

# Moderate Rehabilitation (Mod Rehab) Supplemental Mortgage Loan

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

## Benefits

- The Mod Rehab Supplemental Mortgage Loan is excluded from the one Supplemental loan rule
- Loan sizing is comparable to the first lien mortgage loan
- Lower pricing than generally available on other Supplemental Mortgage Loans
- Lower cost than refinancing
- Access to additional capital
- Certainty of execution
- Speed in processing and underwriting

## Eligibility

- Stabilized Conventional, Multifamily Affordable Housing, Seniors Housing, Student Housing Properties, and Manufactured Housing Communities
- First Mortgage Loan identified as Mod Rehab
- Existing Fannie Mae fixed-rate or adjustable-rate mortgage loans
- Lender must be the servicer of the existing Fannie Mae Mortgage Loan
- Fannie Mae must be the only debt holder on the property



<b>Term</b>	5-30 years; must be coterminous with the senior Mortgage Loan
<b>Amortization</b>	Up to 30 years
<b>Interest Rate</b>	Fixed- and variable-rate options available
<b>Maximum LTV</b>	As high as 75%, depending upon asset class and use of proceeds. May be higher for Multifamily Affordable Housing properties and assumptions.
<b>Minimum DSCR</b>	As low as 1.25x, depending upon asset class and use of proceeds. May be lower for Multifamily Affordable Housing properties.
<b>Mod Rehab Supplemental Mortgage Loan Timing</b>	Within 36 months of origination of the Mod Rehab first mortgage loan. No one-year waiting period.
<b>Rate Lock</b>	30- to 180-day commitments. Borrowers may lock a rate with the Streamlined Rate Lock option.
<b>Accrual</b>	30/360 and Actual/360
<b>Recourse</b>	Non-recourse execution with standard carve-outs required for “bad acts” such as fraud and bankruptcy.

<b>Escrows</b>	Replacement reserve, tax and insurance escrows are typically required, based on the resulting Tier of the combined Pre-Existing Mortgage Loan and Mod Rehab Supplemental Mortgage Loan.
<b>Third-Party Reports</b>	Standard third-party reports, including Phase I Environmental Site Assessment, and a Property Condition Assessment, may not be required if certain conditions are met.
<b>Assumption</b>	Loans are typically assumable, subject to review and approval of the new borrower's financial capacity and experience.
<b>Tier-dropping</b>	Permitted for fixed rate Mod Rehab Supplemental Mortgage Loans.
<b>Rehabilitation Requirements</b>	Completed at least \$8,000/unit of property improvements. As a best practice, at least 60% of renovation budget allocated to interior unit improvements.
<b>Verification of Property Improvements</b>	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.

For More Information contact a Fannie Mae representative or visit the Multifamily Financing Options site for details.

[multifamily.fanniemae.com](https://multifamily.fanniemae.com)

