



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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**312.01** Description

Requirements

Conflict Mortgage Loan Type	
Conflict Mortgage Loan	<ul style="list-style-type: none"> <li>• Any Mortgage Loan in which:               <ul style="list-style-type: none"> <li>- you, or any of your Lender Affiliates or Lender Senior Executives                   <ul style="list-style-type: none"> <li>▪ owns (or will own) any direct or indirect equity interest in the Borrower, or</li> <li>▪ directly or indirectly controls the Borrower; or</li> </ul> </li> <li>- any of your employees, or a group of your employees, owns (or will own) more than a 5% direct or indirect equity interest in the Borrower.</li> </ul> </li> <li>• Any Mortgage Loan with DLA Mezzanine Financing.</li> </ul> <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 <a href="#">Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 709: LIHTC Properties Lender Equity Interest</a>).</p>
Prohibited Conflict Mortgage Loan	<p>Any Mortgage Loan in which:</p> <ul style="list-style-type: none"> <li>• you or any single Lender Senior Executive of yours owns more than a 5% direct or indirect equity interest in the Borrower;</li> <li>• any group of your Lender Senior Executives together owns more than a 10% direct or indirect equity interest in the Borrower; or</li> <li>• you or any of your Lender Affiliates is the Property manager.</li> </ul>



Conflict Mortgage Loan Type	
Controlling Conflict Mortgage Loan	<p>Any Conflict Mortgage Loan where:</p> <ul style="list-style-type: none"><li>• you<ul style="list-style-type: none"><li>- 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</li><li>- own any Preferred Equity in the Borrower;</li></ul></li><li>• any of your Lender Affiliates or any employees or any group of employees of yours or any of your Lender Affiliates<ul style="list-style-type: none"><li>- 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,</li><li>- 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),</li><li>- own any Preferred Equity in the Borrower, or</li><li>- exercises rights under DLA Mezzanine Financing that results in a Controlling Conflict Mortgage Loan under these requirements; or</li></ul></li><li>• any of your Lender Senior Executives owns any direct or indirect equity interest in the Borrower.</li></ul>

You must not



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



# 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
- 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

**Lender Senior Executive**

For any Lender any:  
a. senior executive officer serving as its president, chief executive officer, chief financial officer, chief operating officer, chief production officer, chief underwriter, chief asset manager, chief legal officer, chief information security officer, chief compliance officer, or substantially equivalent position;  
b. individual with voting or approval rights over whether the Lender commits to make a Mortgage Loan; or  
c. Immediate Family Member of, or individual having a close relationship with, any individual identified in (a) or (b).

**Synonyms**

- Lender Senior Executives

**Loan Documents**

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

**Synonyms**

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

## **M**

**Mezzanine Financing**

Subordinate debt financing provided to a direct or indirect owner of a Borrower that is secured by a pledge of the direct or indirect equity interest in the Borrower held by the owner, and not by a Lien on the Property.



## 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**

## 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

## Portfolio Mortgage Loan

Mortgage Loan purchased by Fannie Mae and held as of a certain date regardless of whether it is a Cash Mortgage Loan or an MBS Mortgage Loan.

### **Synonyms**

- Portfolio Mortgage Loans
- Portfolio Mortgage Loan's



Preferred Equity	A direct or indirect equity investment in an entity providing that investor with preferred rights to receive dividends, distributions, payments, or returns relative to other equity owners.
Principal	Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per <a href="#">Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors.</a>  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Principals</li></ul>
Property	Multifamily residential real estate securing the Mortgage Loan, including the <ul style="list-style-type: none"><li>• fee simple or Leasehold interest,</li><li>• Improvements, and</li><li>• personal property (per the Uniform Commercial Code).</li></ul> <b>Synonyms</b> <ul style="list-style-type: none"><li>• Properties</li><li>• Property's</li></ul>
<b>T</b>	
Transfer/Assumption	Transaction changing the ownership of the Borrower or Property.  <b>Synonyms</b> <ul style="list-style-type: none"><li>• Transfers/Assumptions</li></ul>