



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of July 13, 2023

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Summary of Changes

| HIGHLIGHTS |
|--|
| <p>Effective for Mortgage Loans Committed as of July 13, 2023, required Applicant Experience Check (ACheck™) documentation was updated.</p> |

Primary Change

Per Part I, Chapter 3, Section 307: Applicant Experience Check, you are no longer required to maintain ACheck™ results in your Servicing File.

Questions

Please contact the ACheck Team at acheck_requests@fanniemae.com with any questions.



Chapter 3

Borrower, Guarantor, Key Principals, and Principals

Section 301

Generally

Requirements

Your risk assessment of the [Borrower](#), [Guarantor](#), [Key Principals](#), and [Principals](#) must be based solely on objective credit standards.

Prohibited practices include:

- basing the risk assessment on any characteristic protected by any fair housing or fair lending law, including
 - race,
 - color,
 - religion,
 - sex,
 - handicap,
 - familial status, or
 - national origin of the prospective
 - [Borrowers](#),
 - [Guarantors](#),
 - [Key Principals](#),
 - [Principals](#),
 - [Property occupants](#), or
 - residents of the [Property's](#) neighborhood; or

- using
 - unsupported assumptions,
 - personal opinions, or
 - unsupported perceptions.

Guidance

You should:

- Complete a credit review by analyzing information about their



- organizational structure,
 - multifamily business experience and qualifications,
 - general credit history, and
 - current and prospective financial condition.
- Ensure that the financial strength, experience, qualifications, character, and credit history of the **Borrower**, **Guarantor**, **Key Principals**, and **Principals** support the size, complexity, structure, and risk of the transaction.

Section 302 Borrower Organizational Structure

302.01 Single-Asset Entity

Requirements

You must ensure that

- the **Borrower** is a domestic single-asset entity, and
- if the **Borrower** is ultimately owned by foreign persons or entities, it has at least 1 domestic tier of ownership.

Guidance

As you analyze the **Borrower** and its organizational documents to confirm that it is a single-asset entity, consider the following questions:

- Can the **Borrower** acquire any additional real property, personal property, or assets?
- Can the **Borrower** participate in any business other than managing and operating the **Property**?
- Are the **Borrower's** assets or funds commingled with anyone else's? If so, can these assets or funds be separated and identified?
- Are the **Borrower's** financial statements, accounting records, and other organizational documents maintained with anyone else's?
- Except for the **Mortgage Loan**, has the **Borrower** assumed, guaranteed, or obligated itself to cover anyone else's liabilities?



Requirements

If the **Borrower** owns more than a single asset, the **Borrower** may still qualify as a single asset entity if you:

- Obtain an operating statement for each real property owned.
- Obtain proof that the **Borrower** has no existing debt secured by a **Lien** on any of the **Borrower's** real property, other than a **Mortgage Loan** purchased by Fannie Mae.
- Obtain proof that the **Borrower** does not have any direct or indirect equity interest subject to mezzanine financing.
- Ensure that the **Loan Documents** prohibit the **Borrower** from
 - acquiring any additional debt (except for supplemental debt on existing Fannie Mae loans),
 - increasing any existing debt, or
 - acquiring any additional real property.

Guidance

As you analyze the **Borrower** that owns more than a single asset, you should consider whether its other real estate assets are only

- multifamily properties, or
- other types of real estate that do not pose an environmental risk to the **Borrower**.

302.02 Co-Tenant Borrowers

Requirements

You must ensure that any **Co-Tenant Borrower** meets these eligibility requirements:

- the **Borrower** has no more than 10 co-tenants;
- no co-tenant is an individual;
- each co-tenant is a single-asset entity complying with Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.01: Single-Asset Entity; and
- each co-tenant has jointly and severally executed the **Loan**



Documents.

302.02A Tenancy-in-Common Agreement

Requirements

You must ensure that a validly executed Tenancy-in-Common Agreement is in place prior to or at the [Mortgage Loan](#) closing.

You must review the agreement to ensure that:

- Each co-tenant is bound by the terms of the agreement.
- The [Property](#) has a manager of its day-to-day business and affairs, which can be
 - a single co-tenant (or the [Key Principal](#) of such co-tenant) known as the “co-tenant representative”, or
 - a validly-appointed property manager.
- Distributions to the co-tenant representative are subordinate to
 - all payments under any [Mortgage Loan](#) secured by a [Lien](#) on the [Property](#), and
 - the terms and conditions of any such [Mortgage Loan](#).

Guidance

As you analyze the Tenancy-in-Common Agreement, consider the following questions. The term “co-tenant” also includes any [Key Principal](#) who has the rights of the co-tenant.

Representation

- Have the [Co-Tenant Borrowers](#) given the co-tenant representative the power to deal with the [Lender](#) through the Tenancy-in-Common Agreement or an irrevocable power-of-attorney?
- Has each [Co-Tenant Borrower](#) waived its right to reside in the [Property](#)?

Buy outs

- Does each [Co-Tenant Borrower](#) have buy out rights to any other co-tenant?
- Is each [Co-Tenant Borrower](#) financially able to buy out any other co-



tenant?

Communication

- Does each **Co-Tenant Borrower** have a name, address, telephone number, and percentage of ownership interest listed?
- Has each **Co-Tenant Borrower** agreed to promptly notify all other **Co-Tenant Borrowers** and you if their address or telephone number changes?
- Has a single **Key Principal** of the co-tenant representative agreed to receive any communication from you on behalf of all **Co-Tenant Borrowers**?

302.02B Key Principal Execution of Guaranty

Requirements

You must ensure that:

- each **Co-Tenant Borrower** names at least 1 **Key Principal**; and
- if a **Guaranty** is required, each **Key Principal** must become a **Guarantor** and execute either a **Non-Recourse Guaranty** or **Payment Guaranty**.

302.03 Joint and Several Borrowers with Multiple Properties

Requirements

If a **Mortgage Loan** not in a **Credit Facility** is secured by multiple **Properties** and any **Property** is owned by a different **Borrower**, you must require each **Borrower** to:

- execute a single set of **Loan Documents** with joint and several liability for the **Mortgage Loan**;
- comply with the “single purpose entity” requirements per **Modifications to Multifamily Loan and Security Agreement (Co-Borrowers) (Form 6274)**;
- be owned by the same **Persons** having the same percentage ownership interests (whether direct or indirect);
- be **Controlled** by the same **Sponsor** or **Key Principal**;
- execute **Form 6274**, restricting **Property Transfer/Assumption** or



release during the [Mortgage Loan](#) term;

- execute an acceptable Contribution Agreement complying with [Form 6274](#); and
- if separate [Security Instruments](#) are recorded to encumber [Properties](#) in different counties, execute separate Modifications to Security Instrument (Co-Borrowers) ([Form 6322](#)) for each [Security Instrument](#).

Each [Property](#) securing the [Mortgage Loan](#) must:

- be in the same State; and
- comply with [Part II, Chapter 1: Attributes and Characteristics, Section 102.01: Single Borrower Ownership](#).

Section 303

Key Principals, Principals, and Guarantors

Requirements

For every [Mortgage Loan](#), you must:

- Identify and underwrite any [Guarantor](#) and all [Key Principals](#) and [Principals](#) of the [Borrower](#).
- Ensure the [Guarantor](#)
 - is not a foreign person or a foreign entity, and
 - either has an ownership interest in the [Borrower](#) or ensure that the [Guarantor](#) has adequate consideration to enter into the [Guaranty](#).

You must identify the [Principals](#) based on the aggregate of all direct and indirect ownership interests in the [Borrower](#) held per the following table.

| If the Borrower is a... | Then a Principal is... |
|---|--|
| General Partnership or Joint Venture | any general partner or joint venturer. |
| Limited Partnership | all general partners and any Person who owns a 25% or more limited partnership interest. |
| Privately-Held Corporation | any Person who owns 25% or more of the voting stock. |



| If the Borrower is a... | Then a Principal is... |
|---------------------------------|---|
| Limited Liability Company | all non-member managers, member-managers, and any Person who owns a 25% or more membership interest. |
| Trust (other than a Land Trust) | the grantor (if the trust is a revocable trust or if the grantor or settlor has retained powers), any Person who has a 25% or more beneficial interest in the trust, and any trustee. |
| Land Trust | any Person who owns a 25% or more beneficial interest in the land trust. |

303.01 Entity Review

➔ Guidance

When you review an entity, consider the following questions:

- Is it an existing entity (e.g., a corporation, limited liability company, limited liability partnership, or other acceptable structure) that is not newly formed?
- Is it a well-capitalized, stable, on-going business that would be expected to:
 - Remain financially healthy?
 - Support the Property?
 - Meet all Guarantor requirements and obligations under the Guaranty?
 - Have assets and net worth that are significantly greater than what would be minimally acceptable for an individual Key Principal?

303.02 Fund

➔ Guidance

When you review a fund, consider the following questions:

- What is the experience and performance history of the fund manager with similar funds?
- Can the fund raise equity from financially substantial investors?



- What is the performance of the fund?
- What is the leverage level of the fund?
- What is the net worth and liquidity of the fund?
- What is the type and quality of
 - the Property and market,
 - other existing properties and markets, and
 - any potential additional properties and markets targeted by the fund pursuant to its agreements?

Additionally, you should review the organizational documents and private placement memorandum (if applicable) for the following information:

- the fund's expiration date;
- any extension to the fund's existence and conditions to approve that extension; and
- the process for winding up the business affairs of the fund, including whether the fund is organized in a state that requires the orderly dissolution of investment funds, such as Delaware or Illinois.

Section 304 Financial Statements

Requirements

You must obtain signed financial statements from all parties relevant to the [Mortgage Loan](#).

| If these statements... | Then... |
|--|---|
| Are dated less than 12 months before the Commitment Date | You do not need a signed "no material adverse change" certification. |
| Are dated 12 – 24 months before the Commitment Date | You must include a signed certification dated within 30 days before loan application that states they have experienced no material adverse change to their financial condition. |



| If these statements... | Then... |
|-----------------------------------|----------------------|
| Are dated more than 24 months old | You cannot use them. |

For all financial statements, you must collect:

- A schedule of real estate owned by the party providing the financial statement, including the loan information (such as lender, [DSCR](#), and maturity date) for all assets on the schedule.
- A listing of all other assets, including
 - notes receivable from related entities, and
 - an estimate of the market value of each asset and the basis for calculating value estimates.
- All liabilities and contingent liabilities, including
 - debts under lines or letters of credit,
 - personal guaranties,
 - unmet obligations to partnerships or other entities, and
 - other future obligations (describe the amount and timing of these).
- Any other factors that may impact the party's financial position immediately or during the term of the [Mortgage Loan](#) (including any known threat of potential lawsuits that may arise from the parties' business operations).

Section 305

Multifamily Underwriting Certificate

Requirements

You must obtain the appropriate [Multifamily Underwriting Certificate \(Form 6460\)](#) from the [Borrower](#) and each [Key Principal](#).

You must ensure that the [Form 6460](#) is

- signed and certified as true, correct, and complete, and
- dated within 90 days before the [Commitment](#) date.

If the 90-day limit is exceeded, the [Borrower](#) and [Key Principals](#) must certify that there has been no material adverse change to the financial condition shown in the [Form 6460](#).



You must keep a copy of the [Form 6460](#) in your [Servicing File](#).

Section 306 Fraudulent Conveyance

Requirements

You must not obtain a [Commitment](#) for any [Mortgage Loan](#) if you believe that the [Borrower](#), [Key Principals](#), [Principals](#), or [Guarantors](#) intend to delay, hinder, or defraud creditors.

Guidance

To show that you have made the [Mortgage Loan](#) in good faith, consider the following questions:

- Have you carefully reviewed the facts so that you have a clear defense to potential fraudulent conveyance or fraudulent transfer claims?
- Have you obtained a [Form 6460](#) that confirms the [Borrower's](#) good faith?

Section 307 Applicant Experience Check

Requirements

For both initial applications, [Supplemental Mortgage Loans](#), and any [Transfer/Assumption](#), you must perform an [ACheck™](#) and receive a "Continue Processing" response for

- the [Borrower](#),
- each [Key Principal](#) of the [Borrower](#),
- each [Principal](#) of the [Borrower](#),
- each [Guarantor](#), and
- any person who owns or controls an entity [Key Principal](#).

Operating Procedures

Where can you find ACheck?

You can find the [ACheck](#) application at <https://multifamily.fanniemae.com/applications-technology/acheck>.



When do you use the ACheck application?

As soon as you receive an application request and the necessary tax identification numbers and/or social security numbers, enter the information into [ACheck](#).

- If you have not yet identified all parties at this stage, you must enter all [Key Principals](#), [Principals](#), and [Guarantors](#) of the [Borrower](#) into [ACheck](#) as soon as you identify them.
- If more than 90 days pass between the initial [ACheck](#) and [Commitment Date](#), you must repeat an [ACheck](#).

How do you view ACheck results?

The [ACheck](#) application will provide either a “Continue Processing” or “Do Not Process” electronic response instantaneously.

■ “Continue Processing” Response

You must receive a “Continue Processing” response in order to proceed with the application.

This does not mean that the [Borrower](#), [Key Principal](#), [Principal](#), [Guarantor](#), or [Principal](#) is approved; you are still required to complete full [Mortgage Loan](#) credit underwriting.

■ “Do Not Process” Response

If you receive a response stating “do not continue processing an application for a Fannie Mae loan that involves this applicant” (or similar wording), then:

- Do not proceed with the application, and do not omit any [Key Principal](#), [Principal](#), or [Guarantor](#) for which a “Do Not Process” response was given.
- Use the “Do Not Process” response to indicate that you need to have direct communication with Fannie Mae.
- Follow the instructions provided by the [ACheck](#) application and contact Fannie Mae before proceeding to underwrite the [Mortgage Loan](#).
- Never use the “Do Not Process” response as the sole reason for rejecting or denying credit in any cases not involving Fannie Mae.

You will not be provided any information as to why a particular



Borrower, Key Principal, Principal, or Guarantor received a “Do Not Process” response.

What about confidentiality?

You must establish procedures to ensure that all ACheck responses obtained for Borrowers, Key Principals, Principals, and Guarantors are kept confidential.

How do you maintain ACheck results?

You must print dated copies of your ACheck inquiries and responses for the Mortgage Loan and include these copies in your Servicing File.

Section 308

Compliance

Requirements

You must confirm that the Borrower, Key Principal, Guarantor, and Principals:

- Are not sanctioned or blocked by OFAC.
- Do not exhibit “red flags” that indicate a high risk of money laundering.
- Are not on the
 - FHFA SCP List,
 - HUD "Limited Denial of Participation, Funding Disqualifications and Voluntary Abstentions List," or
 - GSA "System for Award Management (SAM)" Exclusion List.

Fannie Mae will not purchase any Mortgage Loan with a Borrower, Key Principal, Principal, or Guarantor that:

- is sanctioned or blocked by OFAC;
- exhibits "red flags" that indicate a high risk of money laundering; or
- is on the
 - FHFA SCP List,
 - HUD "Limited Denial of Participation, Funding Disqualifications and Voluntary Abstentions List," or
 - GSA "System for Award Management (SAM)" Exclusion List.



Operating Procedures

If you find a “red flag” for money laundering:

1. Do not inform the Borrower, any Borrower Affiliate, Key Principal, Principal, or Guarantor.
2. Report all information that triggered the “red flag” to Fannie Mae to:
 - <https://fims.my.salesforce-sites.com/MortgageFraudReport> or (800) 232-6643, and
 - Lender Risk Management.
3. Obtain Fannie Mae’s written approval to Deliver the Mortgage Loan.
4. Do not provide any information to Fannie Mae that would indicate whether you have filed a Suspicious Activity Report (SAR) with the Financial Crimes Enforcement Network (FinCEN).

Section 309

Execution of Non-Recourse Guaranty

Requirements

You must obtain a Non-Recourse Guaranty from a Key Principal (the Guarantor) for any Mortgage Loan that has

- an Underwritten DSCR less than
 - 1.35 for fixed rate or
 - 1.10 for variable rate, or
- an LTV greater than 65%.

You do not need to obtain a Non-Recourse Guaranty if the Borrower is a Cooperative Organization or if the Key Principal (who would otherwise be the Guarantor) is a publicly traded entity.

Section 310

Conflict Mortgage Loans

310.01 Description

Requirements



| Conflict Mortgage Loan Type | |
|-----------------------------------|---|
| Conflict Mortgage Loan | <ul style="list-style-type: none">• Any Mortgage Loan in which:<ul style="list-style-type: none">- a Lender, any Lender Affiliate, or any Lender Senior Executive<ul style="list-style-type: none">▪ owns (or will own) any direct or indirect equity interest in the Borrower, or▪ directly or indirectly controls the Borrower; or- any Lender employee, or group of employees, owns (or will own) more than a 5% direct or indirect equity interest in the Borrower.• Any Mortgage Loan with DLA Mezzanine Financing. <p>Any equity interest you acquire in the Borrower relating solely to obtaining the associated LIHTCs is not considered when determining if the Mortgage Loan is a Conflict Mortgage Loan (see Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 709: LIHTC Properties – Lender Equity Interest).</p> |
| Prohibited Conflict Mortgage Loan | <p>Any Mortgage Loan in which</p> <ul style="list-style-type: none">• the Lender or any single Lender Senior Executive owns more than a 5% direct or indirect equity interest in the Borrower,• any group of Lender Senior Executives together owns more than a 10% direct or indirect equity interest in the Borrower, or• the Lender or any Lender Affiliate is the Property manager. |



| Conflict Mortgage Loan Type | |
|------------------------------------|---|
| Controlling Conflict Mortgage Loan | <p>Any Conflict Mortgage Loan where:</p> <ul style="list-style-type: none">• the Lender<ul style="list-style-type: none">- can (other than through the exercise of a lender's rights and remedies under the Loan Documents) require changes to the management, operations, or decision-making of the Borrower, the Key Principal, any Person holding a Controlling Interest in the Borrower or Key Principal, or any Principal or Guarantor, or- owns any Preferred Equity in the Borrower;• any Lender Affiliate or employee or group of employees of the Lender or any Lender Affiliate<ul style="list-style-type: none">- can require changes to the management, operations, or decision-making of the Borrower, the Key Principal, any Person holding a Controlling Interest in the Borrower or Key Principal, or any Principal or Guarantor,- individually or together own a 25% direct or indirect equity interest in the Borrower or in any Person holding a Controlling Interest in the Borrower at or after loan origination (including any interest acquired as part of a Transfer/Assumption),- own any Preferred Equity in the Borrower, or- exercises rights under DLA Mezzanine Financing that results in a Controlling Conflict Mortgage Loan under these requirements; or• any Lender Senior Executive owns any direct or indirect equity interest in the Borrower. |

You must not



- Deliver a Prohibited Conflict Mortgage Loan, or
- cause any Portfolio Mortgage Loan to become a Prohibited Conflict Mortgage Loan.

310.02 Restrictions

310.02A Underwriting

Requirements

You must ensure that no Lender employee or other person involved in Conflict Mortgage Loan underwriting and approval owns any direct or indirect equity interest in the Borrower.

You must include the following in your Transaction Approval Memo:

- the amount of any direct or indirect equity interest in the Borrower owned by any Lender Senior Executive, other Lender employee or group of employees; and
- answers to the following questions, including an explanation if your answer to a question is yes:
 - Does any Lender Senior Executive, other Lender employee or group of employees, or any person who participated in the underwriting or approval of the Mortgage Loan, own any direct or indirect equity interest in the Borrower?
 - Can any Lender Senior Executive, other Lender employee or group of employees, or any person who participated in the underwriting or approval of the Mortgage Loan, require changes to the management, operations, or decision-making of the Borrower?

In addition, your underwriting submission must include:

- copies of the Borrower's organizational documents and financial statements;
- copies of all organizational documents and financial statements for any Lender Affiliate that holds a direct or indirect equity ownership interest in the Borrower; and
- an organizational chart or diagram showing
 - the complete ownership structure of the Borrower,
 - the relationship among the Lender, Borrower, and applicable



Lender Affiliate, and

- the percentage ownership of each entity.

Operating Procedures

You must designate the **Mortgage Loan** as a Conflict Mortgage Loan in C&D.

310.02B Servicing

Requirements

As **Servicer** of a Controlling Conflict Mortgage Loan, you must not

- participate in loss mitigation or special asset management decisions if it becomes a **Non-Performing Mortgage Loan**, or
- be notified of, or participate in, any negotiations or communications between Fannie Mae and the **Borrower**, **Key Principal**, or **Principal** (or any **Affiliate** of any of them).

Fannie Mae will make reasonable efforts to provide copies of written communications between Fannie Mae and other parties.

These servicing restrictions apply as long as the **Mortgage Loan** is considered a Controlling Conflict Mortgage Loan.

Operating Procedures

1. Fannie Mae has sole discretion to decide what action, if any, to take regarding any Controlling Conflict Mortgage Loan, any **Property** securing a Controlling Conflict Mortgage Loan, or any **Borrower** or **Guarantor**.
2. If Fannie Mae decides that a Controlling Conflict Mortgage Loan has a material risk of default or other characteristics of increased risk, it can
 - designate a substitute servicer or subservicer, or
 - terminate (with or without cause) your right to service the **Mortgage Loan**.
3. Fannie Mae will comply with the **Program Rules** Part 3 Sections B and C relating to Fannie Mae initiated servicing transfers. After



servicing is transferred, you will retain your loss sharing obligation.

310.02C No First Right of Refusal

Requirements

You will not have any First Right of Refusal to purchase a [Property](#) that secured a Conflict Mortgage Loan, even if the Loss Sharing Addendum to the [MSSA](#) grants you this right.

310.02D Additional Disclosure

Operating Procedures

For an [MBS](#) backed by a Conflict Mortgage Loan, you must indicate in C&D

- that additional disclosure is required, and
- whether it is the [Lender](#), a [Lender Affiliate](#), a [Lender Senior Executive](#), a [Lender](#) employee, or group of employees who has a [Controlling Interest](#) or a [non-Controlling Interest](#).

310.02E Notifications

Requirements

If, after delivering a [Mortgage Loan](#), it becomes a Conflict Mortgage Loan, you must deliver all materials described in this Section to [Multifamily Asset Management](#) within 30 days after acquiring each equity interest.