

Frequently Asked Questions (FAQ) & Job Aid: Sponsor-Initiated Affordability (SIA)

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General Information

Q1: What is Sponsor-Initiated Affordability?

Fannie Mae Multifamily offers Sponsor-Initiated Affordability (SIA), a product initiative that provides better pricing and underwriting flexibility to incentivize the 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 Property must meet the following requirements:

- an existing, stabilized Property;
- minimum of 20% of units are affordable to households earning no more than 80% of AMI or less, as adjusted for family size;
- rent does not exceed 30% of adjusted AMI for family size; and
- rent and income restrictions must be in place within one year after the Mortgage Loan Origination Date.

The following are not eligible for SIA pricing incentives:

- Small Mortgage Loans; and
- Structured ARM Loans with less than a two-year lockout period.

Q3: What AMI is used for SIA?

- Option #1 - The “SIA AMI” is the area median income level issued annually by the Federal Housing Finance Agency (FHFA) or the U.S. for each property census tract, as provided in the [Multifamily Affordability Estimator \(MAE\)](#) or via the County-Level Maximum Rents at <=80% AMI file that provide the 0-, 1-, 2-, and 3-bedroom rents.
 - The MAE and the County-Level Maximum Rents <=80% files are available on the [Fannie Mae Multifamily](#) website.
 - The [Rent and Income Overview](#) page explains how to use the MAE to identify the FHFA AMI.
- Option #2 – Alternatively, the HUD Income Limits AMI tables can be used to demonstrate SIA compliance.
 - The HUD Income limits can be found online here: <https://www.huduser.gov/portal/datasets/il.html>.

Note: When using either Option #1 – Fannie Mae’s MAE, or Option #2 – HUD Income Limits, the same utility allowances must be applied. For example, if the FHFA MAE AMIs are used for annual restriction tracking then the corresponding MAE utility allowances must be used in the calculations. Utility allowance calculations cannot be mixed and matched.

For Mission-Driven affordability calculations and pricing, only FHFA AMIs listed in the MAE as of the Mortgage Loan Origination Date, will be accepted.



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;
- Market-rate Conventional Properties that are anticipating a future tax abatement or state/local rent restriction incentive; or
- Multifamily Affordable Housing (MAH) Properties having an affordable regulatory agreement, land use restriction agreement, extended use agreement, or similar restriction that is set to expire during the term of the Mortgage Loan, and the Borrower wants to preserve the rent and income restrictions over the entire life of the Mortgage Loan.

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

- Sponsor-Initiated Affordability Agreement (Form 6490): Recorded document outlining the 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; and
- Modifications to Loan and Security Agreement (Sponsor-Initiated Affordability Restrictions) (Form 6271): Outlines noncompliance penalties, including the 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 Sponsor-Initiated Affordability Agreement expire?

The Sponsor-Initiated Affordability Agreement must run for the entire term of the Mortgage Loan. If the Mortgage Loan is paid off early, the Sponsor-Initiated Affordability Agreement may also be released.

Q8: What are the underwriting requirements for SIA loans?

SIA Mortgage Loans are underwritten to Part III, Chapter 7, Multifamily Affordable Housing (MAH) Properties, of the Guide.

Q9: 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.

Q10: The Property is already subject to government rent control. Can SIA work?

SIA cannot be used for a Property already subject to government-imposed rent control that prohibits vacancy de-control (i.e., rents are allowed to rise to market levels as vacancies occur). If vacancy de-control is permitted under the government-imposed rent control, SIA can be used as a tool to preserve the affordability over the entire life of the Mortgage Loan.



Tenants

Q11: How do you qualify a Tenant?

To qualify for an Income Restricted Unit, the total household income (or gross income) of all occupants of such unit upon initial occupancy may not exceed the Income Restriction. The household income is calculated per the HUD Handbook 4350.3 that provides detailed instructions on calculating income (including items like child support, Social Security Benefits, pensions, and income from assets). From our research and discussions with Administering Agents, most tenants only have 2-3 items to report.

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.

Q12: How do you recertify a Tenant, and when?

Each year, Tenants must resubmit a Tenant Income Certification Questionnaire (TIC-Q) and Borrowers must complete an updated Tenant Income Certification (TIC). These documents can be provided by your third-party Administering Agent. Recertification must take place annually upon lease renewal or every 12 months if the lease term is renewed for a period longer than 1 year.

Q13: 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%.

Q14: 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.

Q15: Are there any provisions that need to be included in Tenant leases?

Yes, the Sponsor-Initiated Affordability Agreement outlines the provisions that need to be included in Tenant leases, such as:

- the Tenant must provide annual income certifications and any additional recertifications of income as Administering Agent and/or Borrower require; and
- if the Tenant no longer qualifies as an Eligible Tenant, the Tenant shall be entitled to remain in occupancy at the end of the lease term, however, the Rent for its unit could be increased at that time to an amount determined by Borrower.

Rent and Income

Q16: Will SIA allow for rent OR income restrictions?

No; Properties with either rent or income restrictions are not eligible. The Sponsor-Initiated Affordability Agreement must require rent restrictions AND income restrictions at the Property over the entire term of the Mortgage Loan to qualify.

Q17: 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).



Q18: How is rent calculated?

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

Q19: How does federal or state rental assistance impact the maximum restricted rent that can be charged?

The rent on a restricted unit can be more than the maximum restricted rent for the unit provided that the portion of the rent paid by the eligible tenant (i.e., the tenant receiving federal or state rental assistance) does not exceed the maximum restricted rent.

Compliance

Q20: 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 Sponsor-Initiated Affordability Agreement and must recertify tenant eligibility annually thereafter.

The Compliance Process:

1. Borrower engages a third-party Administering Agent. The Administering Agent must be engaged within 30 days after the Mortgage Loan Origination Date.
2. Upon move-in or initial certification, the tenant completes the TIC-Q and provides the total household income and asset information. The Administering Agent provides the TIC-Q. A sample TIC-Q can be provided by Fannie Mae upon request.
3. The TIC is used to confirm tenant eligibility based on what was provided in the TIC-Q by the tenant. Your Administering Agent should conduct the tenant file reviews to ensure initial tenant eligibility.
4. The Tenant recertifies annually, which should coincide with the lease renewal. Your Administering Agent should conduct the tenant file reviews to ensure the tenant remains eligible.
5. The Borrower annually provides a copy of each TIC-Q, TIC, and any other information the Administering Agent may request. This individual tenant information is aggregated into an Occupancy Report. The Occupancy Report in the SIA Compliance Toolkit also contains the annual Schedule 1 reporting requirements outlined in the Sponsor-Initiated Affordability Agreement. Schedule 1 is only completed at the Mortgage Loan Origination Date if the Restricted Units are known at that time.
6. The Administering Agent completes the Compliance Confirmation Report that states whether the Property is in compliance with the Sponsor-Initiated Affordability Agreement. 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.
7. The Servicer reviews Compliance documentation and notifies Fannie Mae of noncompliance by submitting a Non-Monetary Default Borrower Request in the Multifamily Asset Management Portal (MAMP).

Check out the [Affordability Agreement Quick Reference to stay in Compliance](#) for best practices. The SIA Compliance Toolkit is available on the [Fannie Mae Multifamily](#) website. A Borrower may use its own forms provided the Borrower forms meet the requirements in the Sponsor-Initiated Affordability Agreement.

Q21: What are the required specifications for the Administering Agent?

Per the Sponsor-Initiated 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.

Q22: How do you find an Administering Agent?

There are many qualified Administering Agents in the market that have experience with LIHTC and other federal, state, or local affordable housing programs. A quick Google search can yield many results. Our research in 2020 indicated that file reviews generally cost between \$30-\$50 per file. You should conduct your own due diligence to determine the cost. When conducting due diligence on an Administering Agent, the following questions may be helpful, in addition to confirming eligibility per the minimum experience outlined above:

- What's the process for file reviews and what's your turnaround time? Can you provide a demo or walk-through?
- Do you offer consulting services or training in addition to the file review services? A Borrower without MAH experience may benefit from additional expertise provided by an Administering Agent.
- What is your fee structure?

The Administering Agents that we spoke with when designing the SIA program can be provided upon request. Please reach out to mf_product_management@fanniemae.com with inquiries and questions.



Registration/Commitment/Delivery

Q23: Are there additional requirements to register and submit a deal in DUS Gateway®?

Using a Product Tag: A Mortgage Loan secured by a Property agreeing to SIA requirements should be registered in DUS Gateway using the Sponsor-Initiated Affordability (SIA) Product Tag.

- A **DUS Gateway Product Tagging Video Tutorial** is available under the [Help & Training on the DUS Gateway](#) page on multifamily.fanniemae.com.
- A minimum of two Loan Options must be submitted – **one with the SIA product tag and one without.**

Property Type: Conventional Multifamily

Loan Options (5) <input type="checkbox"/> Select All	<input type="checkbox"/> LO453246 QUOTED	<input checked="" type="checkbox"/> LO455188 DO NOT PRICE																				
<div>Actions ▾</div> <div> Add one or more product(s) <input type="text" value="Sponsor-Initiated Affordability"/> <input type="button" value="Clear"/> <input type="button" value="Apply"/> </div> <div>Expand All Collapse All</div> <div> <div>▼ Pricing Readiness Summary</div> <div> <div>Errors</div> <div>0 errors</div> </div> <div> <div>Warnings</div> <div>0 warnings</div> </div> </div>	<div>Ask</div> <div>Non-Green</div> <div>Fixed Rate</div> <table border="1"> <tr> <td>Tier 2</td> <td>84 Mo.</td> </tr> <tr> <td>Yield Maintenance</td> <td>78 Mo.</td> </tr> <tr> <td>1% Fixed Prepayment</td> <td>81 Mo.</td> </tr> <tr> <td>n/a</td> <td>70% 1.20 100%</td> </tr> <tr> <td colspan="2">\$23.45 MM</td> </tr> </table> <div>0 errors</div> <div>0 warnings</div>	Tier 2	84 Mo.	Yield Maintenance	78 Mo.	1% Fixed Prepayment	81 Mo.	n/a	70% 1.20 100%	\$23.45 MM		<div>Rec</div> <div>Non-Green</div> <div>Fixed Rate</div> <table border="1"> <tr> <td>Tier 3</td> <td>84 Mo.</td> </tr> <tr> <td>Yield Maintenance</td> <td>78 Mo.</td> </tr> <tr> <td>1% Fixed Prepayment</td> <td>81 Mo.</td> </tr> <tr> <td>n/a</td> <td>65% 1.30 100%</td> </tr> <tr> <td colspan="2">\$21.13 MM</td> </tr> </table> <div>0 errors</div> <div>0 warnings</div>	Tier 3	84 Mo.	Yield Maintenance	78 Mo.	1% Fixed Prepayment	81 Mo.	n/a	65% 1.30 100%	\$21.13 MM	
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Q24: Are there any specific instructions the Lender must follow in the C&D & MSFMS applications?

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 [Learning Library](#).

Q25: Should a Special Feature Code (SFC) be used in C&D and MSFMS?

No. To ensure proper Delivery of the Mortgage Loan, SFC 872 SIA – Rent Only **should not be used** in conjunction with SIA Mortgage Loans that have both rent and income restrictions.