



# Frequently Asked Questions (FAQ): Expanded Housing Choice (EHC)

## Table of Contents

**General Information ..... 2**

Q1: What is Expanded Housing Choice? ..... 2

Q2: What are Housing Choice Vouchers (HCVs) and Source of Income (SOI) protections? ..... 2

Q3: What are the eligibility requirements for Expanded Housing Choice? ..... 2

Q4: What are Housing Provider income calculation responsibilities under EHC? ..... 2

Q5: How can I determine eligibility for Expanded Housing Choice? ..... 3

Q6: Can EHC be combined with other products? ..... 3

Q7: What other financing options are available if a Property isn't eligible for the EHC pricing incentive? ..... 3

Q8: What additional documents are required for EHC? ..... 3

Q9: What are the ongoing Asset Management requirements? ..... 4

**Fair Housing Testing ..... 4**

Q10: What is Fair Housing Testing? ..... 4

Q11: What happens if a Property fails Fair Housing Testing? ..... 4

**Best Practices and Benefits for HCVs and EHC ..... 4**

Q12: What are the benefits of HCVs? ..... 4

Q13: What are best practices for Borrowers who are interested in HCVs? ..... 4

Q14: What are HCV and EHC best practices that Lenders can employ? ..... 5

**Registration/Commitment/Delivery ..... 5**

Q15: How are EHC deals registered, committed, and delivered? ..... 5



## General Information

### Q1: What is Expanded Housing Choice?

Expanded Housing Choice (EHC) is Fannie Mae’s latest effort to deliver on our Mission and help ensure greater access to affordable and sustainable housing. As part of EHC, we are offering a pricing incentive for eligible Borrowers in Texas and North Carolina who agree to accept Housing Choice Vouchers (HCVs) as a source of income at their properties.

### Q2: What are Housing Choice Vouchers (HCVs) and Source of Income (SOI) protections?

The Housing Choice Voucher program is a federal government program assisting very low-income families, senior citizens, and people with disabilities to afford stable and quality housing in the private market. Recipients are issued Housing Choice Vouchers that may be used in payment for a suitable rental unit of their choice from an owner who agrees to rent under the program. HCVs are administered locally by Public Housing Agencies (PHAs). The PHAs receive federal funds from HUD to administer the voucher program. The PHAs pay a housing subsidy directly to the landlord on behalf of the voucher recipient and the voucher recipients contribute a portion of their income, typically 30%, towards the rent. (Source: [HUD Housing Choice Vouchers Fact Sheet](#))

Source of Income (SOI) protections are state or local laws prohibiting housing providers from offering adverse terms and conditions or refusing to lease to individuals or families based on their lawful source of income, including HCVs.

For more information on HCVs, check out [HCV Program Explained](#).

### Q3: What are the eligibility requirements for Expanded Housing Choice?

To be eligible for the EHC pricing incentive, properties must:

- Be located in either Texas or North Carolina.
- Not already be required to accept HCVs as a condition of financing (e.g., Low-Income Housing Tax Credit properties or Sponsor-Initiated Affordability).
- At origination, the rent for at least 20% of the units, with a representative unit mix, are at or below the applicable U.S. HUD Fair Market Rent or Small Area Fair Market Rent.
- A representative unit mix looks like the following for a 100-unit building:

Apartment Type	Number of Units	Minimum 20% Representative Unit Mix
Studio	10	2
1 Bedroom	50	10
2 Bedroom	30	6
3 Bedroom	10	2
Total	100	20

### Q4: What are Housing Provider income calculation responsibilities under EHC?

An important issue to understand as it relates to HCVs is how to calculate any “minimum income requirements” for renters. We will walk through an example of the correct and incorrect ways to calculate income along with the impacts of calculating the income incorrectly for HCV renters. The key takeaway is that any **income requirements are calculated based on the portion of the rent that the HCV renter is responsible for and not the full rent amount.**

#### Illustrative Example:



Housing Provider Requirements: Prospective tenant must make 2.5x the monthly rent.  
This requirement does not need to change due to participation in EHC; however, it should be applied correctly.

**CORRECT for a prospective HCV Renter. Calculating income based on the HCV renter portion of the rent.**

Rent: \$2,000.

- HCV Renter Portion: \$600
- Housing Choice Voucher/PHA Portion: \$1,400

Monthly Income Requirement:  $\$600 \times 2.5 = \mathbf{\$1,500}$ .

Yearly Income Requirement:  $\$1,500 \times 12 = \mathbf{\$18,000}$ .

By using the correct calculation, the Housing Provider expands their renter base and receives a steady stream of income backed by the PHA, among other benefits. The use of this calculation also aligns with the intent of the EHC program, the EHC loan documents (reference Q8 for required loan documents), and established Fair Housing practices.

**INCORRECT for a prospective HCV Renter. Calculating income based on full rent amount.**

Rent: \$2,000.

- HCV Renter Portion: \$600
- Housing Choice Voucher/PHA Portion: \$1,400

Monthly Income Requirement:  $\$2,000 \times 2.5 = \mathbf{\$5,000}$ .

Yearly Income Requirement:  $\$2,500 \times 12 = \mathbf{\$60,000}$ .

Why is this incorrect? As noted in Q2 above, the HCV program is designed to serve very low-income families. By law, each PHA must allocate 75% of their vouchers to applicants who have incomes that do not exceed 30% of AMI. (Source: [HUD Housing Choice Vouchers Fact Sheet](#)). By applying full income standards, many HCV renters could be excluded from accessing housing.

## **Q5: How can I determine eligibility for Expanded Housing Choice?**

Fannie Mae created an [eligibility checklist](#) to help you determine if the EHC pricing incentive can work for your Property.

## **Q6: Can EHC be combined with other products?**

Yes. EHC can be executed with Sponsor-Dedicated Workforce (SDW) and our Green Financing products.

## **Q7: What other financing options are available if a Property isn't eligible for the EHC pricing incentive?**

If a Property is not eligible for the EHC pricing incentive, check out [Sponsor-Dedicated Workforce \(SDW\)](#), [Sponsor-Initiated Affordability \(SIA\)](#), [Healthy Housing Rewards™](#), and our [Green Financing](#) products, which offer both renter and Borrower benefits.

## **Q8: What additional documents are required for EHC?**

The following documents are required at origination:

- The Borrower executes a Modification to Multifamily Loan and Security Agreement (Form 6273).
- The Key Principal executes a Payment Guaranty (Pricing Incentive Recapture) (Form 6020.PIR).



## Q9: What are the ongoing Asset Management requirements?

Ongoing Asset Management requirements include the following:

- The Borrower completes an Annual Loan Agreement Certification (Form 6620.Supplemental) that captures HCV information and data.
- As part of the **first** Annual Certification, the Lender must complete a lease audit for at least 25% of the units leased to renters using Housing Choice Vouchers.
- The Servicer is responsible for reviewing the Annual Certification and notifying Fannie Mae of noncompliance (i.e., failure to submit the Certification).
- If required, the Servicers must ensure that a Borrower's Property Management team and other applicable staff complete Fair Housing training.

## Fair Housing Testing

### Q10: What is Fair Housing Testing?

Fair Housing testing is the use of individuals who, without an intent to rent housing, pose as prospective renters for the purpose of gathering information related to the Borrower's compliance with the HCV requirements. Fair Housing testing will be used to monitor Borrowers' compliance with their commitment to accept HCVs for the payment of rent.

### Q11: What happens if a Property fails Fair Housing Testing?

If a Property does not successfully pass the first round of Fair Housing testing, the Borrower has the opportunity to "cure." In this case, the Borrower would have 90 days to "cure" by arranging for applicable staff of the Borrower or property manager to complete Fair Housing training.

Sometime after the completion of the Fair Housing training, the Property will undergo a second round of Fair Housing testing. If the Property passes the second round of Fair Housing testing – that's great news! However, the Property may still receive additional Fair Housing testing related to HCV acceptance over the life of the loan. If the Borrower fails to complete the Fair Housing training within 90 days or the Property fails the second round of Fair Housing testing, this results in an event of default and the recapture of the pricing incentive for the entire loan term.

## Best Practices and Benefits for HCVs and EHC

### Q12: What are the benefits of HCVs?

Acceptance of HCVs benefit renters, Borrowers, and communities. Check out the EHC toolkit and [EHC Benefits](#) to learn more about the benefits.

### Q13: What are best practices for Borrowers who are interested in HCVs?

Check out the EHC toolkit and [Borrower Best Practices](#) to learn more about getting the most out of the HCV program.



## **Q14: What are HCV and EHC best practices that Lenders can employ?**

Check out the EHC toolkit and [Lender Best Practices](#) to learn more about best practices for Fannie Mae Lenders.

## **Registration/Commitment/Delivery**

### **Q15: How are EHC deals registered, committed, and delivered?**

Please reference the [EHC Job Aid](#) for more information.