

GSE Workforce Housing Products

Freddie Mac and Fannie Mae have created sponsor or borrower initiated affordable housing programs to expand workforce housing and support tenants.

- Percentage of set-aside units and rent affordability level may vary by market, with a programmatic minimum of 20% of units.



Sponsor-Initiated Affordability

- Flexible loan terms
- Structured ARM Loans with less than a two-year lockout period are not eligible for pricing incentives.
- Potential DSCR Flexibility to 1.20 on a Pre-Review basis for deals with deeper affordability.
- Existing, stabilized conventional Properties.
- Minimum of 20% of units are affordable at 80% of AMI or less
- Rent does not exceed 30% of adjusted AMI
- Borrower must execute a Sponsor-Initiated Affordability Agreement



Workforce Housing Preservation

- Available on all fixed rate loans with term greater than or equal to 7 years.
- Preservation period is the lesser of the term of the loan or 10 years.
- 1.25x/80% maximum credit parameters.
- At lower leverage, 35-year amortization may be available subject to Underwriting review and approval.
- Rent restrictions to be governed by the Freddie Mac Loan Agreement.
- Annual borrower certification of straightforward rent monitoring, ensuring continued affordability; no income tests required.

Project Example– Fannie Mae Sponsor Initiated Affordability (SIA)

Property Summary – The sponsor purchased the Poughkeepsie, NY property for \$20M and then invested \$15M (\$100k/unit) renovating 148 units, adding several amenities, restoring/repairing the historical architectural elements of the property/façade, and also renovating the ground floor retail space.

As of YE 2023 the property was 98% occupied compared to sub-90% occupancy prior to acquisition.

Transaction Summary

- **GSE:** Fannie Mae
- **Product:** Sponsor-Initiated Affordability (SIA)
- **Loan Type:** Fixed Rate
- **Loan Term:** 10 Years
- **Amortization:** 35 Years (conditional on an escrow for minor capital expenditures to be completed post-financing)
- **Interest Only:** 10 Years
- **SIA Benefit:** Deal priced on Fannie Affordable Grid. Approximate benefit of 25 bps + ability to underwrite to 35-year amortization

Affordability

- **Market Type:** Cost-Burdened
- **SIA Restriction:** 20% of the property restricted to 80% AMI for term of the loan. Rent and income restrictions.
- **Mission Driven Percentage:** 79.7% mission driven; unrestricted unit rents range from 85% to 110% AMI



Source and Uses – Fannie Mae Sponsor Initiated Affordability (SIA)

Sources		Uses	
Refinance - Fannie Mae SIA Loan	\$29,700,000	Acquisition Mortgage	\$16,000,000
		Construction Financing	\$11,800,000
		Capex Holdback	\$1,200,000
		Closing Costs	\$300,000
		Cash to Sponsor	\$400,000
Total	\$29,700,000	Total	\$29,700,000

SIA loan proceeds allowed the borrower to payoff all existing debt at the property including \$16M from acquisition and \$11.8M related to the \$15M of capital improvements invested post-acquisition.