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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).

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- 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 Iscra at (312) 368-6073, or at kathleen_iscra@fanniemae.com, with any questions.

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