



Guide Update 25-06: Preferred Equity

Effective: 04/14/25
Retired: 04/14/26

Summary of Changes

HIGHLIGHTS

Effective for Mortgage Loans Committed as of April 14, 2025:

- updated:
 - Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors; and
 - Part III, Chapter 16: Mezzanine Financing and Preferred Equity, Section 1602 for Preferred Equity requirements;
- created a new
 - Preferred Equity Checklist (Form 6441), and
 - Preferred Equity Operating Procedures Job Aid; and
- aligned Preferred Equity guidance in
 - Multifamily Asset Management Delegated Transaction: Transfer/Assumption (Form 4636.TA), and
 - Multifamily Additional Disclosure Guidance (Form 4098).

Primary Changes

- Updated:
 - Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors, requiring you to review organizational documents to determine needed compliance with Part III, Chapter 16: Mezzanine Financing and Preferred Equity, Section 1602;
 - Part III, Chapter 16: Mezzanine Financing and Preferred Equity, Section 1602 requiring you to comply with the Preferred Equity Checklist (Form 6441);
 - Multifamily Asset Management Delegated Transaction: Transfer/Assumption (Form 4636.TA); and
 - Multifamily Additional Disclosure Guidance (Form 4098).



- Created a new:
 - Preferred Equity Checklist (Form 6441) to:
 - define 3 types of Preferred Equity structures that allow more flexibility;
 - continue delegation for Soft Pay Preferred Equity (previously Soft Preferred Equity);
 - clarify Mandatory Pay Preferred Equity (new classification) and Hard Pay Preferred Equity (previously Hard Preferred Equity) are subject to Pre-Review;
 - specify underwriting requirements for the 3 types of Preferred Equity structures, providing additional clarity on:
 - loan sizing requirements, if applicable; and
 - credit underwriting requirements for Preferred Equity investors;
 - outline permitted Preferred Equity Default Triggers;
 - specify Limitations on Equity Terms; and
 - require Pre-Review for any transactions with terms outside of Form 6441; and
 - Preferred Equity Operating Procedures Job Aid.

Questions

Please contact Kathleen Iskra at (312) 368-6073, or at kathleen_iskra@fanniemae.com, with any questions.