



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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**1602.01A** Definitions

 **Requirements**

Preferred Equity is an equity investment in an entity where the holder is entitled to preferred dividends, distributions, payments, or returns relative to the other equity owners.

Fannie Mae defines 2 types of Preferred Equity.

Type	Definition
Soft Preferred Equity	<p>Preferred Equity that:</p> <ul style="list-style-type: none"><li>• only requires preferred payments or returns to the holder if cash flow from the Property is sufficient to make the payments or returns after satisfying the payment, reserve, escrow, and funding obligations of the Mortgage Loan and all Property operating expenses;</li><li>• has organizational documents that explicitly state that the preferred return may accrue if cash flow from operations is insufficient to pay the return; and</li><li>• does not have a maturity date, redemption date, trigger date, or require repayment during the term of the Mortgage Loan.</li></ul>
Hard Preferred Equity	<p>Preferred Equity that requires preferred payments or returns to the holder, regardless of whether cash flow from the Property is sufficient to make the payments or returns.</p>



# Glossary

## M

### Mortgage Loan

Mortgage debt obligation evidenced, or when made will be evidenced, by

- the Loan Documents, or
- a mortgage debt obligation with a Fannie Mae credit enhancement.

#### Synonyms

- Mortgage Loans
- Mortgage Loan's

## P

### Property

Multifamily residential real estate securing the Mortgage Loan, including the

- fee simple or Leasehold interest,
- Improvements, and
- personal property (per the Uniform Commercial Code).

#### Synonyms

- Properties
- Property's