

Friday, June 18, 2021

## Fannie Mae Launches Lending Program Designed to Spur Apartment Affordability

Fannie Mae has launched a lending program designed to incentivize borrowers to set aside units at encumbered properties as affordable.

The Sponsor-Initiated Affordability, or SIA, program is designed to increase the country's stock of housing units that's affordable to a greater portion of the population. As with all of its lending against multifamily properties, the agency is funding loans through its Delegated Underwriting and Servicing program lenders - a group of 23 lenders that fund loans on the agency's behalf and retain a risk piece and the servicing rights.

The agency is offering a discount of as much as 35 basis points off a loan's rate under the program, according to two lenders. But that's only for properties with no existing affordable units. To get the maximum discount, a borrower has to agree to set aside at least 20 percent of a property's units as affordable, meaning rents can't exceed 30 percent of the area's median income. To qualify for those units, tenants can't earn more than 80 percent of the area's income. That's adjusted for family size.

"Our commitment is to preserve and create" affordable housing, explained Charles Ostroff, senior vice president and chief credit officer of multifamily at the agency. He declined to comment on specific terms offered under the program, but noted that the program is an effort to increase the number of landlords willing to get into the affordable-housing space.

"There's a lack of affordable housing in the country," he said. "We're attacking it from many different angles. It's a matter of moving and changing with the market. We're ensuring that money gets to where it's needed."

Loans under the SIA program can be sized up to 80 percent of a collateral property's value. They can be had with terms of five to 30 years and would be underwritten with

debt-service coverage levels of at least 1.25x. But they can be had with 1.2x DSCRs if at least 50 percent of a property's units are set aside as affordable, among other things. The loans also are eligible for supplemental financing if collateral values increase.

Fannie would verify compliance with the borrower's agreement to keep units affordable annually.

The program was launched only weeks ago and Fannie already has closed one loan. However, details couldn't be learned immediately.

Three years ago, Freddie Mac launched a lending program aimed at keeping rents at collateral properties affordable to low- and moderate-income tenants. But that program, the Workforce Housing and Targeted Affordable Mezzanine Loan program, was targeted at workforce-housing properties where rents generally are more affordable than at newer properties.

But investors long have sought workforce properties because of their lower rents. Their strategy often is to upgrade units and increase rents.

To combat that natural inflationary pressure, Freddie offers property owners the ability to raise up to 90 percent of a property's value through a combination of a senior and mezzanine loan, which would be originated simultaneously. To qualify, at least 80 percent of a property's units must be set aside as affordable. And their rents cannot increase by more than 2 percent annually, or 1 percent more than the increase in the Consumer Price Index, whichever is greater. Borrowers must sign on to a covenant, effectively guaranteeing the set-aside.

*Reprinted with permission from Commercial Real Estate Direct  
Copyright ©2021 [www.crenews.com](http://www.crenews.com)*