

Multi Family Cheat Sheet (FNMA)

FNMA Small Apartment Loan Program

Small Loan Chicago and Metro Areas Parameters:
Non-Recourse / Recourse Lending

Mortgage loans in the following MSA's are eligible for Non-Recourse: Baltimore, Boston, Chicago, Los Angeles, New York City, Portland (OR), Sacramento, Salt Lake City, San Diego, San Francisco, San Jose (CA), Seattle, and Washington DC.

Note that the above Non-Recourse provisions require that all Key Principals in a transaction meet the minimum mid-FICO score requirement of 680.

Property Requirements

5 or more multifamily units

Stabilized Occupancy: 90 percent or better physical occupancy (85 percent economic) for the preceding 12 months. Affordable Housing: voucher programs are eligible (tenant based), yet deed restrictions (property based), such as HAP contracts, require DUS execution

Student / Military: must be less than 20 percent of total tenant base

Mixed-use: up to 20 percent non-residential income (calculated from Total Income or EGI). No more than 35% of the Net Rental Area (sq. ft) can be commercial space.

Properties in Active Seismic Zones (3 & 4)

Masonry construction is not eligible

Tuck-under parking on pre-1980 construction is not eligible without mitigation of risk and Fannie Mae waiver

Public Utilities Required

Borrower/Principal Requirements

Eligible Borrower Structures:

Corporation, Limited Liability Company, Limited Partnership, General Partnership, Trust, Co-Tenant, Individual

The Borrower is not required to be a single asset entity.

Co-tenants structures generally require the following: a) No more than five (5) cotenants and b) Each co-tenant is a single asset entity.

Key Principal Designation: The individuals (not entities) that control and manage the Borrower, as identified by the Lender and that the Lender determines are critical to the successful operation and management of the Borrower and the Property.

Principal Designation:

Any person or entity holding, in aggregate, 50 percent or greater interest in the Borrower.

All General Partners

All Managing Members

All Trustees of Trusts designated as a principal or key principal

Non-U.S. Key Principals are NOT eligible.

Borrower/Key Principal Financial Eligibility:

Generally, post-closing liquidity equal to or greater than six (6) months of debt service

Assets held in retirement accounts are not considered liquid Aggregate Key Principal net worth equal to or greater than the subject loan amount

Borrower/Key Principal Real Estate Experience Requirements: Minimum of two years experience with two multifamily properties (5+ units) OR Five years or more with the subject property

Determining the Loan Amount: Lesser of the LTV and DSCR Constrained Loan Estimates

Loan-to-Value Ratio:

Estimated Loan Amount / Value of Property

Value is the lesser of the appraised value or the purchase price (if purchased in the last 24-months) 80% max. Purchase - 75% Max. Refinance with Cash Out

Debt Service Coverage Ratio:

Underwritten Net Cash Flow/Annual Principal & Interest Min. 1.25 to 1

Generally, Tier 3 (1.35x DSCR / 65% LTV) and Tier 4 (1.55x DSCR / 55% LTV) loans do not require a payment guaranty, regardless of market.

For more information contact:

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