Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 304 Limited Experienced Owner

☑ Requirements

You must determine if any Sponsor, Key Principal, or Guarantor is a Limited Experienced Owner.

To determine if a Co-Tenant Borrower is a Limited Experienced Owner, you:

- must analyze the Person named as the co-tenant representative per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.02: Co-Tenant Borrowers; and
- may exclude from the analysis any:
  - passive Tenant in Common Member, who is solely named a Key Principal to comply with Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 302.02: Co-Tenant Borrowers; or
  - Borrower whose Controlling Interest is owned by a Key Principal or Guarantor that does not meet the definition of a Limited Experienced Owner.

For each Limited Experienced Owner:

- verify the identity of the Sponsor and each Key Principal or Guarantor, or any Person who owns a Controlling Interest in the Borrower, using a current
  - driver's license or passport,
  - personal residence, and
  - business address (not a P.O. Box);
- ensure your Credit Underwriting or Screening team meets, in person or virtually, each individual:
  - identified as, or on behalf of, the Key Principal or Guarantor; or
  - who owns, directly or indirectly, a Controlling Interest in
    - the Borrower,
    - any Key Principal, or
    - any Guarantor;
- for any individual identified as a Key Principal or Guarantor, or who owns a Controlling Interest in the Borrower, Key Principal, or Guarantor:

- obtain a resume; and
- verify employment history using
  - a Lexis-Nexis report, or
  - other industry standard background reporting tool;

- review, for each Key Principal or Guarantor, or Person who owns a Controlling Interest in the Borrower, their:
  - investment profile;
  - business goals; and
  - primary sources of income, which must be consistent with business activities;

- obtain evidence of the origin of transaction funds for
  - an Acquisition, or
  - cash-in refinances requiring the Borrower to deposit additional funds at closing; and

- determine any appropriate adjustments to the reported liquidity and net worth of the Sponsor and each Key Principal or Guarantor, including:
  - verifying liquidity based on 3 consecutive months of bank or brokerage statements for accounts (a bank or brokerage letter alone is insufficient to verify liquidity); and
  - using best efforts to verify the value (including ownership interest and debt outstanding) of all real estate owned, directly or indirectly, using
    - K-1 statements,
    - CoStar or similar service, or
    - mortgage loan verification from other creditors.

Guidance

You should consider if the additional underwriting requirements are appropriate for any Borrower, Sponsor, Guarantor, or Key Principal with whom you have never originated a multifamily Mortgage Loan, even if they are not a Limited Experienced Owner.

Glossary

A

Acquisition	Any Purchase of either the: • Property's fee simple or leasehold interest via a deed transfer; or • Controlling Interest in the Borrower. **Synonyms** • Acquisitions

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
Control	Possessing, directly or indirectly, the power to direct or cause the management and operations of an entity (e.g., through the ownership of voting securities or other ownership interests, or by contract). **Synonyms** • Controlling • Controlled • Controls

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
Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

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

Limited Experienced Owner	Any Person who has not been a Sponsor, Cooperative Property Sponsor, Key Principal, or Guarantor for a Fannie Mae multifamily Mortgage Loan in the last 10 years before the Commitment Date. Regardless, a Sponsor, Cooperative Property Sponsor, Key Principal, or Guarantor is not a Limited Experienced Owner if they: • are a fund Sponsor whose other current or historical funds under its Control satisfy these requirements; or • currently have a Controlling Interest in Persons directly or indirectly owning more than 1,000 multifamily units. **Synonyms** • Limited Experienced Owners

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

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
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 Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors. **Synonyms** • Principals

R

Real Estate Owned	A Property or interest in a Property acquired by Fannie Mae or on behalf of the MBS Trust, through a Foreclosure Event where title to a Property or interests in that Property are transferred to Fannie Mae or the MBS Trust. **Synonyms** • REO • REO'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). **Synonyms** • Sponsors • Sponsor's