



PGIM REAL ESTATE

AGENCY EXECUTIONS FOR WORKFORCE HOUSING

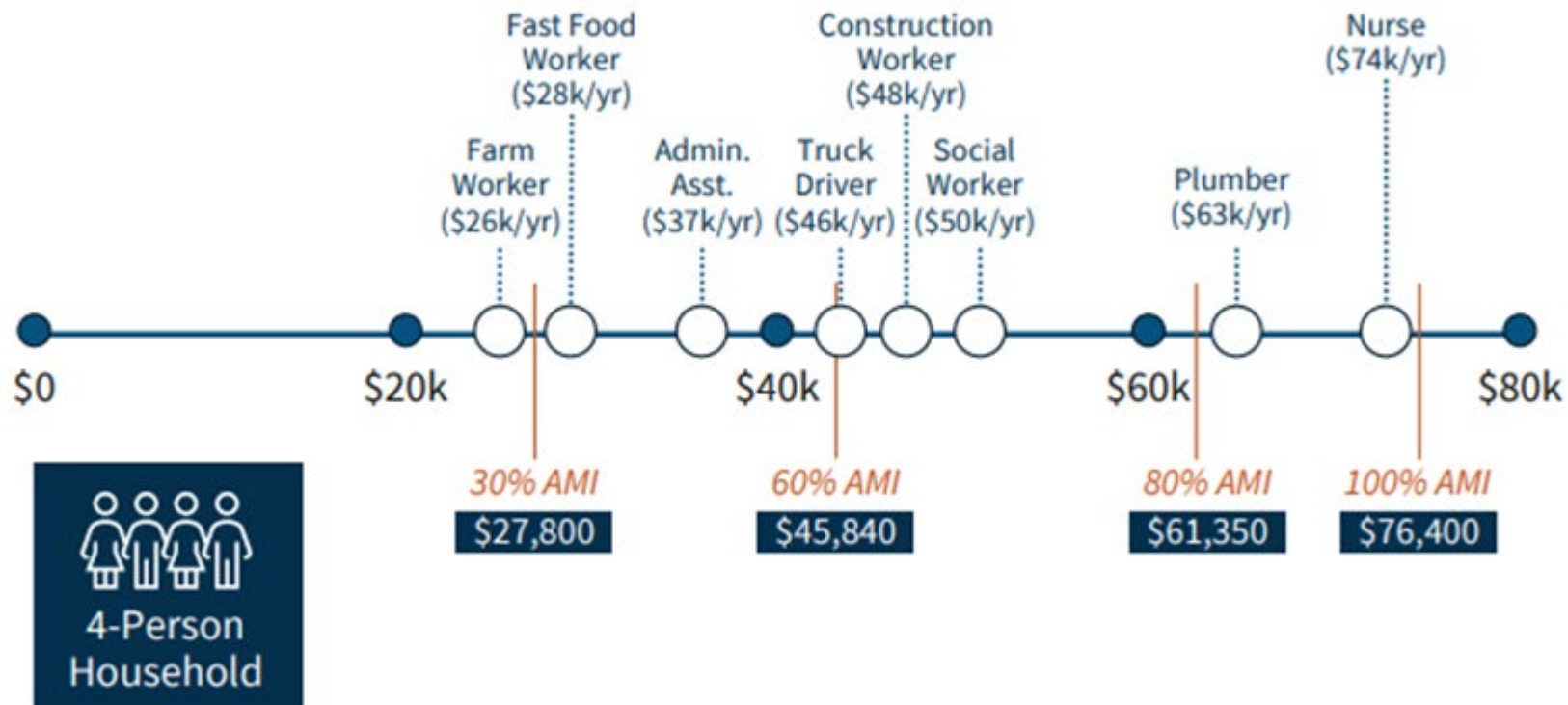
**NH&RA Fall Developers Forum
Debt Financing Update**

November 14, 2024

THE PURSUIT OF OUTPERFORMANCE

The Problem:

- Housing policies have focused on < 60% of AMI households
- Inflation, rising rents and a lack of supply have put an increasing burden on middle-income renters



Enter the Agencies...

Fannie Mae and Freddie Mac offer voluntary programs to create Affordable Housing at existing, stabilized properties:

Fannie Mae

Sponsor Initiated Affordability (SIA)

- Minimum of 20% of units affordable at $\leq 80\%$ of AMI
- Rent and Income Restrictions for the life of the loan
- 12 months after origination to comply
- Third Party Compliance Monitoring required (can be leveraged to satisfy requirements of tax abatements, etc.)

Sponsor Dedicated Workforce (SDW)

- Minimum of 20% of units affordable at $\leq 80\%$ AMI, or in certain metros up to 100-120% AMI.
- Rent Restrictions for the life of the loan
- 12 months after origination to comply
- Annual certification of rent roll submitted to servicer for compliance

Freddie Mac

Workforce Housing Preservation

- Minimum of 20% of units affordable at $\leq 80\%$ of AMI, or in some metros up to 100-120% of AMI
- Rent Restrictions for the life of the loan (flexibility available in the last year of the loan)
- Minimum loan term – 7 years
- Annual Borrower certification – no income tests

Even HUD wants a piece of the action!

HUD Recently released two **draft** Mortgagee Letters that could increase availability of capital for Workforce Housing

Creating a Middle-Income Housing option for 221(d)(4) NC/SR Reduction to DSCR and LTV/LTC Constraints

Proposed Changes to Underwriting Parameters:

- LTC: 85% → 90%
- DSCR: 1.176x → 1.11x

Requirements

- 50% of Units Affordable between 60% - 120% of AMI
- “All targeted units must be secured by a use restriction and must be monitored by a state or local government entity annually.”

	Criteria 3 (Loan to Value/Loan to Cost)		Criteria 5 (Debt Service Coverage)		Vacancy Factor
	Current	New LTV/LTC	Current	New DCR	
90% or Greater Units with Rental Assistance					
221(d)(4) NC/SR	90%	No Change	1.11	No Change	3%
223(f) Refinance or Acquisition*	90%	No Change	1.11	No Change	
Affordable Housing (LIHTC w/ Rent Advantage to Market)					
221(d)(4) NC/SR	87%	90%	1.15	1.11	5%
223(f) Refinance or Acquisition	87%	90%	1.15	1.11	
Market Rate (or LIHTC w/o Rent Advantage)					
221(d)(4) NC/SR	85%	87%	1.176	1.15	7%
223(f) Refinance or Acquisition	85%	87%	1.176	1.15	

Interested Parties can Submit Comments Here until 11/25:

[ML Governing Middle Income LTC DSCR | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](https://www.hud.gov/MLGoverningMiddleIncomeLTCDCR)



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