

## DUS® Bond Credit Enhancement

Fannie Mae's Multifamily Mortgage Business provides credit enhancement for tax-exempt bonds issued to finance the acquisition, new construction, refinancing, or moderate or substantial rehabilitation of multifamily properties.

### Benefits:

- Low borrowing cost, "AA+" rating keeps the rates on bonds low
- Ability to provide affordable rental housing
- Flexible structures

### Eligibility:

- Multifamily Affordable Housing (MAH) properties with Low Income Housing Tax Credit rent restrictions
- New money issues, refundings, or credit substitutions where Fannie Mae takes the place of an existing credit enhancer without the issuance of new bonds
- Fixed-rate bonds only

Description	Fannie Mae provides credit enhancement for tax-exempt multifamily housing revenue bonds that have low- and moderate-income occupancy restrictions; Fixed rate bonds can be enhanced; Enhancement is rated AAA, and can be used in either a "Refunding" or a "Credit Substitution"
Loan Amount	Minimum \$3,000,000
Loan Terms	10 years (15 years for new construction/substantial rehab) to 30 years
Amortization	Up to 30 years
Loan to Value Maximum	Maximum 85% of conventional appraised value or 80% of "tax exempt" appraisal (with cap rate reflecting tax exempt financing), except in the case of 4% LIHTC in which the maximum LTV increases to 90%
Coverage Minimum	1.20x for fixed rate, except in the case of 4% LIHTC in which the minimum DSCR decreases to 1.15x
Borrower	Domestic single asset borrowing entity is required
Interest Rate	Risk-based pricing, varies with LTV and DSC ratios
Third Party Reports	MAI appraisal, Physical Needs Assessment, and Environmental Phase I Assessment are required for all deals; Seismic Report is required for properties in Seismic Zone 4; A market study may also be required
Reserves	Tax and insurance escrows are required; Repair and Replacement escrow funding is required based on engineer's Physical Needs Assessment; For loans at less than 65% of value with no deferred maintenance, funding of repair and replacement reserve can be waived, at lender's discretion
Application and Due Diligence Fees	\$2,500 non-refundable Application Fee to cover internal underwriting costs; \$12,500 Due Diligence Fee to cover third party reporting
Origination Fee	Fannie Mae requires minimum origination fee equal to one percent of loan amount; can be reduced for loans over \$9 million
Legal Fees	Fannie Mae's legal fees are estimated at \$35,000; Lender's legal fees are estimated at \$25,000
Timing	Timing is dependent on type of credit enhancement, status of bonds, 3rd party report timing and borrower's submission of due diligence