



Capital One

Agency Finance – Affordable Housing

2022

Fannie Mae - Enhanced Resident Services (“ERS”)

Fannie Mae incentivizes and subsidizes the cost of providing resident services on eligible affordable properties.

Benefits

- Up to 30bps reduction in interest rate
 - *(max \$75,000/yr savings)*
 - Savings allocated to annual budget for resident services.

Requirements

- Eligible properties: At least 60% of units at 60% AMI or below
- Two SAHF Certifications Required:
 - CORES Sponsor Certification (takes 4-6 weeks)
 - Cost of initial Sponsor certification 100% reimbursed by Fannie Mae (\$5,500)
 - Sponsor must obtain recertification every 5 years
 - ERS Property-level Certification (2 weeks)
 - Property level initial certification will be 100% reimbursed by Fannie Mae
 - Property recertification required annually (\$750/yr)

CORES “Sponsor-level” Certification:

CORES = “Certified Organization for Resident Engagement & Services (CORES) Certification”

- Administered by Stewards of Affordable Housing for the Future (SAHF)



3 Types of CORES “Sponsor Certification”:

1. Third-Party Model: Owner contracts with an 3rd party organization to provide all aspects of resident services coordination. The 3rd party organization would be CORES certified, rather than the owner.
2. Hybrid Model: Owner contracts with an un-related 3rd party to staff the resident services coordinators/staff, but the otherwise retains management of the resident services at the property
3. Direct Model: For Owners which directly provide/implement/staff the resident services coordination at their own properties.

ERS Example: Kings Village, Pasadena CA

- ERS “Direct” model; Sponsor CORES certified.
- Property: Certified during underwriting (2wk)
- \$131MM Fannie Mae 10yr fixed loan, 35yr Amortization/ 6 years IO
- 313 units, 100% HAP, \$20,000 p/u in immediate repairs – “Mod Rehab” Supplemental.
- \$75k/yr reduction in debt service (6bps)
- Paid-for \$75k/yr in budgeted services:
 - Added a full-time resident services coordinator
 - “Communities of Opportunity” programming: Housing stabilization support, health and wellness, nutrition/healthy food access, social cohesion/reduce isolation, community engagement.



Fannie Mae Sponsor Initiated Affordability (“SIA”)

Incentivizing Workforce Housing with Self-restricted Affordability

Benefits

- **35-45bps reduction in interest Rate**
- Potential to size to a 1.20x minimum DSCR (typically reserved for Affordable housing properties) rather than 1.25x
- 80% LTV available

Requirements

- Stabilized market-rate properties or Affordable w/ expiring regulatory agreements.
- Sponsor elects to restrict at least 20% of units at or below 80% of AMI in order to qualify
- Requires a recorded restrictive covenant for the affordability restrictions which must be in place for the duration of the loan
- Rent and income restrictions must be in place by the Closing.
- Annual verification of rent and income restrictions by a third-party agent

SIA Example: The Grove, Hayward, CA

- Acquisition
- Mission-driven sponsor
- Added Sponsor-initiated Affordability:
 - Restricted 50% of units at 80% AMI, for duration of loan term
 - 80% AMI max rents exceeded market rents, no impact to GPR.
 - LURA was permitted to be signed post-closing; restrictions must be in-place by end of 1st loan year. (Should the LURA not be executed in-time, a limited guarantee applied for the 45bps pricing impact.)
- Benefit: 45bps rate improvement
- Benefit: Used LURA and soft subordinate debt to qualify for a pro-rata CA Welfare Tax Exemption (50% exemption).

