



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## Section 302 Borrower Organizational Structure

### 302.01 Single-Asset Entity

#### Requirements

You must ensure:

- the Borrower is a domestic single-asset entity formed for the sole purpose of owning the Property;
- if the Borrower is ultimately owned by foreign persons or entities, it has at least 1 domestic tier of ownership; and
- you review
  - the Borrower's complete formation documents, and
  - all amendments or restatements.

#### Guidance

As you analyze the Borrower and its organizational documents to confirm that it has been a single-asset entity since formation, 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?
- 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 no direct or indirect equity interest in the Borrower is 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; and
- 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](#);
  - is underwritten as a stand-alone Borrower;
  - complies with [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors](#); and
  - 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; and
- 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 per [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 311: Execution of Non-Recourse Guaranty](#), a Key Principal from each Co-Tenant Borrower 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, directly or indirectly, by the same Persons having the same percentage ownership interests;
- 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](#).



# Glossary

## B

**Borrower** Person who is the obligor per the Note.

### Synonyms

- Borrowers
- Borrower's

## C

**Co-Tenant Borrower** Borrower consisting of tenants-in-common that own the Property in equal or unequal shares.

### Synonyms

- Co-Tenant Borrowers

**Credit Facility** Structured Transaction governed by a Master Credit Facility Agreement requiring Mortgage Loans and Properties to be

- cross-defaulted, and
- cross-collateralized.

### Synonyms

- Credit Facilities
- Credit Facility's

## G

**Guarantor** Key Principal or other Person executing a

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

### Synonyms

- Guarantors

**Guaranty** Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.





## 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
- may be required to provide a Guaranty.

#### **Synonyms**

- Key Principals
- Key Principal's

## L

### Lender

Person Fannie Mae approved to sell or service Mortgage Loans.

#### **Synonyms**

- Lenders
- Lender's

### Lien

Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.

#### **Synonyms**

- Liens

### Loan Documents

All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.

#### **Synonyms**

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

## 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

## N

### Non-Recourse Guaranty

Guaranty executed by a Key Principal on Form 4501 series or [Form 6015 series](#), or approved by Fannie Mae.

### **Synonyms**

- Guaranty of Non-Recourse Obligations

## P

### Payment Guaranty

Guaranty executed by a Key Principal on Form 4502 series or [Form 6020 series](#), or approved by Fannie Mae.

### 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

### Security

MBS, PFP MBS, or REMIC.

### **Synonyms**

- Securities



## Security Instrument

Instrument creating a lien or encumbrance on 1 or more Properties and securing the Loan Document obligations.

### **Synonyms**

- Security Instruments
- Security Instrument's

## Sponsor

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

### **Synonyms**

- Sponsors
- Sponsor's

# T

## Transfer/Assumption

Transaction changing the ownership of the Borrower or Property.

### **Synonyms**

- Transfers/Assumptions