



OFFICE OF HOUSING

SEP 23 2005

Ms. Pamela F. Banks
Vice President
Regulatory Compliance
Fannie Mae
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

Dear Ms. Banks:

In response to your letter dated June 14, 2005, with regard to scoring seniors housing units towards the affordable housing goals, the Department has completed its analysis and is issuing the following guidance for the 2005-2008 reporting years:

Proxy Rent Methodology:

In a letter to Fannie Mae dated January 24, 2003, the Department authorized Fannie Mae's use of rent allocation percentages developed by the National Investment Center for the Senior Housing and Care Industries (NIC) for purposes of estimating the portion of monthly payments attributable to rent for seniors housing units where services are provided. HUD's approval covered housing goals reporting for 2003 and 2004. The Department has re-evaluated its previous guidelines and determined that, for reporting years 2005-2008, its recently published regulations provide, at 24 C.F.R. 81.15(e)(6)(i)(A)(1), a straightforward affordability estimation methodology for multifamily rental units with missing rent data that generates estimates that are comparable to those produced through the use of NIC data. Accordingly, and as requested by Fannie Mae, the Department will require that rent estimations for seniors housing units where services are provided be based on the multifamily estimation methodology described in HUD's regulations.¹ This methodology may be used up to a nationwide maximum of 10 percent of the total number of rental units in properties securing multifamily mortgages purchased by Fannie Mae in the current year, including multifamily seniors housing units.²

Seniors Housing Units Eligibility Criterion:

Effective upon receipt of this letter, senior housing units that require an entry, or up-front fee, in addition to a monthly rent/service fee from the senior occupant will not be eligible for goals credit. The Department believes that units for which residents must pay such fees as a condition of occupancy in addition to the monthly rent are not affordable

¹ See the READ_ME file for "Rental Unit Affordability Estimation Data" (revised 5/5/2005) for more information regarding determination of the affordability of senior housing units and the data reporting format for such units.

² See 24 C.F.R. 81.15(e)(6)(i)(C).

housing that may be counted towards the low-and moderate-income and special affordable housing goals under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (FHEFSSA), codified at 12 USC 4501 *et. seq.* and the Department's regulations at 24 CFR Part 81. The Department will, however, permit goals credit for units that require small application processing fees, first-month advanced rent payments, security deposit fees, and/or similar fees provided these are typical and customary charges associated with apartment rental practices in general in the local area. Fannie Mae must collect and retain information on entry or up-front fees charged in addition to the monthly rent/service fee sufficient to support its determination of eligibility.

Counting Units with Multiple Occupancy

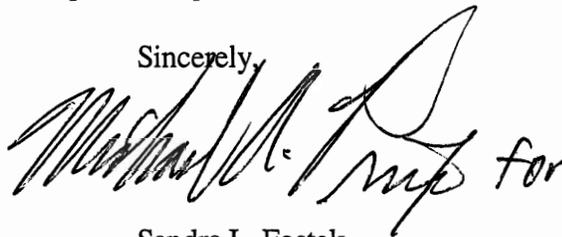
Fannie Mae must score mortgages financing seniors housing on the basis of the number of dwelling units in the financed properties regardless of the circumstances of occupancy. Should Fannie Mae wish to count any seniors housing dwelling unit, with services provided, that is leased to more than one person, more than once towards any housing goal, Fannie Mae must obtain the Department's prior written approval.

Reporting Data on Senior Housing Mortgage Purchases

In the mid-year and year-end computerized loan level data that Fannie Mae provides with its second quarter Mortgage Report and the Annual Housing Activity Report, the RENT field in the unit-class level database should be coded as missing for senior housing units. Unit affordability is reported by means of the data elements LM_ID, SA_ID, LM_QUAL and SA_QUAL, which will indicate, for the low- and moderate-income and special affordable housing goals, respectively, the number of units in the unit-class that qualify to count toward the goal based on the estimation process. In addition, Fannie Mae must continue to provide with its mid-year and year-end reporting a supplemental database on senior housing mortgage purchases consistent with its previous reporting.

Should you have any questions about these revised counting rules for seniors housing units where services are provided, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandra L. Fostek for". The signature is fluid and cursive, written over the word "for" which is printed in a simple sans-serif font.

Sandra L. Fostek
Director
Office of Government Sponsored
Enterprises Oversight