Fannie Mae

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

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General Information

Q1: What is Expanded Housing Choice?

Expanded Housing Choice (EHC) is a product initiative that provides better pricing to incentivize borrowers to accept U.S. Department of Housing and Urban Development (HUD) Housing Choice Vouchers (HCVs).

EHC was introduced in April 2022 in North Carolina and Texas. The October 2024 update to EHC incorporates customer and stakeholder feedback and brings EHC to all markets without SOI protections for HCV renters.

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 sustainable housing in the private market. Recipients are issued Housing Choice Vouchers that may be used as 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 SOI protections, check out the follow resources:

HUD: Source of Income Protections for Housing Choice Voucher Holders (includes a mapping tool)

Poverty and Race Research Action Council Appendix B: Current information on SOI legislation tracking

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

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

- Be located in:
  - a jurisdiction without SOI protections for HCV renters; or
  - in a jurisdiction with SOI protections that has enacted legislation to rescind protections within 24 months after the Mortgage Loan Origination Date.
- 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 40% of the units are at or below the applicable U.S. HUD Fair Market Rent or Small Area Fair Market Rent, as adjusted per the applicable PHA payment standard.

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 x 2.5 = **$1,500.**
Yearly Income Requirement: $1,500 x 12 = **$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 x 2.5 = **$5,000.**
Yearly Income Requirement: $2,500 x 12 = **$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), 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).

Included in the Form 6273 is a requirement to list the property and/or available units with the respective PHA (if the PHA provides advertising services) and on affordablehousing.com.

Q9: What are the ongoing Asset Management requirements?

Ongoing Asset Management requirements include the following:

- Provide annual rent rolls via the Streamlined Rent Roll (Form 4241)
  - *A monetary penalty may be imposed if the rent roll data or Form 4241 are not provided in a timely manner*
- Provide Form 6620.Supplemental Expanded Housing Choice if requested
- Advertise the property and/or available units with participating Public Housing Agencies (PHAs) and on Affordablehousing.com
- Remediate any findings from the Fair Housing Testing

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?

The Urban Institute, on behalf of Fannie Mae, will conduct up to three rounds of fair housing testing per cycle. If a property passes the first round of testing or any subsequent round of testing, the property will go back in the testing pool with a clean slate and the testing process starts over at round one.

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. Fannie Mae has training resources to support participating EHC properties that can be accessed at the following links:

EHC Fair Housing Testing Training Primer

EHC Fair Housing Testing Remediation Training Quiz

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! Otherwise, training is required, the Form 6620.Supplemental Expanded Housing Choice is required, and there will be a third round of testing.

If the property fails a third round of testing, a remedial housing plan will be required per the Modification to Multifamily Loan and Security Agreement (Form 6273). The housing plan replaced the pricing incentive recapture and default mechanism.

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.