

Affordability Test – Frequently Asked Questions

Entering Rents

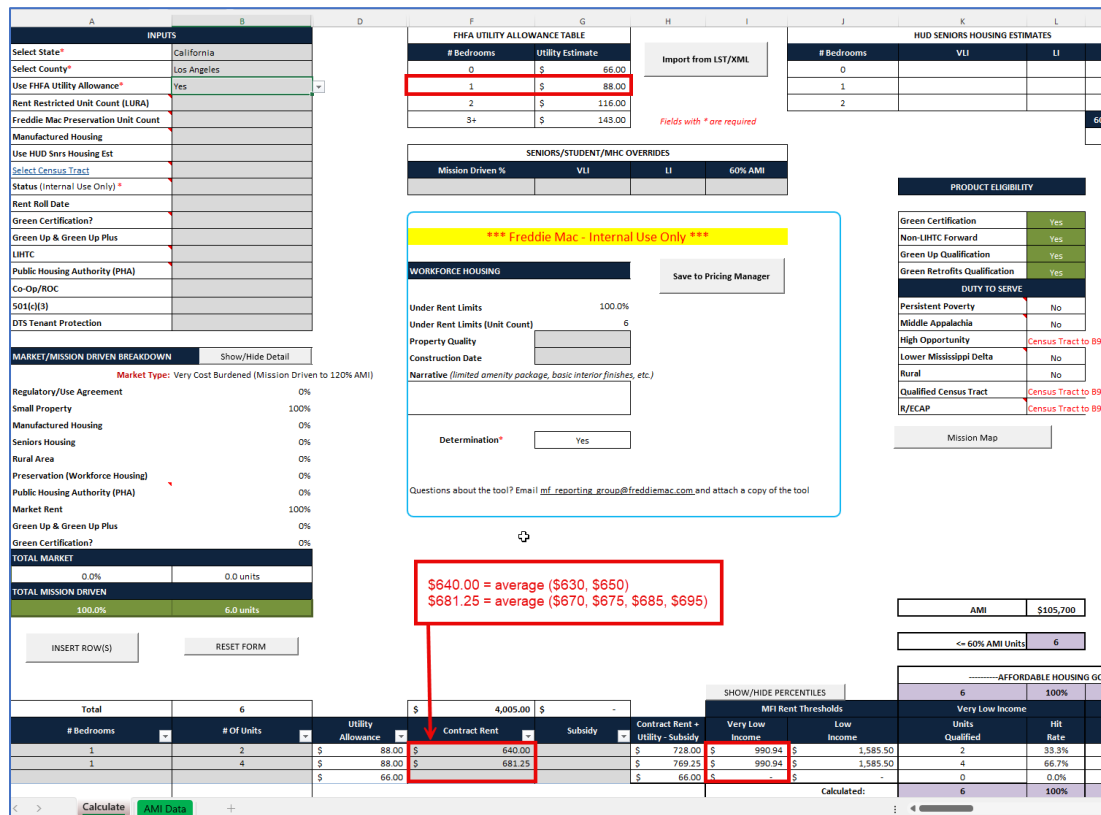
When entering total rent, should we enter “market” or “effective” rent?

For purposes of determining affordability using the Affordability Test, please enter contract rent for occupied units and market rent for vacant/unoccupied units. Contract rent is the rent that is specified in the rental contract and rent concessions shall not be considered, i.e., contract rent is not decreased by any rent concessions. Market rent is the anticipated rent for similar units in the neighborhood as determined by the lender or appraiser for underwriting purposes.

If you have a rent roll with one-bedroom units at different costs, should you take an average or do you have to enter each unit and its rent separately within the test?

Whenever possible, we encourage users to enter unit-level information into the Affordability Test. However, in instances where entering the unit-level information is operationally not feasible, we recommend that you try to create "rent buckets" that group units with similar rents. See example below.

Suppose we are evaluating a property in **Los Angeles, California**, where there are six 1-bedroom units with the following monthly rents: \$630, \$650, \$670, \$675, \$685, and \$695. If the tenant is responsible for the heating or cooling utility bill, then the 1-bedroom FHFA utility estimate of \$88 should be added to the monthly rents. The relevant monthly rents become \$718, \$738, \$758, \$763, \$773, and \$783. In addition, let's assume that the MFI (Median Family Income) Rent Threshold to qualify for very low-income (VLI) is \$990.94 in this instance. Accordingly, any unit where the relevant monthly rent is less than \$990.94 would qualify as a "VLI unit." For ease of using the Affordability Test, you may group the six 1-bedroom units into two buckets (two rows of entry) as follows:



INPUTS

Select State* California
 Select County* Los Angeles
 Use FHFA Utility Allowance* Yes
 Rent Restricted Unit Count (LURA)
 Freddie Mac Preservation Unit Count
 Manufactured Housing
 Use HUD Sns Housing Est
 Select Census Tract
 Status (Internal Use Only)*
 Rent Roll Date
 Green Certification?
 Green Up & Green Up Plus
 LIHTC
 Public Housing Authority (PHA)
 Co-Op/ROC
 S01(c)(3)
 DTS Tenant Protection

FHFA UTILITY ALLOWANCE TABLE

# Bedrooms	Utility Estimate
0	\$ 66.00
1	\$ 88.00
2	\$ 116.00
3+	\$ 143.00

HUD SENIORS HOUSING ESTIMATES

# Bedrooms	VLI	LI
0		
1		
2		

SENIORS/STUDENT/MHC OVERRIDES

Mission Driven %	VLI	LI	60% AMI

WORKFORCE HOUSING

Under Rent Limits 100.0%
 Under Rent Limits (Unit Count) 6
 Property Quality
 Construction Date
 Narrative (limited amenity package, basic interior finishes, etc.)
 Determination* Yes

PRODUCT ELIGIBILITY

Green Certification	Yes
Non-LIHTC Forward	Yes
Green Up Qualification	Yes
Green Retrofits Qualification	Yes
DUTY TO SERVE	
Persistent Poverty	No
Middle Appalachia	No
High Opportunity	Census Tract to B9
Lower Mississippi Delta	No
Rural	No
Qualified Census Tract	Census Tract to B9
I/ECAP	Census Tract to B9
Mission Map	

MARKET/MISSION DRIVEN BREAKDOWN

Market Type: Very Cost Burdened (Mission Driven to 120% AMI)

Category	Percentage
Regulatory/Use Agreement	0%
Small Property	100%
Manufactured Housing	0%
Seniors Housing	0%
Rural Area	0%
Preservation (Workforce Housing)	0%
Public Housing Authority (PHA)	0%
Market Rent	100%
Green Up & Green Up Plus	0%
Green Certification?	0%
TOTAL MARKET	0.0% 0.0 units
TOTAL MISSION DRIVEN	100.0% 6.0 units

MARKET/MISSION DRIVEN BREAKDOWN (Detailed)

# Bedrooms	# Of Units	Utility Allowance	Contract Rent	Subsidy	Contract Rent + Utility - Subsidy	MFI Rent Thresholds	Very Low Income	Low Income	Units Qualified	Hit Rate
1	2	\$ 88.00	\$ 640.00		\$ 728.00	\$ 990.94	\$ 1,585.50		2	33.3%
1	4	\$ 88.00	\$ 681.25		\$ 769.25	\$ 990.94	\$ 1,585.50		4	66.7%
		\$ 66.00			\$ 66.00				0	0.0%
Total	6								6	100%

AMIs

AMI	Value
AMI	\$105,700
<= 60% AMI Units	6

AFFORDABLE HOUSING GOAL

Very Low Income	Units Qualified	Hit Rate
6	100%	

SHOW/HIDE PERCENTILES

Calculated: 6 100%

How does the Affordability Test track Section 8 residents who qualify for very low-income (VLI) units but may be paying a market rent?

For units where tenants receive federal rental subsidies such as Section 8 vouchers, the relevant rent for purposes of determining affordability using the Affordability Test will automatically calculate the contract rent net of rental subsidies, i.e., rent subsidies are subtracted from the contract rent. Enter the contract rent in the 'Contract Rent' column and enter the subsidy in the 'Subsidy' column as a positive number. Please contact your Freddie Mac representative for further guidance on transactions with federal rental subsidies.

Entering Utilities

What is included in the definition of utilities?

The FHFA utility estimates should be used whenever the tenant pays Utilities separately from the rent either directly to the utility provider or reimbursed to the landlord (i.e., select "Y" in cell B4 of the Affordability Test). "Utilities" include electricity, gas, water, fuel, sewage and trash collection. It does not include TV, telephone or internet.

If we have actual utility allowances for Low-Income Housing Tax Credits (LIHTC)/Housing Assistance Payment (HAP) contract deals, can we use the actual?

At this time, please use the FHFA utility estimates for the purpose of estimating VLI units using the Affordability Test. Project-specific utility allowances should not be entered in the Affordability Test.

Is the FHFA utility estimate 'one size fits all' and not estimated by state and county?

Yes, the FHFA utility estimate is a set of national-level assumptions that does not vary by state or county.

Qualifying for Targeted Affordable Housing (TAH)

Are forwards or funded forwards eligible?

Forward commitments, including funded forwards, are not eligible for affordable goal until the property enters its permanent phase and Freddie Mac purchases the mortgage loan. Please contact your Freddie Mac representative for further guidance on transactions with a forward commitment component to the extent that other loans are being done at the same time as a forward, such as an Intermediary Relending Program (IRP) loan.

The MFI Rent is based on HUD MFI. In certain markets the MFI has decreased resulting in decreased rents, but, for many older LIHTC deals, the tax code allows them not to reduce their rents but remain affordable per a Land Use Restriction Agreement (LURA). Is there any adjustment available in this circumstance?

The Affordability Test should not be used for properties subject to regulatory agreements that restrict occupancy to very low-income tenants (i.e., 50% of area median income or lower). To determine the number of qualifying affordable units for properties that restrict all or a portion of the property to occupancy by very low-income tenants, please provide a copy of the regulatory agreement that documents the set aside requirements for very low-income tenants. The lender will also be required to confirm that it has no evidence of non-compliance with such regulatory agreement. Please contact your Freddie Mac representative for further guidance.

Qualifying for VLI Incentives

How many units or percentage of the property needs to be VLI to qualify for preferred pricing?

The VLI incentive fee will apply if Freddie Mac purchases a loan as follows:

- For properties with less than 100 units: 50% of the units qualify for VLI or minimum of 50 VLI units.
- For properties with greater than 100 units: 25% units qualify for VLI and minimum of 50 VLI units.
- Properties with greater than 1,000 units will require discussion.

Please contact your Freddie Mac sales representative for further guidance on loan pricing.

Operational Efficiencies

When does this information get submitted to Freddie Mac — at initial quote, prescreen or full underwriting?

For conventional loans, please submit your VLI unit estimate at initial quote. For TAH loans, please contact your Freddie Mac representative for further guidance.

If we know the property is already considered 'affordable' (i.e., project-based HAP contract, LIHTC, etc.), do we need to use and submit the results of this Affordability Test?

The Affordability Test should not be used for properties subject to regulatory agreements that restrict occupancy to very low-income tenants (i.e., 50% of area median income or lower). To determine the number of qualifying affordable units for properties that restrict all or a portion of the property to occupancy by very low-income tenants, please provide a copy of the regulatory agreement that documents the set aside requirements for very low-income tenants. The lender will also be required to confirm that it has no evidence of non-compliance with such regulatory agreement. Please contact your Freddie Mac representative for further guidance.

AMI Data

What are the rent threshold amounts at a specific affordability level?

The MFI (median family income) Rent Threshold amounts are in the “AMI Data” tab. The rent threshold amounts are specific for the state, county, and number of bedrooms. The amounts are based on the AMI for that location (in the “ami_fhfa” column).

The threshold amounts represent the maximum rent amount at which a unit can qualify for that affordability level. For example, for a 0-bedroom unit in Autauga County, AL, the maximum rent amount for the unit to qualify at 30% of AMI is stated under the column “mfi_rent_threshold_030”. The maximum rent amount for the unit to qualify at 50% of AMI is stated under the column “mfi_rent_threshold_050”, and so forth.

Note: The AMI values are adjusted for unit size (i.e., number of bedrooms) as set forth in §1282.19 of the Housing Goals Regulations and are represented as rent threshold amounts at various rent affordability						
State	County	# Beds	mfi_rent_thrshld_010	mfi_rent_thrshld_020	mfi_rent_thrshld_030	mfi_rent_thrshld_040
Alabama	Autauga	0	144.38	288.75	433.13	577.50
Alabama	Autauga	1	154.69	309.38	464.06	608.43
Alabama	Autauga	2	185.63	371.25	556.88	729.19
Alabama	Autauga	3	214.5	429	643.5	838.13
Alabama	Autauga	4	239.25	478.5	717.75	935.25
Alabama	Autauga	5	264	528	792	1032.38
Alabama	Autauga	6	288.75	577.5	866.25	1129.5
Alabama	Autauga	7	313.5	627	940.5	1226.63
Alabama	Autauga	8	338.25	676.5	1014.75	1323.75
Alabama	Autauga	9	363	726	1089	1420.88
Alabama	Baldwin	0	155.93	311.85	467.78	623.7
Alabama	Baldwin	1	167.06	334.13	501.19	657.13
Alabama	Baldwin	2	200.48	400.95	601.43	795.25
Alabama	Baldwin	3	231.66	463.32	694.98	912.38
Alabama	Baldwin	4	258.39	516.78	775.17	1019.5
Alabama	Baldwin	5	285.12	570.24	855.36	1116.63
Alabama	Baldwin	6	311.85	623.7	935.55	1213.75
Alabama	Baldwin	7	338.58	677.16	1015.74	1310.88
Alabama	Baldwin	8	365.31	730.62	1095.93	1408

Calculate

AMI Data

+

Ready Accessibility: Investigate

100%