



# Frequently Asked Questions (FAQ): Sponsor-Initiated Affordability

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## General Information

### Q1: What is Sponsor-Initiated Affordability?

Fannie Mae Multifamily offers Sponsor-Initiated Affordability (SIA), a product feature 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.

### Q2: What Mortgage Loans and Properties are eligible for SIA?

To be eligible, the loan amount must be greater than the Small Mortgage Loan maximum of \$6 million, and the Property must meet the following requirements:

- Existing, stabilized Conventional Properties.
- Minimum of 20% of units are affordable to at 80% of AMI or less, as adjusted for family size.
- Rent does not exceed 30% of adjusted AMI for unit size.
- Rent and income restrictions must be in place within one year of the Mortgage Loan Origination Date.

Small Mortgage Loans are not eligible for SIA pricing incentives.

### Q3: What AMI is used for SIA?

- The SIA AMI is the median income level issued annually by the Federal Housing Finance Agency for each property census tract as provided in the Multifamily Affordability Estimator (MAE).
- [The MAE is available on multifamily.fanniemae.com.](#)
- The [Rent and Income Overview](#) explains how to use the MAE to identify the FHFA AMI.

### Q4: What are examples of Properties that may meet SIA criteria?

Examples include:

- Workforce or Naturally Occurring Affordable Housing (NOAH) that seeks to preserve existing affordable units and keep them affordable through the life of the Mortgage Loan; or
- Market-rate Conventional Properties that are anticipating a future tax abatement or state/local rent restriction incentive.

### Q5: What additional Mortgage Loan Documents are required to execute SIA?

- Sponsor-Initiated Affordability Agreement (Form 6490): Recorded document outlining restrictions that are put in place as of the Mortgage Loan Origination Date, and which must be complied with by the end of the first loan year. It includes definitions, specifications, recordkeeping requirements, Administering Agent requirements, and defines the compliance and documentation processes.
- Modifications to Loan Agreement (Sponsor-Initiated Affordability) (Form 6271): outlines noncompliance penalties, including the pricing incentive recapture for a noncompliant property.
- Payment Guaranty (Pricing Incentive Recapture) (Form 6020.PIR): obligates the Key Principal for the amount of pricing incentive recapture for a noncompliant property.



## **Q6: Are there any requirements for which units are subject to the SIA rent and income restrictions?**

Per the Affordability Agreement, units must be evenly distributed throughout the property and by bedroom size.

## **Q7: When does the Affordability Agreement expire?**

The Affordability Agreement runs for the entire term of the Mortgage Loan. If the Mortgage Loan is paid off early, the Affordability Agreement may also be released.

## **Q8: What are the benefits of SIA?**

Benefits include preferential pricing resulting in a lower interest rate, and disclosure as MAH MBS, which supports Fannie Mae's Sustainable Bond Framework. Rent and Income restrictions ensure meaningful positive impact for households living at or below 80% of AMI.

## **Tenants**

### **Q9: How do you qualify a Tenant?**

In order to qualify for an Income Restricted Unit, the total household income of all occupants of such unit upon initial occupancy may not exceed the Income Restriction. The Income Restriction is calculated by reference to the applicable AMI from the [Multifamily Affordability Estimator \(MAE\)](#) adjusted for persons per unit pursuant to HUD Notice PDR-99-02, assuming 1.5 persons per bedroom.

The [Rent and Income Overview](#) explains how to calculate rent and income.

To determine qualifying income, each prospective Tenant must submit a Tenant Income Certification Questionnaire (TIC-Q) detailing income and assets. The Borrower's Representative (Property Manager) will use this document to verify income and assets and complete the Tenant Income Certification (TIC) which both the Borrower's Representative and Tenant will sign. Tenants with assets under \$5,000 can self-certify the TIC-Q. The Property Manager may use the Fannie Mae-provided TIC-Q and TIC documents as part of the Compliance Toolkit, or the Borrower may use its own forms. You will want to work with your Administering Agent on the tenant file reviews.

### **Q10: How do you recertify a Tenant, and when?**

Each year, Tenants must resubmit the TIC-Q and Borrowers must complete an updated Tenant Income Certification. Recertification must take place annually upon lease renewal or every 12 months.

### **Q11: What if a Tenant's income increases?**

A Tenant will remain eligible so long as the aggregate Gross Income of all unit occupants does not exceed the income restriction by more than 140%.



## **Q12: What happens if a Tenant's income increases and they no longer qualify, but want to remain in their unit?**

If the Tenant no longer qualifies but wishes to remain in the unit, then the Property must rent the next available non-restricted unit of comparable size to a tenant meeting the income qualifications.

## **Rent and Income**

### **Q13: Will SIA allow for rent OR income restrictions?**

No; Properties with either rent or income restrictions are not eligible. Properties must have rent AND income restrictions to qualify.

### **Q14: What is included in rent?**

Rent is defined per the [Multifamily Affordability Estimator \(MAE\)](#) and means regular payments made for rent plus a standard utility allowance (if utilities are not otherwise included in the rent).

### **Q15: How is rent calculated?**

To determine rent, reference the [Rent and Income Overview](#).

## **Compliance**

### **Q16: When does the annual compliance need to be completed, and what does the process look like?**

The Borrower has twelve (12) months from the Mortgage Loan Origination Date to bring the Property into compliance with the Affordability Agreement and must recertify Tenant eligibility annually thereafter.

The Compliance Process:

1. Borrower engages third-party Administering Agent.
2. Upon move-in or initial certification, the tenant completes the TICQ; Borrower's Representative completes TIC, which is executed by the Tenant and Borrower's Representative. Your Administering Agent should conduct the file reviews and approvals to ensure tenant eligibility.
3. The Tenant recertifies income annually at the time of lease renewal; tenant income is also recertified annually by the Borrower's Representative. Your Administering Agent should conduct the file reviews to ensure the tenant remains eligible.
4. The Borrower annually provides a copy of each TIC-Q, TIC, and any other information the Administering Agent may request.
5. The Administering Agent completes Compliance Confirmation Report that is signed by the Borrower or Borrower Representative and the Administering Agent. The Borrower is responsible for submitting the report to the Servicer. Copies of each Compliance Confirmation Report must be retained by Borrower and Servicer in the Servicing File.
6. The Lender reviews Compliance documentation and notifies Fannie Mae of noncompliance.

Check out the [Affordability Agreement Quick Reference to stay in Compliance](#) for best practices.



## Q17: What are the required specifications for the Administering Agent?

Per the Affordability Agreement, the Administering Agent must:

- Not have any other relationship with Borrower;
- Not have received an adverse Fair Housing finding or settlement;
- Have a minimum of five (5) years' experience with federal affordable housing programs (e.g., LIHTC) support or monitoring;
- Have a minimum of 5 years' experience monitoring for, or on behalf of, a federal, state, or local agency, and
- Have been responsible for support or monitoring of at least 10,000 units in connection with the above.

## Registration/Commitment/Delivery

\*Contact your Deal Team for Structured Transactions\*

## Q18: Are there additional requirements to register and submit a deal in DUS® Gateway?

**Property Type: Conventional Multifamily**

### Capture Loan Options

**External Comments:** Sponsor-Initiated Affordability.

Show Status	
All Loan Options	
<div style="display: flex; justify-content: space-between;"> <span>Expand All</span> <span>Collapse All</span> </div>	
<div style="display: flex; justify-content: space-around;"> <span>\$5 MM</span> <span>Tier 2</span> <span>MBS</span> </div>	
Acquisition	
<div style="background-color: #1a3d4d; color: white; padding: 5px;">             Pricing Readiness Summary           </div>	LO295830
Errors	3 error(s)
Warnings	0 warnings
<div style="background-color: #1a3d4d; color: white; padding: 5px;">             Summary           </div>	LO295830
Status	Draft
Comments	<div style="border: 1px solid #ccc; padding: 5px; min-height: 40px;">             Comments           </div>
External Comments	<div style="border: 1px solid #ccc; padding: 5px; min-height: 40px;">             External Comments              Sponsor-Initiated Affordability           </div>
* Loan Amount	\$5,000,000
Cash In   (Cash Out)	\$54,375,100.00



## Q19: Are there Additional Disclosure requirements?

Fannie Mae Form 4097.FIXED or Form 4097.ARM must include the following language:

*The Borrower participates in Sponsor-Initiated Affordability and the Mortgage Loan Documents include a related event of default.*

On the Commitment page under Commitment Information in C&D:

**Additional Disclosure?** Yes.

**Additional Disclosure Comments:** Other - Sponsor-Initiated Affordability.

## Q20: Are there any specific instructions the Lender must follow in the C&D application?

Yes. To ensure the MBS is disclosed as a Multifamily Affordable Housing Property, the Lender must designate the Property as an MAH Property based on the guidance found in the Affordable Housing Data Guidance Job Aid available on the Fannie Mae Multifamily [Learning Center under "Application Training."](#)

***The Affordable Housing Data Guidance Job Aid will be updated in April 2021 to reflect SIA. The SIA Guidance is below.***

The data required is as follows:

**Multifamily Affordable (MAH) Type:** Other – Sponsor-Initiated Affordability.

**UW Data Form 4662 Affordable Housing Type:** Other – Sponsor-Initiated Affordability.

**Commitment MAH Type:** Other – Sponsor-Initiated Affordability.

**Commitment Additional Disclosure:** Yes. **Additional Disclosure Comments:** Other - Sponsor-Initiated Affordability. If there is a Tax Exemption or Abatement = Yes; Additional Disclosure Comments: Tax Exemption or Abatement.

**Affordable Housing Type:** Other – Sponsor-Initiated Affordability.

**Original Tax Credit (\$):** Leave blank.

**Remaining Credit Period for Tax Credits (months):** Leave blank.

**Units with Income or Rent Restrictions (%):** Sum of all values in Percentage of Units with Rent and/or Income Restrictions.

**Percentage of Units with Rent and/or Income Restrictions at: 80%, 60% and 50% of Area Median Income:** Enter the rent and income restrictions as applicable from your Sponsor-Initiated Affordability Agreement.

**Tax Credit Percent:** None.

**Tax Exemption or Abatement:** Required field, enter Yes or No. If = Yes, see Additional Disclosure Comments.

**Remaining Term of Tax Exemption/Abatement (months):** Required if Tax Exemption or Abatement = Yes.

**Section 8 Occupancy:** Leave blank.

**HAP Remaining Term (months):** Leave blank.