

Description

Sponsor-Initiated Affordability is made for existing, conventional properties and provides sponsors lower borrowing costs when they create or preserve a minimum of 20% of units affordable to those renters earning 80% or less of area median income (AMI) for the life of the loan

Benefits

- Lower interest rate and competitive pricing
- Flexible loan terms
- Up to 80% LTV
- Certainty of execution
- Speed in underwriting and processing
- Rent and Income restrictions ensure positive impact for households living at or below 80% of AMI

Term

5 – 30 years

Amortization

Up to 30 years

Loan Amount

Minimum \$6M and Structured ARM Loans with less than a two-year lockout period are not eligible for pricing incentives

Maximum LTV

80%

Minimum DSCR

1.25x, with potential flexibility to go to 1.20 for deals with deeper affordability

Sponsor-Initiated Affordability Agreement

Borrower executes a Sponsor-Initiated Affordability Agreement (Form 6490) that is recorded against the Property and remains in place during the entire Mortgage Loan term. Borrower also executes a Modifications to Loan Agreement (Sponsor-Initiated Affordability) (Form 6271) and the Key Principal executes a Payment Guaranty (Pricing Incentive Recapture) (Form 6020.PIR).

Annual Compliance Requirements

The affordability compliance requirements must be managed by a third-party Administering Agent and include annual verification of the rent and income restrictions

Prepayment Terms

Lockout period of 12 months. Can be prepaid before A Note.

Supplemental Financing

Allowed on the Senior Mortgage; proceeds shall be utilized to pay off the Mezzanine Loan

Execution Option(s)

MBS

Supplemental Financing

Supplemental Mortgage Loans are available

Rate Lock

30- to 180-day Rate Lock periods are available

Asset Management

The Property must be compliant with the Affordability Agreement within 12 months of the Mortgage Loan Origination Date. Lender is responsible for notifying Fannie Mae of noncompliance.

Potential DSCR Flexibility on a PreReview Basis

DSCR at 1.20 will be considered on a Pre-Review, case-by-case basis if the Property meets the following criteria:

- Property located in a Strong or Eligible MSA market
- At least 50% of the residential units have rents and incomes restricted at 80% or below
- Actual rents on restricted units are at the maximum of the restricted levels allowed for the property - e.g., if the maximum restricted rent is \$1,000, the actual rent cannot be below that level
- Actual rents on restricted units are at least 10% below comparable market rents
- The Borrower is an Affiliate of a repeat Sponsor