Fannie Mae

2025-2027 Duty to Serve Multifamily Loan Eligibility Guide

Background

The Duty to Serve (DTS) rule directs Fannie Mae to improve access to mortgage financing in three housing markets posing persistent challenges and significant opportunities.

Affordable Housing Preservation

- Preserving, promoting, and expanding affordable rental housing

Rural Housing

- Supporting financing for small rural properties and targeted high-needs regions

Manufactured Housing

- Investing in Manufactured Housing Communities by exploring innovative financing options

The 2025-2027 Duty to Serve plan describes how we will support these underserved markets through the purchase of loans that finance specific types of properties. The plan includes targets based on number of loans purchased, properties or units financed, or volume of financing; DTS eligibility for each target is based on property characteristics.

This document describes the general eligibility criteria for DTS as well as specific eligibility criteria for each target. It also highlights where eligibility details have changed from previous years. If you have additional questions about Duty to Serve eligibility, refer to the Federal Housing Finance Agency's (FHFA) Questions and Answers document or reach out to the Multifamily Duty to Serve team at MF_DutyToServe@fanniemae.com.

General Requirements

All DTS-eligible loan purchases must comply with the following general requirements. Additional specific eligibility requirements for each target are detailed in the next section.

- For a loan or property to qualify for DTS, the financed property must have at least one unit affordable at or below 100% AMI, except for those qualifying for Other State and Local which requires units to be at or below 80% AMI.
- Supplemental/subordinate loans are not Duty to Serve eligible.
- For the Affordable Housing Preservation market, new construction loans are only eligible if there is pre-existing affordability, i.e., the new construction is replacing an existing affordable property, such as a Rental Assistance Demonstration (RAD) conversion.
- Loans may qualify for multiple DTS loan purchase programs if all requirements for each program are met.

Eligible Loan Purchases by Market: Affordable Housing Preservation (AHP)

DTS Activity	Eligibility Criteria
Project-Based Section 8 / HAP Contract	• Property must have Project-Based Section 8 units, i.e. a Housing Assistance Payments (HAP) Contract. • There is no minimum threshold for percent of units covered by the HAP Contract. • Section 8 Housing Choice Vouchers (HCV), or tenant-based vouchers are not considered "Section 8 Housing" for this purpose, so a transaction would not qualify based on tenant-based vouchers alone.
LIHTC Debt (Low-Income Housing Tax Credits)	• Property must be financed under the IRS Section 42 (LIHTC) Program. • Loans within the initial compliance or extended use period at closing are eligible for DTS credit.

Other State and Local programs	• Property must be subsidized by a state or local affordable housing program that includes a recorded rent restriction and income restriction.
	  ◦ Subsidy types may include: capital subsidy, operating subsidy, property tax exemption or abatement, regulatory relief, and inclusionary zoning programs.
	• Qualifying deals need to follow the requirements for Fannie Mae's Multifamily Affordable Housing (MAH):
	  ◦ Rent AND income restrictions, with at least 20% of units affordable at or below 80% of AMI;
	  ◦ Subject to an affordable regulatory agreement imposed by a state or local entity and monitored by a third party (not the borrower or lender);
	• The affordable regulatory agreement must be in place at closing.
	• Other Eligibility Considerations:
	  ◦ Although LIHTC is federally funded and administered by states, it does not automatically qualify a property as State and Local. A LIHTC property that has additional affordability through a state or local affordable housing program and meets the above criteria may qualify.
	  ◦ Special Public Purpose (SPP) loans only qualify if the SPP loan is also part of a state or local affordable housing program.
	  ◦ Sponsor-Initiated Affordability (SIA) does not qualify as the affordability agreement is not imposed by a state or local entity.

Residential Economic Diversity (RED)	• Property must be located in a RED-designated census tract that is a High Opportunity Area (HOA) based on FHFA census tract designations and affordability. • Deal must **also** qualify under Other State and Local programs, Section 8, or LIHTC.
USDA Section 515	• Property must be financed under the USDA Section 515 Program (Fannie Mae financing is in addition to the Section 515 loan directly from USDA remaining on property) **OR** • Property has paid off a USDA Section 515 loan but has a Restrictive Use Covenant (RUC) in-place which includes a requirement for the property to house tenants eligible under the Section 515 program in compliance with 42 U.S.C. § 1485 and 7 CFR part 3560.

Eligible Loan Purchases by Market: Rural Housing

DTS Activity	Eligibility Criteria
Small Multifamily Properties in Rural Areas	• Property must comprise 5-50 rental units. • Property must be located in an FHFA-defined rural area. Lenders may reference the Fannie Mae Area Median Income Lookup Tool to identify FHFA-defined rural areas and 100% market AMI.
High Needs Rural Regions	• Property must be located in an FHFA-defined high needs rural area. Lenders may reference the Fannie Mae Area Median Income Lookup Tool to identify FHFA-defined high needs rural areas and 100% market AMI.

Eligible Loan Purchases by Market: Manufactured Housing (MH)

DTS Activity	Eligibility Criteria
MHC with Non-Traditional Ownership	• Property must be owned by government units or instrumentalities, nonprofits, or residents (Resident-Owned Communities, commonly known as ROCs). Lenders may refer to Non-Traditional Ownership for full eligibility details.
MHC with Tenant Site Lease Protections (TSLP)	• Property must have 100% of pad sites covered by Tenant Site Lease Protections (TSLPs). Lenders may refer to Tenant Site Lease Protection for full eligibility details.