

# Multifamily Selling and Servicing Guide

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### **Section 301** Generally

#### Requirements

#### You must:

- perform a risk assessment of the Borrower, Guarantor, Key Principals, and Principals based solely on objective credit standards;
- for any Sponsor, Key Principal, Guarantor, or Person who owns a Controlling Interest in the Borrower, Key Principal, or Guarantor, search the internet for
  - any negative press,
  - current or prior lawsuits, and/or
  - fair housing violations or other sanctions;
- ensure all:
  - Potential Red Flags for Mortgage Fraud and Other Suspicious Activity were evaluated; and
  - unresolved red flags were reported per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 310: Compliance; and
- document all due diligence findings in the Transaction Approval Memo.

#### Prohibited practices include:

basing the risk assessment on any characteristic protected by any fair housing or fair lending law, including

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- 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.

#### You must:

- complete a credit review by analyzing information about the Borrower's, Key Principals', and Guarantors'
  - organizational structure,
  - multifamily business experience and qualifications,
  - general credit history, and
  - current and prospective financial condition; and
- ensure the financial strength, experience, qualifications, and credit history of the Borrower, Key Principals, and Guarantors support the transaction's

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- size,
- complexity,
- structure, and
- risk.



## **Glossary**

## B

Borrower

Person who is the obligor per the Note.

#### **Synonyms**

- Borrowers
- Borrower's

C

Controlling Interest

For any entity, ownership or control of 50% or more of the ownership interests in the entity or the power or right to control or modify, directly or indirectly, the management and operations of the entity.

G

Guarantor

Key Principal or other Person executing a

- Payment Guaranty,
- · Non-Recourse Guaranty, or
- any other Mortgage Loan guaranty.

## **Synonyms**

Guarantors

K

Key Principal

Person who

- controls and/or manages the Borrower or the Property,
- is critical to the successful operation and management of the Borrower and the Property, and/or

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• may be required to provide a Guaranty.

#### **Synonyms**

- Key Principals
- Key Principal's

P



Person

Legal person, including an

- individual,
- estate,
- trust.
- corporation,
- · partnership,
- limited liability company,
- financial institution,
- joint venture,
- · association, or
- other organization or entity (whether governmental or private).

#### **Synonyms**

- Persons
- Person's

**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

S

Sponsor

Principal equity owner and/or primary decision maker of the Borrower (often the Key Principal or the Person Controlling the Key Principal).

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#### **Synonyms**

- Sponsors
- Sponsor's