

# HUD Section 8 Financing



## Financing Solution for HUD Section 8 Properties

With flexibility and certainty of execution, we provide financing for multifamily properties supported by the U.S. Department of Housing and Urban Development's Section 8 Housing Assistance Payments program — Section 8 project-based contracts or tenant-based vouchers. This HUD program assists qualified renters in paying their monthly rent.

### The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Optigo® lender network to tackle complicated transactions, provide certainty of execution and fund quickly.

Contact your Freddie Mac Multifamily representative today — we're here to help.

### Borrowers Who Want to Know More

Contact one of our Optigo lenders at [mf.freddiemac.com/borrowers/](https://mf.freddiemac.com/borrowers/).

### Product Snapshot

- For Optigo Targeted Affordable Housing (TAH) and Optigo Conventional lenders, properties with Section 8 project-based contracts are eligible for cash loans
- For Conventional lenders, properties with Section 8 tenant-based vouchers are eligible for cash loans
- TAH lenders can obtain credit enhancement for bonds and funding for Tax-Exempt Loans (TEs)
- Borrowers must have demonstrated experience in owning and managing similar Section 8 properties
- We support eligible mixed-use properties

### Green Advantage®

Our Freddie Mac Multifamily [Green Advantage](#) initiative rewards borrowers who improve their properties to save energy or water.

## ► Conventional, Targeted Affordable: HUD Section 8 Financing

	Cash Loans	Tax-Exempt Financing
Optigo Lenders	<ul style="list-style-type: none"> <li>Cash loans with Section 8 project-based contracts: TAH and Conventional lenders</li> <li>Cash loans with Section 8 tenant-based vouchers: Conventional lenders</li> </ul>	TAH lenders only
Eligible Borrowers	Must have demonstrated experience in owning and managing similar Section 8 properties	
Eligible Property Types	Garden, mid-rise, or high-rise multifamily properties with Section 8 project-based contracts or vouchers	
Loan Terms	5-year minimum, 15-year maximum	10-year minimum, 30-year maximum
Product Description	Financing for multifamily properties supported by Section 8 project-based contracts or tenant-based vouchers through credit enhancements and/or cash loan purchases	
Type of Section 8	<ul style="list-style-type: none"> <li>Project-based subsidy: This form of subsidy refers to rental assistance that is associated with a specific property rather than specific tenants. The property receives a cash payment based on the number of qualifying tenants living in qualifying units; the contractual basis for the subsidy is known as a Housing Assistance Payments (HAP) or Section 8 contract.</li> <li>Tenant-based subsidy: This form of subsidy is rental assistance that is associated with a specific tenant rather than a specific property. The property receives a cash payment based on the number of qualifying occupants. The written authorization provided to the tenant for this subsidy is known as a voucher, of which there are two types: <ul style="list-style-type: none"> <li>Regular vouchers – The original and most common form of vouchers, in which the payment is generally capped at the applicable HUD Fair Market Rent, which is a HUD-established rent ceiling for a geographic area.</li> <li>Enhanced vouchers – Special vouchers that are given to tenants in a property that formerly had been receiving a project-based subsidy but will no longer. Typically, this is because the owner has opted out of the Section 8 program or prepaid an FHA or HUD Mortgage. Tenants in such a property may receive enhanced vouchers to enable them to pay the new higher rent for their unit. The payment standard is typically set at the actual rent to be charged at the property after the Section 8 subsidy terminates.</li> </ul> </li> </ul>	
Maximum Amortization	30 years	35 years
Other Terms	<ul style="list-style-type: none"> <li>For underwriting purposes, the subsidy is characterized as one of the following: <ul style="list-style-type: none"> <li>Long-term Section 8 contract, which is a new 20-year contract or an existing contract that has a remaining term equal to or greater than the term of the mortgage, or</li> <li>Short-term Section 8 contract, which has a remaining term of less than the term of the mortgage</li> </ul> </li> <li>Other definitions pertinent to the Section 8 subsidy are as follows: <ul style="list-style-type: none"> <li>Above Market, which refers to Section 8 rents that are higher than the achievable market rent (rents above market are excess rent)</li> <li>At or Below Market, which refers to Section 8 rents that are equal to or lower than the achievable market rent</li> </ul> </li> </ul>	

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Minimum Debt Coverage Ratio (DCR)	<ul style="list-style-type: none"> <li>For a property with a project-based Section 8 HAP contract, if the property is in an “above-average” market as determined by Freddie Mac and has a physical vacancy of less than 5% at origination: 1.20x</li> <li>When <i>new</i> Low-Income Housing Tax Credit (LIHTC) is present: 1.15x</li> <li>For an Above Market Long-term Section 8 contract, some excess rent may be underwritten</li> <li>For an Above Market Short-term Section 8 contract, the stabilized net operating income must not include the excess Section 8 rent and the mortgage is underwritten according to Freddie Mac’s other requirements for a Short-term Section 8 contract</li> </ul>	
Maximum Loan-to-Value (LTV) Ratio	80% without LIHTCs	90% with LIHTCs
Prepayment Provisions	Defeasance	Yield maintenance
Subordinate Financing	Permitted, subject to additional requirements and analysis	
Tax and Insurance Escrows	Required	
Fees	Application fee, commitment fee, plus other fees as applicable	
Appraisal	<p>The appraiser must include the following values:</p> <ul style="list-style-type: none"> <li>The value using the project-based Section 8 contract rents, and</li> <li>The value using the lower of market, Section 8, or achievable net LIHTC rents (if applicable) for each type of unit</li> </ul>	

### For More Information

Contact your Freddie Mac representative.