



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## Section 1502

## Preferred Equity and Structured Common Equity

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### Requirements

For any Mortgage Loan with Preferred Equity or Structured Common Equity in the Borrower's 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 Borrower's 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 Borrower's 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

**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.

## 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

## 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 Mae's 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.