

Credit Enhancement of Variable-Rate Tax-Exempt Bonds (Index Bonds)

Fannie Mae Multifamily provides credit enhancement for variable-rate tax-exempt bonds issued to finance the acquisition, new construction, refinancing, or moderate to substantial rehabilitation of multifamily properties. These bonds have no put feature and therefore no liquidity fees.



Term	7 - 30 years.
Amortization	Up to 35 years.
Maximum LTV	Up to 85%.
Minimum DSCR	1.00x, using a DSCR calculated based on a variable underwriting rate. Mortgage loan amount shall not exceed that of a fixed-rate loan of similar terms.
Variable Underwriting Rate	Sum of (i) the Stressed SIFMA Index rate, plus (ii) the investor spread, guaranty fee and servicing fee (the "Margin"), plus (iii) the interest rate cap escrow expressed as a percentage (if the cap term is shorter than the loan term), plus (iv) on-going bond fees expressed as a percentage (Bond Issuer Fees, Trustee Fees, etc).
Interest Rate Adjustments	Interest rate adjusts based on the changes to the underlying Index and is equal to the Index plus the Margin. No limit on rate changes.
Index	SIFMA.
Interest Rate Floor	The interest rate should never be less than the Margin.
Rate Lock	30-day commitments.
Prepayment Availability	Flexible prepayment options available.

Benefits

- Low borrowing cost, "AA+" rating keeps the interest rates on bonds low
- Supports affordable rental housing stock
- Flexible structures
- Certainty and speed of execution

Eligibility

- Multifamily Affordable Housing properties
- Multifamily properties in which at least 20% of the units are set aside for low-income residents (also known as "80/20" deals)
- Bond terms up to 30 years
- Refundings or new issues
- Newly constructed or rehabilitated and stabilized 4% LIHTC with tenant-in-place rehab component

For More Information

Contact a Fannie Mae representative or visit the Multifamily Affordable Loans Portal for details.

fanniemaemultifamilyaffordable.com



Accrual	Actual/360.
Interest Rate Cap	The Borrower must purchase an interest rate cap from an approved interest rate cap provider. The term of the initial interest rate cap need not be equal to the term of the Mortgage Loan, but must be for at least 5 years. If the Mortgage Loan term is longer than the interest rate cap term, the Borrower must escrow monthly for the purchase of the next interest rate cap.
Issuer and Trustee Fees	Loan sizing must include underwriting of the Issuer and Trustee Fees; however, Issuer and Trustee Fees are paid directly by borrower and are not enhanced or passed through by Fannie Mae.
Loan Documents	Documented on Fannie Mae loan documents. Issuer must utilize the Fannie Mae form Indenture.
Third-Party Subordinate Financing	Hard subordinate debt (which requires scheduled repayment of principal) is permitted only if provided by a public, quasi-public, or not-for-profit lender and combined debt service coverage cannot fall below 1.05x. Soft subordinate debt is permitted subject to requirements which include capping payments at 75% of available Property cash flow after payment of senior liens and Property operating expenses.
Recourse	Non-recourse execution with standard carve-outs for “bad acts” such as fraud and bankruptcy.
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.