Fannie Mae®

Multifamily Selling and Servicing Guide

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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. HUDs 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
  - 2 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 Loans 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:

- Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03A: LIHTC; and/or
- Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 702.03B: HAP Contract.

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 HUDSs 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 HUDSs 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

Assisted Living	Seniors Housing Property offering services limited to non-medical personal care, including ADL assistance, which are typically licensed and regulated by a state or local governmental authority. **Synonyms** • AL

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

C

Commitment	Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan. **Synonyms** • Committed • Commitments

D

Delivery	Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Maes satisfaction. **Synonyms** • Deliver • Delivered • Deliveries

F

Fannie Mae Deal Team	Team responsible for reviewing Pre-Review Mortgage Loans, waivers, etc. **Synonyms** • Deal Team
FHA	Federal Housing Administration
FHA Risk Sharing	MAH Mortgage Loan with mortgage insurance from FHA.

G

Guarantor	Key Principal or other Person executing a • Payment Guaranty, • Non-Recourse Guaranty, or • any other Mortgage Loan guaranty. **Synonyms** • Guarantors
Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

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
HUD	U.S. Department of Housing and Urban Development **Synonyms** • HUD's

I

Improvements	Buildings, structures, improvements, and alterations, including the multifamily housing dwellings, now or hereafter constructed or placed on the Property, including all fixtures (as defined in the UCC). **Synonyms** • Improvements'

K

Key Principal	Person who • controls and/or manages the Borrower or the Property, • is critical to the successful operation and management of the Borrower and the Property, and/or • may be required to provide a Guaranty. **Synonyms** • Key Principals • Key Principal's

L

Lease	Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent. **Synonyms** • Leases
Leasehold	Property held under a long-term lease or Ground Lease.
Lender Contract	Program Documents per the Multifamily Selling and Servicing Agreement. **Synonyms** • Lender's Contract • Lender Contracts • Contract • Multifamily Selling and Servicing Agreement • MSSA
Lien	Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind. **Synonyms** • Liens
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

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

N

Non-Contiguous Parcels	Multiple parcels of land securing a Mortgage Loan that do not share common boundaries or that are separated by dedicated or private streets that are major arterials. **Synonyms** • Non-Contiguous Parcel

P

Payment Default	Borrower's failure to fully pay any required Mortgage Loan payment when due, including, • principal, • interest, • late charges, • default interest, • fees, • pricing incentive recapture, • prepayment premium, • escrows, or • other collateral accounts for - taxes, - insurance, - assessments, - Completion/Repair Escrow, and - Replacement Reserve. **Synonyms** • Payment Defaults
Performance Default	Borrower's failure to perform any promise or covenant within any applicable grace periods per the Mortgage Loan, other than a Payment Default. **Synonyms** • Performance Defaults
Principal	Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors. **Synonyms** • Principals

Project	Multifamily buildings • on multiple Properties, • owned by the same Borrower, and • that comply with Part II, Chapter 1: Attributes and Characteristics, Section 103.01: Single Borrower Ownership. **Synonyms** • Projects
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

R

Rate Lock	Agreement between you and the Investor containing the terms of the Lender-Arranged Sale or Multifamily Trading Desk trade of the Mortgage Loan and the MBS terms and conditions relating to the underlying MBS, if applicable, which may be documented via a recorded telephone conversation. **Synonyms** • Rate Locks

S

Special Flood Hazard Area	Special Flood Hazard Area designated by FEMA. **Synonyms** • SFHA • SFHAs • SFHA Zone