

DUS Bond Credit Enhancement

Description	Fannie Mae provides credit enhancement for tax-exempt multifamily housing revenue bonds that have low- and moderate-income occupancy restrictions. Both variable rate and 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 to 30 years.
Amortization	25 or 30 years, based on property condition. 35 year amortization available upon approved waiver by Fannie Mae.
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	1.00x minimum for variable rate at the underwriting rate; 1.25x for fixed rate; 4% LIHTC (with fixed rate bonds) 1.20x minimum DSC.
Borrower	Domestic single asset borrowing entity is required.
Interest Rate	Risk-based pricing, varies with LTV and DSC ratios.
Interest Rate Cap	Required for variable rate transactions; Borrower purchases either a 7-year cap or a 5-year cap and escrows during the five year period for the next 5-year cap. Cap strike rate is approximately 3% over the Bond Market Association (BMA) Municipal Swap Index.
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.

Continued on Reverse

DUS Bond Credit Enhancement

Application Fee	\$15,000.
Origination Fee	Fannie Mae requires minimum origination fee equal to one percent of loan amount; can be reduced for loans over \$9 million. Origination fee can be charged “outside” of the interest rate as a separate fee, or it can be built into the rate.
Legal Fees	Fannie Mae’s legal fees are \$35,000. Lender’s legal fees are \$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.