

# Fannie Mae DUS<sup>®</sup> Multifamily Market Rate Forward Commitment Financing New Construction

**RED Mortgage Capital, LLC** is an approved Fannie Mae DUS (Delegated Underwriting and Servicing) mortgage lender that, pursuant to the requirements of the Fannie Mae New Construction Product Line, underwrites and commits to make permanent mortgage loans on rental housing projects prior to the commencement of construction. **RED Mortgage Capital, LLC** can sell mortgages to Fannie Mae on an expedited, delegated basis upon completion of construction and the satisfaction of certain rent up and other conditions, in exchange for cash (i.e., through a "cash window" delivery), or for Fannie Mae mortgage-backed securities (i.e., through a swap for MBS's, an "MBS/DUS" transaction).

## **TERM & AMORTIZATION:**

Terms from 7 to 30 years with 30 year amortization.  
30 month Forward Commitment Period with lender's option to extend for 6 months

## **LOAN TO VALUE RATIO:**

80% Maximum Allowable

## **DEBT COVERAGE:**

1.25X Minimum Allowable (1.00X for ARM Structures)

## **LOAN ADVANCES:**

Fannie Mae will advance loan funds to an approved Construction Lender, for payment of construction costs, in four equal installments at regular intervals beginning 30 days after rate lock or in a lump sum.

## **RATE LOCK OPTIONS:**

Most borrowers elect to have the interest rate on the entire permanent loan locked in advance of construction by agreeing to have the full permanent loan amount advanced to the construction lender within 30 days of rate lock but other options are available that allow for delaying the funding of advances by: (1) locking the interest rate incrementally on each of four advances funded over the first year of the commitment; (2) paying a 'hedge fee', either up front or as an addition to the interest rate to lock the entire rate in advance but spread the funding of advances over the first year in four equal increments; or (3) requesting a Standby Commitment which has the lowest cost but in which the borrower assumes all interest rate risk until the property qualifies for permanent loan delivery and the interest rate is locked just prior to permanent loan closing. Standby Commitments may be converted to rate locked Forward Commitments during this term.

## **MANDATORY DELIVERY:**

Upon acceptance of the permanent loan commitment, Borrower posts 2% in cash or an acceptable letter of credit in favor of Fannie Mae, which 2% will be refunded upon delivery of the permanent loan to Fannie Mae. Also, the Borrower must execute at construction loan closing, a mandatory delivery promissory note in favor of Fannie Mae that obligates the

Borrower to pay yield maintenance on the Fannie Mae advances if the Borrower does not convert the Forward Commitment to a permanent loan. The note is secured by a subordinate mortgage on the project, and is returned to the Borrower upon delivery of the permanent loan to Fannie Mae. (For ARM commitments, the Delivery Assurance Fee will be 5% of the Maximum Mortgage Amount.)

## **PREPAYMENT:**

Prepayment terms, penalties, and yield maintenance requirements are specified by Fannie Mae. Typically, mortgages are subject to yield maintenance or prepayment penalties except for the 90 day period immediately prior to maturity. Consult your **RED Mortgage Capital, LLC** representative for more detail.

## **FEATURES:**

- Non-Recourse, with the exception of standard carve-outs
- Fully assumable
- No rent restrictions
- 16-month "earn-out" provision allows mortgage to be increased after closing based on actual performance of project
- Long term fixed interest rate committed at, or prior to, construction loan closing

## **ELIGIBLE PROPERTIES:**

- The project must target 51% of units to be affordable to persons earning no more than 100% of the area median income (no rent or income restrictions).
- Occupancy of 90% or higher for 3 consecutive months prior to permanent loan closing
- Proven location with stable employment
- Initial lease term of at least 12 months

## **CONVERSION REQUIREMENTS:**

Forward Commitments are converted to permanent loans upon: (a) satisfactory completion of construction in accordance with plans and specifications that were independently reviewed at time of initial underwriting; (b) completion of lease-up and stabilization as evidenced by four consecutive rent rolls, each

certified and dated at one month intervals showing 90% or greater occupancy; and (c) achievement of the Net Operating Income ("NOI") estimated in the original underwriting as evidenced by actual leases and actual operating expenses.

**REQUIREMENTS:**

- Escrow Accounts for insurance, real estate taxes, and special assessments
- Replacement reserve account

**PRICING:**

Fees and interest are quoted daily. Contact **RED Mortgage Capital, LLC** for specific pricing.

**TAX-EXEMPT BONDS:**

The New Construction Product Line may be employed to credit enhance tax-exempt bonds.

**TERRITORY:**

Nationwide

**CONSTRUCTION FINANCING:**

**RED Mortgage Capital, LLC** has arranged a Master Forward Funding Agreement pursuant to which construction financing may be provided by a **RED Capital Group** affiliate. Borrowers may apply for construction financing or may secure such financing from another construction lender that has entered into such an agreement with Fannie Mae. The construction loan terms (other than the terms associated with the Fannie Mae advances) may be negotiated between Borrower and Construction Lender.

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For additional information visit [www.redcapitalgroup.com](http://www.redcapitalgroup.com) or contact:

**Todd A. Rodenberg**  
Senior Managing Director  
Chief Credit Officer  
**RED Mortgage Capital, LLC**  
[tarodenberg@redcapitalgroup.com](mailto:tarodenberg@redcapitalgroup.com)  
469.385.1342  
800.837.5100 toll-free

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In its prequalifying review, **RED Mortgage Capital, LLC** will attempt to estimate both the loan amount and the fees and costs associated with the transaction. Actual loan amounts and actual fees and expenses may vary from the prequalifying estimates. A prequalifying estimate is not a commitment to make a loan.