

Moderate Rehabilitation (Mod Rehab) Supplemental Mortgage Loan for Affordable Properties

Fannie Mae Multifamily offers subordinate financing options for multifamily properties that have completed moderate rehabilitation.



Term	5-30 years; must be coterminous with the senior Mortgage Loan or Bond Credit Enhancement Mortgage Loan (BCE).
Amortization	Up to 35 years.
Interest Rate	Fixed- and variable-rate options available.
Maximum LTV	Up to 85%, depending upon the MAH execution type. Up to 90% for earn outs and select other cases.
Minimum DSCR	As low as 1.15x, depending upon the MAH execution type.
Mod Rehab Supplemental Mortgage Loan Timing	Within 36 months of origination of the Mod Rehab first mortgage loan or BCE. No one-year waiting period.
Rate Lock	30- to 180-day commitments. Borrowers may lock a rate with the Streamlined Rate Lock option.

Benefits

- Great value-add option for M.TEB execution
- The Mod Rehab Supplemental Mortgage Loan is excluded from the one Supplemental loan rule
- The loan sizing and pricing is comparable to a first lien cash-out mortgage loan
- Lower cost than refinancing
- Access to additional capital
- Certainty of execution
- Speed in processing and underwriting

Eligibility

- First Mortgage Loan or BCE identified as Mod Rehab
- Existing Fannie Mae fixed-rate or adjustable-rate mortgage loans or BCEs
- Lender must be the servicer of the existing Fannie Mae Mortgage Loan or BCE
- Fannie Mae must be the only senior debt holder on the property

For More Information

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

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Accrual	30/360 and Actual/360.
Recourse	Non-recourse execution with standard carve-outs required for “bad acts” such as fraud and bankruptcy.
Escrows	Replacement reserve, tax and insurance escrows are typically required, based on the resulting Tier of the combined Pre-Existing Mortgage Loan or BCE and Moderate Rehabilitation Supplemental Mortgage Loan.
Third-Party Reports	Standard third-party reports, including Phase I Environmental Site Assessment and a Property Condition Assessment, may not be required if certain conditions are met.
Assumption	Loans are typically assumable, subject to review and approval of the new borrower’s financial capacity and experience.
Tier-dropping	Permitted for fixed rate Moderate Rehab Supplemental Mortgage Loans.
Rehabilitation Requirements	An average of at least \$8,000/unit of property improvements. At least 60% of the renovation budget should be allocated to interior unit improvements.
Verification of Property Improvements	Lender must document all completed rehabilitation work and verify its completion through a site inspection if the work is not performed pursuant to a Completion/Repair Agreement or a Rehabilitation Reserve Agreement.