



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## Section 304 Limited Experienced Owner

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### 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

**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

### 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

## **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