Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 1502 Preferred Equity and Structured Common Equity

Requirements

For any Mortgage Loan with Preferred Equity or Structured Common Equity in the Borrowers ownership structure, you must comply with the

- Equity Checklist (Form 6441), and
- Preferred Equity Operating Procedures Job Aid.

Guidance

This Section does not apply to any Borrower organizational or capital structures relating solely to the allocation of LIHTCs.

Operating Procedures

You must submit:

- a completed Equity Checklist (Form 6441) using:
  - DUS Gateway if the Borrowers ownership structure includes any Preferred Equity or Structured Common Equity requiring Pre-Review per Form 6441; or
  - DUS DocWay with the Mortgage Loan Delivery Package in Folder II if the Borrowers ownership structure does not include Preferred Equity or Structured Common Equity requiring Pre-Review per Form 6441; and
- Multifamily Underwriting Certificate (Key Principal/Principal) (Form 6460.Key Principal) for all Preferred Equity investors identified as Principals with "Additional Principal Due Diligence Requirements" per Form 6441, with the Mortgage Loan Delivery Package in Folder II in DUS DocWay.

Glossary

B

Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

D

Delivery	Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Maes satisfaction. **Synonyms** • Deliver • Delivered • Deliveries
DocWay	Business-to-business electronic documentation delivery application, or any successor system.
DUS	Delegated Underwriting and Servicing
DUS Gateway	Multifamily pre-acquisition system, or any successor systems, recording deal registration, Pre-Review and/or waiver tracking, Mortgage Loan Commitments, and decision records.

G

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

I

Investor	MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan. **Synonyms** • Investors • Investor's

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

Low-Income Housing Tax Credit	Federal program offering tax credits to owners of eligible properties that contain low-income occupants and rent restrictions. **Synonyms** • Low-Income Housing Tax Credits • Low Income Housing Tax Credits • LIHTC • LIHTCs

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
Mortgage Loan Delivery Package	Loan Documents and underwriting material required in connection with the Delivery of a Mortgage Loan.
Multifamily Underwriting Certificate	Multifamily Underwriting Certificate (Form 6460 series) , and/or other agreement approved by Fannie Mae that provides underwriting information for a Mortgage Loan.

P

Pre-Review	Requirement that you obtain Fannie Maes approval before you Rate Lock a Mortgage Loan.

Preferred Equity	A direct or indirect investment in the Borrower, for which the organizational documents provide that equity investor with: • an asset management fee or other fee before dividends, distributions, payments, or returns are paid to the investors; or • preferred or unequal rights to receive dividends, distributions, payments, or returns relative to other equity owners, but excluding: - an equity investment made solely for the allocation of LIHTCs; or - preferred dividends, distributions, payments, or returns paid to: ▪ a REIT Equity Investor from Excess Net Cash Flow; or ▪ an equity investor in the form of • payments or a promote return after pari passu payments are made to all equity investors based on a specified minimum internal rate of return or return threshold; or • repayment of a protective advance to pay debt service or other amounts due under the Loan Documents, or any other amounts reasonably required for the operation and maintenance of the Property.
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

Structured Common Equity	Equity interests in the Borrower's organizational structure (not including Preferred Equity) where the investor has: • Forced Sale rights; or • Control Takeover rights.

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