

# Workforce Housing: Sponsor-Initiated Affordability

Arbor's Fannie Mae Multifamily Loan Program offers Sponsor-Initiated Affordability (SIA), a product initiative that provides better pricing and underwriting flexibility to incentivize the voluntary creation or preservation of units that are affordable to tenants earning 80% of Area Median Income (AMI) or less.

## Benefits

- Flexible loan terms
- Competitive pricing; Structured ARM Loans with less than a two-year lockout period are not eligible for pricing incentives
- Supports affordable and workforce housing providers
- Potential DSCR flexibility to 1.20 on a pre-review basis for deals with deeper affordability\*
- Certainty of execution
- Speed in processing and underwriting

## Eligibility

- Existing, stabilized convention properties
- Minimum of 20% of units are affordable at 80% of AMI or less, as adjusted for family size
- Rent does not exceed 30% of adjusted AMI for unit size
- Borrower must execute a Sponsor-Initiated Affordability Agreement (Form 6490)
- Borrower must execute Modifications to Multifamily Loan and Security Agreement (Sponsor-Initiated Affordability Restrictions) (Form 6271)
- Rent and income restrictions must be in place by the mortgage loan origination date
- The property must be compliant with the Sponsor-Initiated Affordability Agreement within 12 months of the mortgage loan origination date
- Structured ARM Loans with less than a two-year lockout period are not eligible for pricing incentives

## Term

Five-30 years

## Amortization

Up to 30 years

## Interest Rate

Fixed- and variable-rate options available

## Maximum LTV

80%

## Minimum DSCR

1.25x, with potential flexibility to go to 1.20\*

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

## **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.

## **Execution Options**

MBS

## **Supplemental Financing**

Supplemental mortgage loans are available

## **Prepayment Availability**

Mortgage loans may be voluntarily prepaid upon payment of yield maintenance for fixed-rate mortgage loans or declining prepayment premium for variable-rate mortgage loans

## **Rate Lock**

30- to 180-day rate lock periods are available

## **Accrual**

30/360 and Actual/360

## **Escrows**

Replacement reserve, tax, and insurance escrows are typically required

## **Third-Party Reports**

Standard third-party reports required, including Appraisal, Phase I Environmental Site Assessment, and Property Condition Assessment

## **Assumption**

Mortgage loans are typically assumable, subject to review and approval of the proposed new borrower's financial capacity and experience

## **Asset Management**

The property must be compliant with the Sponsor-Initiated Affordability Agreement within 12 months of the mortgage loan origination date

## **\*Potential DSCR Flexibility on a Pre-Review Basis**

DSCR at 1.20 will be considered on a pre-review, case-by-case basis if the property meets the following criteria:

- Property is located in a strong or eligible MSA market
- At least 50% of the residential units have rents and incomes restricted at 80% of AMI or less
- Actual rent on restricted units is at least 10% below comparable market rents.
- The borrower is an affiliate of a repeat sponsor