

# FANNIE MAE MODERATE REHABILITATION (MOD REHAB) SUPPLEMENTAL MORTGAGE LOAN

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

<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>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 Moderate Rehabilitation 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 Moderate Rehab Supplemental Mortgage Loans.
<b>REHABILITATION REQUIREMENTS</b>	An average of at least \$8,000/unit of property improvements. As a best practice, at least 60% of renovation budget should be 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.

## ELIGIBILITY

- Stabilized Conventional, Multifamily Affordable Housing, Seniors Housing, and 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

## BENEFITS

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