Multifamily Mortgage Business Lender Letter 15-10

June 8, 2015

To: Multifamily Lenders

From: Michele Evans, Senior Vice President and Multifamily Chief Operating Officer

Subject: Lender Letter 15-10 | Lender Requirements for Estimating and Reporting FHFA Volume Cap Applicability for All Loan Deliveries

**HIGHLIGHTS**

In support of changes announced to the FHFA 2015 Scorecard Cap on multifamily lending, Lenders will be required to estimate and report on the affordability and cap exclusion of all business. This Lender Letter supersedes Lender Letter 15-03 (Submission of Lender Pipelines) and provides an overview of the process and resources used for these new Lender requirements.

**Background**

On May 7, 2015, the Federal Housing Finance Agency (FHFA) announced “that it is revising the affordable housing lending categories that are excluded from the multifamily lending purchase caps established in the 2015 Scorecard for Fannie Mae and Freddie Mac (the Enterprises). The 2015 Scorecard Caps of $30 billion of new multifamily lending for each Enterprise will not change. However, FHFA is revising the excluded category in order to facilitate continued liquidity in the overall multifamily finance market which has increased substantially since the initial cap was set, and to reinforce FHFA’s emphasis on providing financing for affordable rental housing.”

The Fannie Mae Guide to Estimating Affordability and Cap Exclusions and FHFA Market Cost Designations serves as a guide on the affordable housing lending exclusions.

Fannie Mae Multifamily remains committed to supporting affordable workforce housing while effectively managing to the 2015 Scorecard. Fannie Mae is announcing several required changes to the deal submission and commitment processes that will help Fannie Mae and our lender partners assess the affordability of potential business.

Fannie Mae is issuing Lender Letter 15-10 which outlines the ongoing Lender submission requirements for 2015 production.
I. Updated Fannie Mae Tools to Facilitate New Lender Requirements

Fannie Mae has made the following changes to the Multifamily Affordability Estimator, submission forms and pipeline reporting tools.

A. Multifamily Affordability Estimator (MAE)

Fannie Mae updated the MAE to provide Lenders and Fannie Mae with information needed to evaluate the affordability profile and related exclusion from the Scorecard Cap for prospective loan deliveries. This resource leverages U.S. Census affordability profiles, unit mix information, and property type characteristics to estimate the following:

- **Estimated % of Loan Excluded from FHFA Scorecard Cap.** The MAE evaluates the Lender inputted rent roll and property characteristics against the FHFA cap exclusion requirements to estimate the percentage of the loan that can be excluded from the Scorecard Cap.
- **The number and percentage of units affordable at various income levels.** Particular emphasis is placed on units qualifying at Low (<= 80% AMI) and Very Low (<= 50% AMI) income levels. The MAE also provides a summary on units qualifying at AMI and market segments aligned with the Scorecard Cap exclusion segments.

Frequently Asked Questions (FAQs), as well as the Fannie Mae Multifamily Affordability Estimator can be found in the Multifamily Learning Center.

Additional questions relating to the MAE may be submitted to the MAE mailbox at:
multifamily_affordability_estimator@fanniemae.com

B. Pipeline Reporting: Multifamily Lender Pipeline Monitoring Report (Form 4096)

The Multifamily Lender Pipeline Monitoring Report (Form 4096) has been updated to capture the following additional information from the Multifamily Affordability Estimator.

- % Units Affordable at 50% of AMI
- % Units Affordable at 80% of AMI
- % Excluded from Scorecard Cap

C. Smart Quote Sheet, Form 4661

Fannie Mae will introduce an enhanced Smart Quote Sheet on June 22, 2015. The following additional fields must be populated for all deals submitted on or after June 22, 2015:

- % Units Affordable at 50% of AMI
- % Units Affordable at 80% of AMI
- % Excluded from Scorecard Cap

D. Pipeline Reporting: DUS Gateway

The new DUS Gateway system, due to be launched on June 22rd, will automate pipeline reporting. As Lenders migrate all deals under application to DUS Gateway, Lenders will no longer be required to submit the Multifamily Lender Pipeline Report (Form 4096). More information about the timing and approach for this transition to DUS Gateway will be provided in the coming months.
II. Updated Lender Submission and Reporting Requirements

To facilitate Fannie Mae’s need for reporting on all 2015 business volume, Lenders will be required to use the MAE on all transactions¹.

A. Transactions Requiring Fannie Mae Review

Beginning immediately, all transactions submitted for Fannie Mae review (waivers and pre-review) must include the % Excluded from Scorecard Cap as determined by the MAE¹. Please include this in the narrative section of the current version of the Smart Quote Sheet (Form 4661).

When Fannie Mae introduces its enhanced Smart Quote Sheet on June 22, 2015, the additional fields described in Section I.C. above must be populated for all deals submitted on or after that date.

Lenders should be prepared to see a new pricing stipulation regarding the % Excluded from Scorecard Cap, which may only vary within a reasonable tolerance level established by Fannie Mae. This stipulation will be included in the transaction approval and response memo.

B. Transactions with Applications Issued & Executed Applications

Beginning on June 15, 2015, Lenders must complete the updated Multifamily Lender Pipeline Monitoring Report (Form 4096) with the additional fields described in Section 1.B. above for every transaction identified in both of the following categories: “Application Issued” and “Executed Application Full Underwriting” for which the MAE is required¹.

By 5:00pm EST each Monday, the following forms must be completed and sent to Fannie Mae:

- Completed Form 4096 must be emailed to multifamily_pipelinemgmt@fanniemae.com
- Completed MAEs must be emailed to multifamily_affordability_estimator@fanniemae.com

C. Open Commitments

National Account Managers (NAMs) will provide an inventory of all open commitments due to close on or after June 30, 2015. Lenders may choose to either:

- Complete the eRents submission, provided a final certified rent roll is available, or
- Complete the MAE

Lenders are required to save the eRents submission in C&D and return the inventory of open commitments along with completed MAEs (where applicable) to multifamily_affordability_estimator@fanniemae.com by 5:00pm EST on June 15, 2015.

D. Closed Transactions

eRents submission based on final certified rent roll will be required within 5 business days of loan closing with the borrower.

¹ The MAE is not required for Manufactured Housing Communities, Seniors Housing, or Borrow-Ups associated with Credit Facilities. Please call your Fannie Mae Deal Team for additional detail. Please contact the Structured Transactions team regarding the method of calculating and reporting exclusions for Credit Facilities.
Summary

Fannie Mae remains firmly committed to our mission of being a reliable source of liquidity in the market, while continuing to focus on supporting affordable and workforce housing. With this in mind, it is paramount that Fannie Mae and our Lender partners work together throughout all stages of the loan delivery process to effectively manage to the FHFA cap. The deal teams and pricing desk will be available to help Lenders as we transition to this new process.

Contact Us

Please contact your Fannie Mae Deal Team if you have any questions.

Associated Documents

- Multifamily Lender Pipeline Monitoring Report (Form 4096)
- Multifamily Affordability Estimator
- Multifamily Affordability Estimator FAQs
- Fannie Mae’s Guide for Estimating Affordability and Cap Exclusions
- FHFA Market Cost Designations