Fannie Mae®

Multifamily Selling and Servicing Guide

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702.01 Eligibility Characteristics

Requirements

You must ensure an MAH Property is subject to:

- a HAP Contract complying with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03B: HAP Contract;
- a Sponsor-Initiated Affordability Agreement (Form 6490) complying with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03F: Sponsor-Initiated Affordability; or
- 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 Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.02: Minimum Set Asides and Other Criteria;
  - 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 Sponsors history and experience owning and operating multifamily properties subject to affordability restrictions;

- the Borrowers 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: Eligibility Characteristics (e.g., the Affordable Regulatory Agreement has a remaining term of fewer than 3 years, or does not comply with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.02: Minimum Set Asides and Other Criteria), provided that any other Affordable Regulatory Agreement complies with Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 705: Affordable Restriction Checklist and Subordination and Standstill 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.

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

B

Bonds	Tax-exempt or taxable multifamily revenue bonds, or other tax-exempt or taxable bonds, issued to finance 1 or more Credit Enhancement Mortgage Loan Properties. **Synonyms** • Bond
Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

F

FHA	Federal Housing Administration
FHA Risk Sharing	MAH Mortgage Loan with mortgage insurance from FHA.

Form 4660	Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans. **Synonyms** • Multifamily Underwriting Standards

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

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
Mortgage Loan Origination Date	Date you fund a Mortgage Loan to the Borrower. **Synonyms** • Mortgage Loan's Origination Date • Origination Date

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

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.

S

Security	MBS, PFP MBS, or REMIC. **Synonyms** • Securities
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

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.

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