



Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 910 Borrower, Key Principals, Guarantors, and Principals

Requirements

Except as described below, you must comply with all requirements for the Borrower, Key Principals, Guarantors, and Principals in [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals](#).

910.01 Borrower Organizational Structure

Requirements

Any individual Borrower must not be a Foreign Person.

Although a single asset entity is preferred, the Borrower may be a multi-asset entity.

Guidance

If the Borrower owns multiple assets, then you should obtain and underwrite the Borrower's complete schedule of owned real estate assets. Your underwriting should include the nature, location, cash flows, outstanding mortgage debt, and contingent liabilities of each asset.

910.02 Co-Tenant Borrowers

Requirements

If a Co-Tenant Borrower is not an individual or a trust holding title to assets of an individual, each Key Principal must execute the applicable Guaranty per [Part III, Chapter 9: Small Mortgage Loans, Section 902: Key Principal Guaranty Obligation](#).

A Co-Tenant Borrower must be

- an individual who is not a Foreign Person,
- a single-asset entity, or
- a multi-asset entity.

910.03 Key Principals

Requirements

You must ensure that any individual Key Principal is not a Foreign Person.



910.04 Principals

Requirements

For Small Mortgage Loans, a Principal is any person or entity that holds direct or indirect interests of 50% or more in the Borrower.

910.05 Financial Statements

Requirements

You must:

- obtain
 - a schedule of owned real estate assets, and
 - signed financial statements; and
- verify liquid assets for the 3-months immediately before the Borrower's loan application by obtaining copies complying with the aging requirements per [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals of all](#)
 - bank statements, and
 - investment portfolio statements.

910.06 Net Worth and Liquid Assets

Requirements

You must ensure that:

- the combined net worth of the Borrower and all Key Principals equals or exceeds the original principal amount of the Small Mortgage Loan; and
- the combined post-closing liquid assets (excluding any Small Mortgage Loan cash-out proceeds) of the Borrower and all Key Principals equal at least 9 monthly payments of P&I on the Small Mortgage Loan.

Guidance

You should:

- for net worth, consider the impact of current, long-term, and contingent liabilities compared to the Small Mortgage Loan amount; and
- for liquidity, exclude the following unless you have reasonable



justification:

- retirement funds (such as IRAs and 401Ks); and
- promissory notes payable to the Borrower or a Key Principal, whether secured or unsecured.



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

F

Foreign Person Person who is not:

- a United States citizen;
- a legal permanent resident of the United States; or
- an entity organized and existing under the laws of the United States of America, or its states or territories.

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

P

P&I

Principal and interest

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

S

Small Mortgage Loan

Mortgage Loan with an original loan amount less than or equal to \$9 million.

Synonyms

- Small Mortgage Loans