent increases per Footnote 1;if:
    ▪ the Property is located in an Eligible MSA, Strong Market, or Nationwide Market per Form 4660 ;
    ▪ for a Property with 95+% of the units restricted per the Affordable Regulatory Agreement and without a HAP Contract, the actual rents for restricted units are at least 10% below comparable market rents; and
    ▪ the economic vacancy (i.e., the total of Items 3, 4, and 5) is supported by current and 3 years of historical economic vacancy data of no less than the actual vacancy.

4 You must assess the NRI, including any declines, and make adjustments per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis .

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
		CALCULATION OF OTHER INCOME[5]
6	PLUS	Actual other income (except premiums and corporate premiums) generated through ongoing operations. The income must: • be stable; • be common in the market; • exclude one-time extraordinary non-recurring items; and • be supported by prior years. You must assess the individual month's other income within the prior full-year operating statement or, at a minimum, an operating statement covering at least the trailing 6 months (annualized). If there are fluctuations, you may use other income that exceeds the trailing 3-month other income (annualized), provided it does not exceed the highest 1-month other income used in the trailing 3-month other income calculation.
5 If premiums or corporate premiums are applicable for a particular MAH Property, inclusion of premium income is permitted consistent with Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.		
		CALCULATION OF COMMERCIAL INCOME
7	PLUS	Actual income from leased and occupied commercial space per Part II, Chapter 1: Attributes and Characteristics, Section 111: Commercial Leases.
8	PLUS	Actual income from STR units.
9	MINUS	10% of the actual commercial space income.[6]
10	PLUS	Commercial parking income (e.g., public parking) that does not exceed actual trailing 12-month collections.[6]
11	PLUS	Laundry and vending, parking, and all other income per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.
6 If net commercial income is greater than 20% of EGI, then reduce to 20% of EGI.		
	EQUALS	EFFECTIVE GROSS INCOME (EGI)
		CALCULATION OF OPERATING EXPENSES

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
12	MINUS	Line-by-line stabilized operating expenses. Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a • lease-up, • rehabilitation, • or other short-term positive or negative factors. Non-recurring, extraordinary operating expenses must not be included. You must assess: • the past operating history; • the Appraiser's expense analysis; • all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and • the Borrower's budget (forAcquisitions). You must: • analyze historical operations at the Property; • apply an appropriate increase over the prior year's operations in determining an estimate; and • include all STR-related expenses in their respective expense line items, including - cleaning, - furnishing, and - repairs.
13	MINUS	Property management fee equal to the greatest of: • 4% of EGI;[7] • actual property management fee, provided you - exclude any portion of a non-arm's length property management fee that is subordinated to the Mortgage Loan, and - include any known contractual fee increases occurring over the next 24 months; or • the Appraiser's concluded market property management fee, based primarily on - asset type, - operational complexity, and - market standards.

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description

7 You may underwrite the minimum management fee using 3.5% of EGI (rather than 4% of EGI) if the:

• underwritten management fee is at least $400 per unit;
• actual management fee is equal to or less than the underwritten management fee, provided you:
 - include any known contractual fee increases scheduled to occur over the next 24 months;and
 - exclude any portion of a non-arm's length property management fee that is subordinated to the Mortgage Loan; and

• Appraiser's concluded market management fees, based primarily on asset type, operational complexity, and market standards, support the underwritten management fee.

If the original Mortgage Loan amount is greater than $9 million, you may underwrite the minimum management fee using 3% of EGI (rather than 4% of EGI) if the:

• underwritten management fee is at least $450 per unit;
• actual management fee is equal to or less than the underwritten management fee, provided you:
 - include any known contractual fee increases scheduled to occur over the next 24 months;and
 - exclude any portion of a non-arm's length property management fee that is subordinated to the Mortgage Loan;

• Appraiser's concluded market management fees, based primarily on asset type, operational complexity, and market standards, support the underwritten management fee; and
• the Affordable Regulatory Agreement does not terminate beforethe Mortgage Loan term.

If the MAH Property is located in a Strong Market or Eligible MSA and the Mortgage Loan's original UPB is greater than $9 million, you may underwrite the minimum management fee using the greatest of:

• 2.5% of EGI;
• $500 per unit;
• the actual management fee, provided you:
 - include any known contractual fee increases scheduled to occur over the next 24 months;and
 - exclude any portion of a non-arm's length property management fee that is subordinated to the Mortgage Loan; or

• the Appraiser's concluded market management fees, based primarily on asset type, operational complexity, and market standards.

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
14	MINUS	Real estate taxes calculated per Lines 17(b) of Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF), provided that every unit benefiting from the Tax Abatement is subject to either a rent restriction or an income restriction per an Affordable Regulatory Agreement with a Public Entity. Notwithstanding the requirements of Lines 17(b) of Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF), provided you comply with the specified requirements below, you may use a reduced real estate tax payment if the Tax Abatement: • is not in place on the Mortgage Loan Origination Date per written documentation from the state or local tax assessor; or • would not survive a Foreclosure Event. If the Tax Abatement is not in place on the Mortgage Loan Origination Date, you must: • confirm the Tax Abatement is listed in Form 4164; and • comply with Form 4164. If the Tax Abatement would not survive a Foreclosure Event, you must confirm: • when reapplying for the original underwritten Tax Abatement, or an alternative Tax Abatement with equivalent benefits, Fannie Mae or another Property owner would qualify; • the Property's rent and income are maintained; and • if the Tax Abatement requires a qualified non-profit entity in the MAH Property ownership: - a sufficient number of qualified non-profits exist in the market (i.e., at least 3 if the MSA's population is less than 1 million, and at least 5 if the MSA's population is 1 million or more) who could become part of the ownership structure to qualify for the Tax Abatement; - the original, or an alternative Tax Abatement with equivalent benefits, has been ▪ established in the state's statutes, and ▪ in effect for at least 10 years; and - based on your due diligence, no material risk exists of the Tax Abatement legislation ▪ sunsetting, ▪ being repealed, or ▪ being revised such that the Property would no longer qualify.

REQUIRED UNDERWRITTEN NCF (MULTIFAMILY AFFORDABLE PROPERTY)		
Item	Function	Description
14 continued	MINUS	If the timeframe for the Tax Abatement is shorter than the Mortgage Loan term, or begins phasing out or expires within 5 years after the Maturity Date, you must consider: • a Bifurcated Mortgage Loan structure (i.e., 2 notes secured by a single first Lien Security Instrument); • an amortization schedule that accommodates the elimination of the abatement; or • providing clear justification and support in the refinance analysis. For a Property with a Tax Abatement, the Modifications to Multifamily Loan and Security Agreement (Tax Abatement or Exemption) (Form 6251) must be executed even if you do not underwrite the Tax Abatement.
15	MINUS	Insurance per Item 17(c) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF).
16	MINUS	Utilities, water and sewer, repairs and maintenance, payroll and benefits, advertising and marketing, professional fees, general and administrative, ground rent, supportive services, mandatory and ongoing fees payable per the Affordable Regulatory Agreement, and Private Affordability Agreement, or Third-Party Financing documents, and all other expenses per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis.
	EQUALS	UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI)
17	MINUS	• Replacement Reserve expense per Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF); • any mandatory and ongoing Partnership Agreement or Operating Agreement reserve; and • any mandatory and ongoing reserve not already included in the Loan Agreement for - the Affordable Regulatory Agreement, - any Private Affordability Agreement, or - Third-Party Financing documents.
	EQUALS	UNDERWRITTEN NCF

703.02 Underwriting

703.02A Appraised Value and Underwriting Value

☑ Requirements

In addition to the Appraisal requirements in Part II, Chapter 2: Valuation and Income, Section 202: Appraisal and Valuation, you must:

- Include 2 separate opinions of the Appraised Value based on:
  - Restricted Value from the Affordable Regulatory Agreement, the Sponsor-Initiated Affordability Agreement (Form 6490), or any Private Affordability Agreement, using
    - comparable multifamily rental properties,
    - the Property's submarket,
    - properties with similar rent or income restrictions, and
    - any Tax Abatements or programs that reduce the Property's assessed value.
  - Unrestricted Value from the Property's income and expenses without the Affordable Regulatory Agreement, the Sponsor-Initiated Affordability Agreement (Form 6490), or any Private Affordability Agreement (e.g., market rents, occupancy, and operating expenses), using
    - comparable multifamily market rate rental properties,
    - the Property's submarket, and
    - full taxes if rental income restrictions are required by a Tax Abatement or programs that reduce the Property's assessed value.
- Ensure each Appraised Value is based on a market cap rate without any upward or downward adjustment for:
  - special financing (other than adjusted cap rates for Credit Enhancement Mortgage Loans); or
  - tax credit benefits.
- Determine the appropriate Appraised Value for the Underwriting Value per Part II, Chapter 2: Valuation and Income, Section 202: Appraisal and Valuation.

703.02B Market Study

☑ Requirements

If a Tier 2 or Tier 3 Mortgage Loan is secured by a Property with a HAP Contract expiring before the Mortgage Loan Maturity Date, you must include a market study (which can be part of the Appraisal) that:

- is prepared by a qualified real estate professional; and
- for comparable market rate rental properties in the submarket, identifies the
  - absorption rate,
  - lease-up period, and
  - rent level.

703.02C 35-Year Amortization

Requirements

If you use a 35-year amortization term, the:

- Property must have:
  - LIHTCs with at least 8 years remaining in the initial 15-year compliance period; and/or
  - a new HAP Contract covering at least 95% of the units under the:
    - Rental Assistance Demonstration (RAD) program; or
    - Capital Repairs Program per the Section 8 Renewal Policy Guidebook available on HUD's website; and
- MAH Mortgage Loan must be a first Lien Mortgage Loan with a minimum term equal to the greater of
  - the remaining initial LIHTC compliance period, or
  - 10 years.

703.02D LIHTC Average Income

Requirements

You must identify and mitigate any risks from the Borrower's electing LIHTC Average Income per the Internal Revenue Code.

Guidance

When a Borrower elects LIHTC Average Income per the Internal Revenue Code for a Property with new LIHTCs, you should consider:

- Will LIHTC Average Income impact other non-LIHTC regulatory agreements?

- Is LIHTC Average Income compatible with other funding and subsidy source requirements, including any HAP Contract?
- Has LIHTC Average Income been approved by the
  - state agency, and
  - LIHTC investor or syndicator?
- Will the on-site Property management staff have sufficient experience?
- Will the unit mix be impacted, including
  - unit parity,
  - multi-building election,
  - floating units, and
  - market rate units?
- What is the rent advantage, especially for units above 60% of AMI?
- For a Forward Commitment,
  - is the Property not a re-syndication of a Property previously developed or preserved using LIHTCs and subject to an existing extended use agreement, or
  - if the Property is a re-syndication, have you confirmed the Property has completed its extended use period?
- Does the market study include capture rates for each unit designation supporting LIHTC Average Income?

703.02E Initial LIHTC Equity

Requirements

For any Property with new LIHTCs, you must ensure at least 20% of the aggregate LIHTC equity that the LIHTC investor or syndicator must contribute into the limited partnership is received on or before the Mortgage Loan Origination Date.

703.02F Developer Fees

Guidance

You should analyze the development budget, including the

- developer fee due the Sponsor or any Affiliate, and
- any deferred developer fee (i.e., the portion of the developer fee shown as a source in the sources and uses statement).

If the deferred developer fee is greater than 50% of the total developer fee, you should confirm there are sufficient

- hard and soft contingency budgets, and
- projected surplus cash flows to repay the deferred developer fee within the initial compliance period.

703.02G Rent-Stabilized Units

Guidance

Refer to Part II, Chapter 2: Valuation and Income, Section 207: Rent-Stabilized Properties regarding rent-stabilized MAH Property units.

Section 704 Third-Party Financing

704.01 Interest Rate and Payments

Requirements

You must ensure any Third-Party Financing:

- has a fixed interest rate or no interest payable; and
- for non-Soft Financing, interest:
  - is payable on a current basis; and
  - does not defer or accrue.

704.02 Loan Term

Requirements

You must ensure any Third-Party Financing that does not fully amortize, including any Soft Financing, matures at least 180 days after the Maturity Date of

- the Mortgage Loan, and
- any Pre-Existing Mortgage Loans.

Guidance

Third-Party Financing may:

- if it fully amortizes, mature before the Maturity Date of
  - the Mortgage Loan, and
  - any Pre-Existing Mortgage Loans; and/or
- be fully or partially forgiven before the Mortgage Loan Maturity Date.

704.03 Collateral and Credit Support

Requirements

You must ensure the Mortgage Loan is secured by the same credit support and collateral as any Third-Party Financing, including any

- recourse to the Borrower or any guarantor, or
- additional collateral.

You may secure the Third-Party Financing with a Lien on the Property if the Lien:

- is subordinated to the Security Instrument's Lien per
  - Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.07: Subordination Agreement,
  - Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.08: Lien Priority and Title Insurance Policy, and
  - Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.09: Form of Subordinate Loan Documents; and
- includes only the same collateral covered by the Mortgage Loan's Security Instrument.

704.04 Soft Financing

Requirements

Provision	To be considered Soft Financing...
Financing Terms	Third-Party Financingterms must comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Subordinate Financing.

Provision	To be considered Soft Financing...
Payments	Any Third-Party Financing payments due during the Mortgage Loan term (excluding ongoing fees which are addressed separately) must be payable only from Excess NCF, with up to: • 100% of the available Excess NCF (after subtracting amounts payable per Subsections 1 and 2 of the definition) for all Soft Financing payments to the Sponsor or an Affiliate; or • 75% of the available Excess NCF (after subtracting amounts payable per Subsections 1 and 2 of the definition) for all other Soft Financing.
Ongoing Mandatory Fees	The loan documents for any Third-Party Financing may require paying ongoing mandatory fees, such as facility fees, servicing fees, and fees for monitoring compliance with an Affordable Regulatory Agreement or any Private Affordability Agreement, provided you: • include any ongoing mandatory fees as an expense in calculating NCF; and • at the Mortgage Loan closing, escrow at least 12 months of ongoing mandatory fees, which must be funded from a source other than Mortgage Loan proceeds.
Events of Default	Failure to pay principal and/or interest due to lack of available Excess NCF must not be an event of default per the Third-Party Financing loan documents.
Subordination	Subordination must comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.07: Subordination Agreement.

To determine the acceptability of Soft Financing if multiple Soft Financing loans exist, you must:

- consider the maximum aggregate Soft Financing payments during the Mortgage Loan term;
- if the Borrower's agreements (including Subordinate Loan documents, any other documents evidencing any Soft Financing, and Borrower's organizational documents) do not specify Soft Financing payment priority, ensure intercreditor arrangements document payment priority among Soft

Financing creditors; and

- confirm the Excess NCF requirements are not exceeded in the aggregate among the applicable intercreditor provisions.

Guidance

Soft Financing may have:

- a nominal interest rate;
- principal payments that do not fully amortize the Third-Party Financing over its term;
- optional principal payments;
- a covenant to comply with an Affordable Regulatory Agreement;
- an event of default resulting from non-compliance with an Affordable Regulatory Agreement; and
- a loan term significantly longer than the Mortgage Loan term, with the Third-Party Financing either
    - being forgiven over time or at its maturity date, or
    - due only upon a Property sale.

704.05 Third-Party Lender

Requirements

If the lender type[1] is...	Then a Third-Party Financing...
• Public Entity; or • non-profit	Can: • be Soft Financing; or • require mandatory payments of - P&I, or - interest only.
Affiliate of the Borrower that is not a: • Public Entity; or • non-profit	Must qualify as Soft Financing per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.04: Soft Financing.
Any other lender	Is not permitted.

If the lender type[1] is...	Then a Third-Party Financing...
1 For a Third-Party Financing structured as a bond financing, the bondholder is the lender for this analysis.	

704.06 Developer's Notes

Requirements

You must ensure any developer note or advance due the Sponsor or an Affiliate is Soft Financing per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.04: Soft Financing.

704.07 Subordination Agreement

Requirements

For all Third-Party Financing, including Soft Financing, you, the Borrower, and the third-party lender must enter into:

- if the third-party lender is a Public Entity, a Fannie Mae form
  - Subordination and Standstill Agreement (Public Entity) (Form 6456), or
  - Subordination and Standstill Agreement (Public Entity) (Form 6456.SUB); or
- if the third-party lender is not a Public Entity, a Fannie Mae form Subordination and Standstill Agreement (Non-Public Entity) (Form 6414).

If a Public Entity, as issuer of a bond financing…	Then you must enter into…
Assigns its Third-Party Financing documents to a bond trustee	Form 6414 with the • Borrower, • Public Entity, • bond trustee, and • bondholder.
Reserves certain rights under the Third-Party Financing documents that remain unassigned	Form 6456, but only as to the reserved rights, with the • Borrower, and • Public Entity, as third-party lender.

If a Public Entity, as issuer of a bond financing…	Then you must enter into…
• Assigns its Third-Party Financing documents to a bond trustee; and • Reserves certain rights under the Third-Party Financing documents that remain unassigned	Both: • Form 6414 with the - Borrower, - Public Entity, - bond trustee, and - bondholder; and • Form 6456, but only as to the reserved rights, with the - Borrower, and - Public Entity, as third-party lender.

704.08 Lien Priority and Title Insurance Policy

Requirements

You must ensure:

- The Third-Party Financing, along with any Lien securing the subordinate loan, remains at all times, subordinate to the Security Instrument's Lien, including any refinancing.
- The Subordination Agreement is recorded in the land records immediately after the subordinate security instrument is recorded.
- The Lender's title insurance policy reflects the recordation of the Subordination Agreement.

704.09 Form of Loan Documents for Third-Party Financings

Requirements

You must confirm the loan documents for the Third-Party Financing:

- comply with this Chapter; and
- do not require the Borrower to maximize rents at the Property, even if the Property is subject to
  - an Affordable Regulatory Agreement, or
  - any Private Affordability Agreement.

704.10 Prepayment

☑ Requirements

The Borrower may not prepay or redeem the Third-Party Financing without Fannie Mae's consent.

704.11 LIHTC Equity Bridge Loans

☑ Requirements

LIHTC Equity Bridge Loan	Requirements
LIHTC Type	Must be federal LIHTC.
Lender Eligibility	The LIHTC equity bridge lender must not be on ACheck.
Repayment	Must be completely repaid on or before the final LIHTC equity payment associated with the Property's placed-in-service date.
Amount	• Maximum of 80% of aggregate LIHTC equity contribution. • Per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703.02F: Initial LIHTC Equity, you must ensure at least 20% of the aggregate LIHTC equity that the LIHTC investor or syndicator must contribute into the limited partnership is received by the Mortgage Loan Origination Date.
Funding Conditions	No performance hurdles or Property performance benchmarks tied to bridge loan payments.
Note	• Non-recourse to Borrower. • Fixed or variable rate.
Guaranty (Repayment and/or Completion)	Must be subordinated to any Guaranty in favor of Fannie Mae.

Bridge Loan Collateral Types (multiple types allowed)	Bridge Lender Affiliated with You or LIHTC Investor	Bridge Lender Unaffiliated with You, LIHTC Investor, or Sponsor	Bridge Lender Affiliated with Sponsor
Assignment of Rights to Capital Contribution from LIHTC Equity Investor	Acceptable	Acceptable	Unacceptable
Assignment of Development Fee	Acceptable	Acceptable	Acceptable
Subordinate Security Instrument	Unacceptable	Unacceptable	Unacceptable
Assignment of General or Limited Partnership Interests (but not both)	Acceptable if Bridge Lender has LIHTC experience	Acceptable if Bridge Lender has LIHTC experience	• Acceptable for general partnership Interests • Unacceptable for limited partnership Interests
Subordination Agreement	Form provided by Fannie Mae	Form provided by Fannie Mae	Form provided by Fannie Mae

704.12 Grant Funding

Requirements

You must determine whether any Grant Funding is received:

- directly by the Borrower; or
- by any Borrower Affiliate and used to fund any:
  - Third-Party Financing; or
  - Grant Funding from the Borrower Affiliate to the Borrower.

If any Grant Funding above is subject to clawback, recapture, or other contingent repayment (e.g., upon an event of non-compliance or default), you must:

- ensure any collateral for the contingent repayment complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.03: Collateral and Credit Support; and
- with the Borrower, the Borrower Affiliate (if applicable), and the grantor, enter into and record the applicable:
    - Subordination Agreement (Affordable) (Form 6456), if the grantor is a Public Entity; or
    - Subordination Agreement (Conventional) (Form 6414), if the grantor is not a Public Entity.

If any Borrower Affiliate receives Grant Funding and, in turn, loans those funds to the Borrower:

- that Third-Party Financing must comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Subordinate Financing; and
- the Borrower Affiliate must enter into the correct Subordination Agreement per Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704.07: Subordination Agreement.

Section 705 Affordable Restriction Checklist and Subordination and Standstill Agreements

☑ Requirements

For all Affordable Regulatory Agreements and Private Affordability Agreements, you must submit an Affordability Restriction Checklist (Form 6419).

You must ensure any Affordable Regulatory Agreement or any Private Affordability Agreement:

- only encumbers the Property;
- is executed and, if a recorded document, is recorded against the MAH Property on or before the Mortgage Loan Origination Date; and
- does not contain any affordability restrictions that are unusual or material to the finances or operation of the Property, other than the restrictions contemplated by Part II of Form 6419.

Unless the Affordable Regulatory Agreement is a HUD Use Agreement, if you responded “yes” in Part III or Part IV of Form 6419, you must subordinate the Affordable Regulatory Agreement to the Security Instrument Lien using the applicable Subordination and Standstill Agreement.

If a Public Entity...	Use...
Provided Third-Party Financing	• Subordination and Standstill Agreement (Public Entity) (Form 6456); or • both the: - Subordination and Standstill Agreement (Public Entity) (Form 6456.REG), for the Affordable Regulatory Agreement; and - Subordination and Standstill Agreement (Public Entity) (Form 6456.SUB), for the Third-Party Financing.
Did not provide Third-Party Financing	Subordination and Standstill Agreement (Public Entity) (Form 6456.REG).

If a Non-Public Entity...	Use...
Provided Third-Party Financing	Subordination and Standstill Agreement (Non-Public Entity) (Form 6414).
Did not provide Third-Party Financing	A Fannie Mae-approved Subordination and Standstill Agreement.

Section 706 ROAR Loan

706.01 Generally

Requirements

You must ensure any ROAR Loan:

- is a Credit Enhancement Mortgage Loan using a Credit Enhancement Instrument;
- has a fixed rate;
- has a minimum Mortgage Loan amount of $5 million; and
- is secured by an MAH Property that:

- currently has Stabilized Residential Occupancy, but will likely experience tenant displacement significant enough to lower the Underwritten DSCR, calculated using the Gross Note Rate, below the required DSCR set forth in Form 4660; and
- will undergo repairs, replacements, or improvements costing $10,000 per unit or more (based on the total number of residential units at the Property), or qualifies as a Moderate Rehabilitation Property.

706.02 Timing

Requirements

Within 24 months after the Mortgage Loan Origination Date

- the ROAR Work must be completed, and
- Restabilized Residential Occupancy must be achieved.

706.03 General Underwriting

Guidance

In addition to complying with Part III, Chapter 3: Moderate Rehabilitation Mortgage Loans, you should also review and evaluate the:

- Sponsor's experience developing or rehabilitating properties similar to the ROAR Property;
- tenant relocation plan, including budget and schedule;
- ROAR Work budget, including monthly sources and uses during the rehabilitation period;
- likelihood of any construction risks;
- LIHTC investors'
  - financial strength,
  - experience, and
  - reputation; and
- projected rent levels relative to market rents.

706.04 Additional Underwriting and Loan Documents

Requirements

You must underwrite the ROAR Loan per the following table.

Topic	Description
Underwritten NCF	• GPR must comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703.01: Underwritten NCF. • Underwritten NCF can be based on the Restabilized Residential Occupancy and normalized operating expenses achievable within 24months after the Mortgage Loan Origination Date.
Appraisal	The Appraisal must include an opinion of the Property's market valueon both an "as is" and an "as completed" basis that incorporates the ROAR Work to be completed after the Mortgage Loan Origination Date.
Occupancy During ROAR Work	Minimum 50% • Physical Occupancy, and • Economic Occupancy.
Minimum DSCR During ROAR Work	Using the ROAR Stressed NCF, actual fixed interest rate, and maximum loan amount based on the "as completed" value • 0.75 on an amortizing basis, or • 1.00 on an interest-only basis, if applicable.
Rehabilitation Reserve Agreement	Required.
Key Principal Guaranties	The Key Principal must execute • a Completion Guaranty (Form 6018), and • an operating deficit guaranty.

Topic	Description
• Letter of Credit, or • Cash in Lieu of Letter of Credit	• Any Letter of Credit must: - be in place on the Mortgage Loan Origination Date; - comply with Part I, Chapter 2: Mortgage Loan, Section 204: Letters of Credit; and - equal at least 125% of the difference between the maximum Mortgage Loan amount based on the ▪ "as completed" value, and ▪ "as is" value. • Any cash escrow used in place of a Letter of Credit must: - be limited to 3 years or convert to a Letter of Credit after 3 years; - be in place on the Mortgage Loan Origination Date; - comply with Part V, Chapter 3: Custodial Accounts; and - equal at least 125% of the difference between the maximum Mortgage Loan amount, based on the ▪ "as completed" value, and ▪ "as is" value.
Additional Credit Support	May be required.
Underwriting Fee	You must: • charge the Borrower an underwriting fee equal to 3 basis points of the Mortgage Loan amount; and • pay that amount to Fannie Mae.

Section 707 HAP Contract Properties

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.

707.02 Restabilization Reserve

Requirements

For all Tier 2 and Tier 3 Mortgage Loans, you must establish a Restabilization Reserve for an MAH Property with 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
  - HAP Contract is renewed with an expiration date after the Mortgage Loan Maturity Date.

You may eliminate the Restabilization Reserve for an MAH Property with a HAP Contract, whether or not it also has LIHTC units, if:

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

707.03 HAP Contract Review Sheet

Requirements

Before you Rate Lock the Mortgage Loan, you must:

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

Section 708 Refinancing Section 236 Properties – IRP is Maintained

Requirements

For Fannie Mae to consider the cash flow from an IRP for a Property with a loan insured under Section 236 of the National Housing Act, the Borrower must decouple the IRP from the existing Section 236 note and mortgage by

- prepaying the Section 236 Loan, and

- having the IRP transferred to a new Mortgage Loan (which will be then considered a Section 236 Loan for purposes of continuing the IRP).

708.01 No Additional Proceeds

Requirements

If the Borrower is not seeking additional proceeds based on the IRP, you must exclude the amount of the IRP from the LTV and Underwritten DSCR.

708.02 Additional Proceeds from Mortgage Loan

Requirements

If the Borrower is seeking additional proceeds from the Mortgage Loan based on the IRP, then you must ensure:

- The Mortgage Loan has equal monthly payments of P&I.
- The portion of the Mortgage Loan sized based on the Underwritten NCF meets Fannie Mae's LTV and Underwritten DSCR requirements without considering the IRP cash flow.
- The portion of the Mortgage Loan sized based on the IRP cash flow has an Underwritten DSCR of at least 1.00.
- The financing structure reflects the remaining term of the IRP through a bifurcated note or amortization structure.

In a Forward Commitment transaction, if the IRP is decoupled from the original Section 236 Loan, you do not need to ensure principal amortization during the construction phase.

708.03 Additional Proceeds from Other Sources

Requirements

If the Borrower is seeking additional proceeds from sources other than the Mortgage Loan based on the IRP, you must:

- factor the debt into the Property’s overall LTV; and
- comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 704: Subordinate Financing.

Section 709 LIHTC Properties – Lender Equity Interest

Requirements

Fannie Mae will only purchase a Mortgage Loan secured by a LIHTC Property in which you are an equity investor (directly or indirectly) in the Borrower if the following conditions are met:

- Your equity interest in the Borrower is solely for obtaining the LIHTCs in the Property, and you have no
  - management authority for the Property, or
  - equity interest (other than the LIHTCs) in
    - the Borrower,
    - any Key Principal,
    - any Person holding a Controlling Interest in the Borrower or Key Principal,
    - any Principal, or
    - any Guarantor.
- You and the equity syndicator are organized to ensure independent analysis and decision making occurs in the
  - underwriting and approval of the debt,
  - equity investments, and
  - Mortgage Loan servicing.
- Your underwriting submission includes:
  - a description of the relationship among the
    - Lender,
    - Borrower, and
    - applicable Lender Affiliate; and
  - an organizational chart or diagram showing:
    - the complete Borrower ownership structure, including any Lender or Lender Affiliate equity interest; and
    - each entity's ownership interest.

Section 710 Transactions with Fannie Mae Debt and Equity Interests

710.01 Transactions Funded with Tax-Exempt Bond Proceeds

Requirements

If a Mortgage Loan will be funded with tax-exempt bond proceeds and the Property qualifies for LIHTCs, you must confirm if Fannie Mae owns or intends to acquire:

- a direct or indirect equity interest in the Borrower, in which case, Fannie Mae cannot also own or intend to acquire an interest in the tax-exempt Bonds; or
- an interest in the tax-exempt Bonds, in which case, Fannie Mae cannot also own or intend to acquire a direct or indirect equity interest in the Borrower.

710.02 Fannie Mae Credit-Enhanced Tax-Exempt Bond Issuance

Requirements

If Fannie Mae credit enhances tax-exempt Bonds issued to fund a Mortgage Loan, you must confirm Fannie Mae does not also own or intend to acquire a direct equity interest in the Borrower.

If Fannie Mae owns or intends to acquire an indirect equity interest in the Borrower through a fund, you must:

- immediately notify the Fannie Mae Deal Team; and
- confirm
  - Fannie Mae's indirect equity interest in the Borrower is less than 50%,
  - the Bond issuer and the Borrower have consented in writing to Fannie Mae's equity interest, and
  - for any LIHTC transaction, the Bond issuer and the Borrower have notified bond counsel of Fannie Mae's equity interest.

Section 711 FHA Risk Sharing

711.01 Description

Guidance

Fannie Mae and the HUD have a risk sharing agreement to share risk on Mortgage Loans for certain MAH Properties. HUD's risk sharing is in the form of mortgage insurance from FHA. HUD takes 50% of the risk of loss, and the remaining 50% of the loss is shared by you and Fannie Mae.

711.02 Eligibility

711.02A Borrowers, Key Principals, Guarantors, and Principals

☑ Requirements

You must ensure that the Borrower, and each Key Principal, Guarantor, and Principal are not on the most current "List of Parties Excluded from Federal Procurement or Nonprocurement Programs".

711.02B Generally

☑ Requirements

You must ensure:

- the Mortgage Loan:
  - is fixed rate with no interest-only period;
  - has a loan term with a
    - minimum of 15 years, and
    - maximum of 40 years;
  - is either:
    - fully amortizing; or
    - requires a balloon payment of the outstanding principal no sooner than the end of the 15th year, calculated on an amortization term of no more than 30 years;
  - is secured by a:
    - single first Lien on real property; and
    - project consisting of at least 5 or more dwelling units located on
      - a single parcel of land, or
      - two or more non-contiguous parcels comprising a readily marketable Project within an area small enough for convenient and efficient management; and
  - is free of all Liens other than the Lien in favor of Fannie Mae and any subordinate Liens approved by Fannie Mae;
- at least 50% of the units are leased at rents:
  - at or above the underwritten rents; or

- that can sustain the Mortgage Loan;

- if the Borrower owns a leasehold interest in the Property, on the Mortgage Loan Origination Date, the lease term:
  - is at least 40 years; and
  - exceeds the amortization period by at least 10 years;
- the Property has affordability restrictions recorded against the Property monitored for compliance by a third party other than HUD or Fannie Mae (except for a Section 8 HAP Contract or Section 236 transaction for which HUD may monitor compliance);
- the affordability restrictions require that at least:
  - 20% of the units are rent-restricted and occupied by families with incomes no more than 50% of AMI, as adjusted for family size; or
  - 40% (25% in New York City) of the units are rent-restricted and occupied by families with incomes no more than 60% of AMI, as adjusted for family size;
- the residential unit's gross rent is restricted to no more than 30% of the unit's Imputed Income Limitation per Section 42 of the Internal Revenue Code;
- the affordability restrictions are in effect for at least the Mortgage Loan term;
- for an MAH Property, if the remaining affordability restrictions are less than 18 years, enforcement of those restrictions is considered senior to the Mortgage Loan's Lien;
- the Mortgage Loan does not have an uncured payment default or performance default upon Delivery; and
- the Property qualifies on the Effective Date as an MAH Property solely per:
  - LIHTC (24456); and/or
  - HAP Contract (24466).

You must ensure the Project:

- is not located in:
  - a 500-year floodplain and likely occupied by tenants who may not be sufficiently mobile to avoid injury or death during floods or storms as determined by HUD (contact the Fannie Mae Deal Team to establish HUDS's determination of this factor);
  - a Federal Emergency Management Agency-mapped Special Flood

Hazard Area 100-year floodplain (except where no buildings or Improvements other than minor grubbing will be in the floodplain and the floodplain area will be permanently dedicated to non-development, as determined by HUD (contact the Fannie Mae Deal Team to establish HUDS's determination of this factor);

    - the Coastal Barrier Resources System per the Coastal Barrier Resources Act, 16.U.S.C.3501; or
    - a Runway Clear Zone (at a civil airport) or Clear Zone (at a military airfield) if the Property is newly constructed or substantially rehabilitated; and

- is not:
    - financed by a loan insured by the Federal Housing Administration or other federal full mortgage insurance, co-insurance, or risk shared insurance or reinsurance under Section 542(c) of the Act;
    - used for Transient Housing or Hotel Purposes (as defined in the Fannie Mae/HUD Risk Sharing Agreement); or
    - a Nursing Home, Intermediate Care Facility of Board, or Care/Assisted Living Facility (as defined in the Fannie Mae/HUD Risk Sharing Agreement).

711.02C Cash Out

Guidance

There is no limit on the amount of cash out in an FHA Risk Sharing transaction.

711.03 Mortgage Insurance Premium

Requirements

Your pricing for an FHA Risk Sharing Mortgage Loan must include a sufficient amount to pay the mortgage insurance premium due to FHA.

711.04 Subsidy Layering Review

Requirements

You must:

- ensure the Borrower:
    - obtains a subsidy layering review that meets federal laws; and

    - contacts the Housing Finance Agency or Regional HUD office where the Property is located to request a subsidy layering review; and
- contact the Fannie Mae Deal Team if the Borrower is unable to obtain the subsidy layering review.

Operating Procedures

After the subsidy layering review is complete, the applicable reviewing office will issue a certification to the Borrower stating the total amount of governmental assistance is not more than is necessary to provide affordable housing after taking into account other government assistance. You must receive the certification before

- Rate Lock, or
- obtaining a Commitment for a tax-exempt Bond transaction.

711.05 Lender FHA Risk Sharing Reserve and Loss Sharing Modifications

Operating Procedures

If a Mortgage Loan was approved for FHA Risk Sharing, you must indicate an "FHA risk sharing" Mortgage Loan Type on the Mortgage Loan Certificate (Form 6505).

Glossary

A

Affordable Regulatory Agreement	Recorded or unrecorded regulatory, land use, extended use, restrictive covenant, or similar agreement or restriction that is imposed by a Public Entity, placing rent, income, or other affordability restrictions on the use or occupancy of the Property, but which does not include a HAP Contract. **Synonyms** • Affordable Regulatory Agreements

G

Grant Funding	Funding for the Property's construction or renovation given to the Borrower, or to a Borrower Affiliate that in turn loans or grants the funds to the Borrower, with no repayment obligation if specified requirements are met.

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

LIHTC Average Income	Internal Revenue Code Section 42 election allowing LIHTC property owners to rent units to households earning up to 80% of AMI, provided: • a minimum of 40% of the residential units are both rent-restricted and occupied by households with a maximum income up to an average of 60% of AMI; and • the unit's rents are limited to 30% of the qualifying income level. For example, for a 30% AMI unit, the maximum rent that may be charged to a household is 30% of AMI.

M

Metropolitan Statistical Area	Geographic delineation for a metropolitan area determined by the U.S. Census Bureau. **Synonyms** • MSA • MSA'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

Private Affordability Agreement	Recorded or unrecorded regulatory, land use, extended use, restrictive covenant, agreement, or restriction that is imposed by any non-Public Entity, placing rent, income, or other affordability restrictions on the use or occupancy of the Property. **Synonyms** • Private Affordability Agreements
Public Entity	A federal, state, or local government entity, or an entity that: • is created by - state statute, or - one or more governmental entities acting pursuant to applicable statutory authority; • has a governing body that is - elected by voters in the applicable jurisdiction, or - appointed by an official or body that has been elected by voters in the applicable jurisdiction; • is formed for a governmental purpose and performs a governmental function; • is required by law to - publicly post its meeting agendas and minutes, and - hold meetings that are open to the public to the same extent as state or local governmental entities in its state of domicile; • does not permit any part of its net revenues or earnings to inure to the benefit of any private Person; and • is not a community development financial institution.

R

Restricted Value	Appraised Value assuming an Affordable Regulatory Agreement or Private Affordability Agreement is in effect.

S

Sponsor-Initiated Affordability Agreement	Voluntary agreement signed by the Borrower and recorded in the land records against the Property, putting rent and income restrictions in place to preserve or create multifamily affordable housing.

T

Tax Abatement	Any abatement, reduction, lessening, exemption, or deferral of real estate or other taxes levied against a Property, including any PILOT. **Synonyms** • Tax Abatements

U

Unrestricted Value	Appraised Value assuming an Affordable Regulatory Agreement or Private Affordability Agreement is not in effect.