FANNIE MAE EQUITY CHECKLIST

PART I. EQUITY INVESTMENT SUMMARY				
LENDER				
PROJECT NAME/LOCATION (INCLUDING CITY, COUNTY, AND STATE)				
BORROWER				
KEY PRINCIPAL				
GUARANTOR NAME (if any)				
EQUITY INVESTOR (also include name of underwritten entity, if different)				
SPONSOR				
PRINCIPALS				
LENDER'S COUNSEL CONTACT INFORMATION				
REVIEW DATE				
EQUITY INTEREST TYPE (complete after finalizing this Checklist)	**Soft Pay Preferred Equity**	**Yes ☐**	**No ☐**	
	Mandatory Pay Preferred Equity	**Yes ☐**	**No ☐**	
	Hard Pay Preferred Equity	**Yes ☐**	**No ☐**	
	Structured Common Equity	**Yes ☐**	**No ☐**	
	Any Control Takeover rights?	**Yes ☐**	**No ☐**	
	Any Forced Sale rights?	**Yes ☐**	**No ☐**	
	Any Redemption or Buy Sell Rights?	**Yes ☐**	**No ☐**	
	Are all Permitted Equity Default Triggers satisfied?	**Yes ☐**	**No ☐**	**N/A ☐**
	Are all Limitations on Equity Terms satisfied?	**Yes ☐**	**No ☐**	
	Do Additional Principal Due Diligence Requirements apply?	**Yes ☐**	**No ☐**	
DOCUMENTS REVIEWED **List all Governing Documents**	_____, [draft] dated ____ _____, [final] dated ____			

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	Lender must attach all Governing Documents to this Checklist (Exhibit A).
OTHER MATERIAL FINANCIAL TERMS AND CASHFLOW WATERFALL	Lender must prepare Exhibit B (as required).
SOURCE AND USE SCHEDULE	Lender must prepare Exhibit C (as required).
PREFERRED EQUITY REFINANCE/SALE EXIT ANALYSIS	Lender must prepare Exhibit D (as required).

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PART II: PERMITTED EQUITY DEFAULT TRIGGERS

- **All Preferred Equity transactions must comply with this Part II.**
- **Part II does not apply to Structured Common Equity transactions.**
- **The rights of the Equity Investor under the Governing Documents may only be exercised in response to one or more of the "Permitted Equity Default Triggers" set forth below. Lender must confirm the Governing Documents include no other triggers.**
- **If Lender recommends approval of any other trigger, include the trigger, any remedies related to the trigger, the rationale for the recommendation, and mitigants.**
- **If the default trigger under the Governing Documents is, in Lender's determination, construed to be substantially similar to any of the below Permitted Equity Default Triggers, it does not have to be considered an exception to this Part II, provided Lender provides its analysis and rationale when making this assertion.**
- **Except as noted below, the Permitted Equity Default Triggers shall be based only on the events, actions or inactions of the Key Principal or an ~~affiliate~~Affiliate of the Key Principal and shall not be based on the events, actions or inactions of any other Person.**

ITEM	PERMITTED EQUITY DEFAULT TRIGGERS		INCLUDED (Yes/No)	REVIEWER ANALYSIS (Include Governing Document name and section references as appropriate. Identify the remedy (i.e. Forced Sale, Control Takeover, both, or other) and identify any exceptions to the triggers.)
1.	**Violation of Non-Recourse Carveouts**	Any action, inaction or event that triggers personal recourse liability under the non-recourse carveouts under the Loan Documents.	☐ Yes ☐ No	
2.	**Mortgage Loan Default**	Any Event of Default or default under the Loan Documents (other than an Event of Default or default caused by the Equity Investor or its ~~affiliates~~Affiliates) which default, if left uncured beyond the applicable cure period, would result in an Event of Default under the Loan Documents.	☐ Yes ☐ No	

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		NOTE: Any Event of Default or default under the Loan Documents must be cured prior to the Equity Investor exercising any Forced Sale or Control Takeover right. NOTE: This includes any default under the Governing Documents that constitutes an Event of Default under the Loan Documents.		
3.	**Unauthorized Action; Deadlock**	Any action which constitutes or effectuates a "Major Decision" without consent of the Equity Investor (where consent of the Equity Investor is required), or an impasse or deadlock due to a dispute over a Major Decision. See Exhibit E attached to this Checklist for guidance on Acceptable Major Decisions.	☐ Yes ☐ No	
4.	**Failure to Make Mandatory Payments (for Mandatory Pay or Hard Pay)**	**For Mandatory Pay Preferred Equity or Hard Pay Preferred Equity only**: Any failure to make a Mandatory Payment or any failure of the Property to yield Net Cash Flow sufficient to make a Mandatory Payment.	☐ Yes ☐ No ☐ N/A (for Soft Pay and Structured Common Equity)	
5.	**Misuse of Property Revenue or Misapplication of Waterfall**	Any failure to apply Property revenue as required by a Borrower budget or Property operating plan that was approved by the Equity Investor, if such approval is required; or failure to apply Excess Net Cash Flow in accordance with the waterfall required by the Governing Documents (including any failure to make Soft Pay Preferred Equity payments, Mandatory Pay Preferred Equity payments, or Hard Pay Preferred Equity payments when there has been sufficient Excess Net Cash Flow). NOTE: This includes failure to pay the Equity Investor any required redemption amount when due provided such due date is not prior to any Mortgage Loan repayment penalty date or the end of the yield maintenance period.	☐ Yes ☐ No	
6.	**Key Principal or Controlling Party Bankruptcy**	The occurrence of a bankruptcy event by Key Principal or by the manager, managing member or general partner of the JV entity, where "bankruptcy event" means, with respect to each of the foregoing:	☐ Yes ☐ No	

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		(a) the commencement, filing or continuation of a voluntary case or proceeding by such party under one or more insolvency laws; (b) the acknowledgment in writing (other than to Lender in connection with a workout) that such party is unable to pay its debts generally as they mature; (c) the making of a general assignment for the benefit of creditors by such party; or (d) the commencement, filing or continuation of an involuntary case or proceeding against such party under one or more insolvency laws.		
7.	**Failure to Make Capital Contribution**	Any failure to make a capital contribution required by the Governing Documents.	☐ Yes ☐ No	
8.	**Felony Conviction**	Any felony conviction of Key Principal.	☐ Yes ☐ No	
9.	**Death and Incompetence**	In the event the Key Principal is a natural person, the death of the Key Principal or the declaration that the Key Principal is ~~declared~~ legally incompetent.	☐ Yes ☐ No	
10.	**False Statements**	Any representation or warranty to the Equity Investor related to the Property, Borrower, or the Mortgage Loan that is false or misleading in any material respect as of the date such representation or warranty was made.	☐ Yes ☐ No	
11.	**Fraud**	Any fraud, gross negligence or willful misconduct related to the ownership or operation of the Property.	☐ Yes ☐ No	
12.	**Anti-Corruption and Know-**	Any violations of Equity Investor's anti-corruption, anti-money laundering, or economic sanctions policies (e.g., OFAC/KYC).	☐ Yes ☐ No	

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	Your Customer Policies			
13.	**Taxation Treatment**	Any violations relating to the Equity Investor's federal tax treatment of applicable investments or tax incentives (including but not limited to Opportunity Zone incentives, historic tax credits, low-income housing tax credits, renewable energy credits, and any other comparable federal, state, or local tax benefits) that could adversely impact such tax treatment.	☐ Yes ☐ No	
14.	**Other**	**[DRAFTING NOTE: Any other triggers require Fannie Mae Pre-Review. Examples of other triggers include a Forced Sale after a date certain, a Control Takeover or Forced Sale based on economic hurdles, Returns, or other payments not included in other Permitted Equity Default Triggers. Describe any ~~other~~ triggers that require Fannie Mae Pre-Review and provide recommendation and analysis, including the available remedies related to such trigger.]**		

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PART III: LIMITATIONS ON EQUITY TERMS

All Preferred Equity and Structured Common Equity transactions must comply with this Part III.

If Lender recommends approval of any exceptions to these limitations, provide details of the exception and include the rationale for the recommendation and mitigants in the Reviewer Analysis.

	SUBJECT MATTER	REQUIREMENT	SATISFIED Yes/No	REVIEWER ANALYSIS
1.	**No Other Remedies for Defaults Under the Governing Documents**	Except as permitted in the Loan Documents or otherwise approved by Lender, the Equity Investor has no rights or remedies for defaults based on actions or inactions by the Key Principal or other equity investors under the Governing Documents other than the right of the Equity Investor to directly or indirectly while the Mortgage Loan is outstanding: (a) exercise a Control Takeover; (b) exercise a Forced Sale to a third party based on fair market value; (c) sue for a breach of contract under the Governing Documents; (d) increase the Equity Investor's preferred Returns percentage [NOTE: include amount of any percentage increase in Reviewer Analysis column]; or (e) for Preferred Equity only, the right to remove an Affiliate Property Manager, provided such removal may only occur concurrently with the removal of the manager, managing member, general partner or other Person Controlling the Borrower. NOTE: Any other remedies require Fannie Mae Pre-Review. Examples of additional remedies which require pre-approval include a Forced Sale to an ~~affiliate~~Affiliate, a Forced Sale based on less than fair market value, etc.	☐ Yes ☐ No	
2.	**Redemption or Buy~~/~~ Sell Right (for Preferred Equity only)**	~~Prior~~For Preferred Equity only, prior to the earlier of the end of the yield maintenance period or the end of the fifth year of the Mortgage Loan, no Equity Investor shall have any right to: (a) demand the repayment of the equity investment and/or any accrued equity Returns of the investor via a Redemption or Buy Sell Right, or (b) ~~the~~ exercise ~~of~~ a Forced Sale that is not tied to a Permitted Equity Default Trigger.	☐ Yes ☐ No ☐ N/A (for Structured	

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		NOTES: • This does not include the right of a Key Principal who Controls Borrower as of the Effective Date to a Redemption or Buy Sell Right while the Mortgage Loan is outstanding. • These rights may not be specifically defined as a "redemption" or "buy/sell" under the Governing Documents. • Additional MBS Disclosure is required for Redemption or Buy Sell Rights within the Mortgage Loan term.	Common Equity)	
3.	**Cash Sweeps**	The Equity Investor must not be entitled to a cash sweep of any Property cash flow, except (i) for Preferred Equity, in the event of a Permitted Equity Default Trigger, and (ii) for Structured Common Equity, in the event of a default under the Governing Documents.	☐ Yes ☐ No	
4.	**Fixed Rate Required; No Escalation**	Any Equity must have a fixed rate of Return without escalation so long as the Mortgage Loan is outstanding. This does not include an increase of an Equity Investor's Return or default interest while a Permitted Equity Default Trigger is outstanding.	☐ Yes ☐ No	
5.	**No Cash Reserves Benefit Equity Investor**	No Property cash reserves or Borrower cash reserves will be held by or assigned to the Equity Investor to be used to secure or repay the Equity Investor Return or investment.	☐ Yes ☐ No	
6.	**No Collateral Security**	No Equity investment may be secured by any collateral including, but not limited to (i) the Property, (ii) cash flow from the Property, (iii) the funding of reserves to pay the Equity Investor Returns, or (iv) pledges of equity in connection with upper tier financing or a line of credit that includes a Control Takeover based on economic thresholds such as the failure to achieve specific, quantifiable occupancy, NOI, debt service ratio, or other economic performance measures based on a portfolio of properties which includes the Property.	☐ Yes ☐ No	
7.	**Preferred Equity Fully Funded (for Preferred Equity only)**	All Preferred Equity is (or will be) fully funded or contributed on or prior to the Mortgage Loan Effective Date (e.g. the Preferred Equity investment must not be increased over time), unless otherwise approved by Lender. No Equity Investor has the right to increase the size or change the terms of the equity investment for any reason other than for a protective advance to pay debt service, amounts due under the Loan Documents, or any other amounts reasonably required for the operation and maintenance of the Property.	☐ Yes ☐ No	

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			☐ N/A (for Structured Common Equity)	
8.	**No Side Agreements**	The Governing Documents contain the complete terms of the Equity Investor arrangement (e.g. there are no side letters, intercreditor agreements, subordination agreements, recognition agreements, or any other agreements among the Equity Investor, Lender or other parties that relate to the Equity investment or any related payments, cash flows, rights, remedies or triggers). Notwithstanding the foregoing, ~~subordinated non-recourse~~ guaranties of non-recourse carveouts and subordinated environmental indemnity agreements in compliance with Row 11 of this Part III are permitted.	☐ Yes ☐ No	
9.	**No Cross-Collateralization and Cross-Default**	If Equity Investor directly or indirectly capitalizes an entity ~~affiliated~~Affiliated with the Borrower, which such ~~affiliated~~Affiliated entity owns another property, then none of the Equity Investor's remedies may be triggered by the ownership or operation of such ~~affiliated-owned~~Affiliate-owned property unless: (i) Fannie Mae also intends to purchase the mortgage secured by such ~~affiliate-owned~~Affiliate-owned property and (ii) the Mortgage Loan and the mortgage on such ~~affiliate-owned~~Affiliate-owned property will be cross-collateralized and/or cross-defaulted. Notwithstanding the foregoing, for Preferred Equity, remedies related to fraud, gross negligence, or willful misconduct that are related to the ownership or operation of such ~~affiliate-owned~~Affiliate-owned property are permitted. Notwithstanding the foregoing, for Structured Common Equity, remedies for defaults of the type described in the Permitted Equity Default Triggers ~~described~~ in Part II but related to the ownership or operation of such ~~affiliate-owned~~Affiliate-owned property are permitted.	☐ Yes ☐ No	
10.	**Limited Rights to Acquire Additional Equity Interests**	There is no right for the Equity Investor to acquire the equity interests of (i) the person or entity with direct or indirect Control of Borrower, or (ii) any other equity owner under the Governing Documents in each case without (x) purchasing such interests for at least ninety-five percent (95%) of fair market value and (y) satisfying the terms and conditions of the Loan Documents with respect to transfers.	☐ Yes ☐ No	
11.	**Subordination of Guaranty or Indemnity**	Any guaranty or indemnity (environmental or otherwise) ~~related to~~given by Borrower, Key Principal, Guarantor, or any Affiliate of any of the foregoing, in favor of an Equity Investor in connection with the Equity structure, must be expressly subordinate to all of the ~~terms of~~Mortgage Loan, except as otherwise approved by Lender. Unless otherwise required by Lender, a guaranty or indemnity by an Equity Investor (or its Affiliate) for the benefit of Borrower, Key Principal, Guarantor or Lender (e.g., a completion guaranty, carry guaranty, non-	☐ Yes ☐ No	

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		recourse carve-out-type guaranty, or other similar guaranty) is not required to be expressly subordinate to the Mortgage Loan.		
12.	**No Economic Thresholds**	Other than Mandatory Payments in connection with Mandatory Pay Preferred Equity and Hard Pay Preferred Equity, the right to a Forced Sale or Control Takeover must not be tied to triggers based on the Property's failure to achieve specific, quantifiable occupancy, pre-approved budgets, NOI, debt service ratio or other economic performance measures.	☐ Yes ☐ No	
13.	**No Seller Financing**	The Equity must not be from the seller of the Property or an affiliate of the seller of the Property.	☐ Yes ☐ No	
14.	**Assumptions and Loans Ineligible for Preferred Equity only**	The following loan transaction types are not eligible for Preferred Equity: (a) Small Mortgage loans, (b) Seniors Housing Properties, (c) Student Housing Properties, (d) Cooperative Properties, (e) Manufactured Housing Communities, (f) Credit Facilities, (g) Adjustable-Rate Mortgage Loans, (h) any Mortgage Loan where the exercise of rights and remedies of the Equity Investor may result in the Mortgage Loan being a Conflict Mortgage Loan, a Prohibited Conflict Mortgage Loan or a Controlling Conflict Mortgage Loan, and (i) any Mortgage Loan where the Equity is provided by any DUS Lender or its affiliate~~, and~~. ~~(j) the assumption of any Mortgage Loan~~ ~~must not include:~~ ~~(i) Soft Pay Preferred Equity with any Permitted Equity Default Triggers in Items 1-3 of Part II above,~~ **Assumptions**. The assumption of any Mortgage Loan must not include (~~ii~~i) Mandatory Pay Preferred Equity~~,~~ or (ii) Hard Pay Preferred Equity.~~(iii) Hard Pay Preferred Equity.~~	☐ Yes ☐ No ☐ N/A (for Structured Common Equity)	

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15.	**Removal of Affiliate Property Manager (for Preferred Equity only)**	If the Equity Investor has the right to remove an Affiliate Property Manager, such removal may only occur concurrently with the removal of the manager, managing member, general partner or other Person Controlling the Borrower.	☐ Yes ☐ No ☐ N/A (for Structured Common Equity)	
16.	**Other**	Lender must determine that the Equity investment does not contain any other attributes that circumvent the intent set forth in this Checklist and the Guide (including any other noteworthy or unusual terms, e.g. rights of first offers to purchase the property or for future financing, etc.).	☐ Yes ☐ No	

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EQUITY INVESTMENT GUIDANCE	
DEFINITIONS **Capitalized terms used and not specifically defined herein have the meanings given to such terms in the Loan Agreement.**	
Additional Principal Due Diligence Requirements	~~In addition to~~When Additional Principal Due Diligence Requirements are required under this Checklist, an Equity Investor must comply with the underwriting requirement for Principals under Part I, Chapter 3 of the Guide~~, Lenders will be required to~~ and Lender must complete a mortgage credit analysis on ~~any Equity Investor that is also a Principal (as required in the Guide or under this Checklist) to confirm support for such Equity Investor's oversight role and Control Takeover rights if~~ such Equity Investor~~ has (i) Control Takeover rights that align with Items 1, 2 or 3 of Part II, (ii) Redemption or Buy-Sell Rights within the Mortgage Loan term, or (iii) the right to change any Affiliate Property Manager~~. At minimum, Lender will need to obtain Financial Statements, a SREO Schedule for such Equity Investor acceptable to Lender, and a Multifamily Underwriting Certificate (Form 6460).
Affiliate	"**Affiliate**" means with respect to any Person, any other Person that Controls, is Controlled by, or is under common Control with, such Person or such Person's Immediate Family Member.
Affiliate Property Manager	A property manager that is ~~an~~a Borrower Affiliate ~~of~~(as defined in the ~~Key Principal~~Loan Documents).
Common Equity	Equity structures that are not Preferred Equity.
Control Takeover	The right of the Equity Investor to directly or indirectly change Control of Borrower, Key Principal, or Guarantor~~, or effect a transfer of any direct or indirect ownership interest in Borrower, Key Principal or Guarantor that is prohibited under the Loan Agreement~~.
Equity Investor	Any investor with a direct or indirect equity ownership interest in, economic interest in, or rights with respect to, Borrower other than a Key Principal that directly or indirectly Controls Borrower, a Guarantor that directly or indirectly Controls Borrower, a Sponsor, or any other Person that Controls Borrower (or any Affiliate of any of the foregoing acting in such capacity), in each case solely in its capacity as such and not by virtue of holding a Preferred Equity or Structured Common Equity interest. For the avoidance of doubt, a Person that becomes a Key Principal or Principal as a result of, or in connection with, its Preferred Equity or Structured Common Equity interest (including as required by this Checklist) remains an Equity Investor for all purposes of this Checklist.
Excess Net Cash Flow	"**Excess Net Cash Flow**" has the meaning set forth in the Guide.
Forced Sale	The right of the Equity Investor to require a sale or other disposition of the Property (whether via deed or a transfer of the direct or indirect ownership interests in Borrower).

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EQUITY INVESTMENT GUIDANCE	
Governing Documents	The operating agreement, joint venture agreement or similar agreement of Borrower or of an upper-tier Borrower entity containing ~~equity~~Preferred Equity or Structured Common Equity terms including all amendments, private placement memoranda, pledge agreements, guaranties, indemnities (environmental or otherwise), ERISA letters or similar agreements.
Hard Pay Preferred Equity	A Preferred Equity structure that includes Mandatory Payments and where failure to pay any Mandatory Payment could trigger the Preferred Equity investor's right to a Control Takeover while the Mortgage Loan is outstanding.
Key Principal	All references to "Key Principal" refer to the Key Principal that Controls Borrower.
Mandatory Pay Preferred Equity	A Preferred Equity structure that includes Mandatory Payments and where failure to pay any Mandatory Payment could trigger the Preferred Equity investor's right to a Forced Sale while the Mortgage Loan is outstanding.
Mandatory Payments	Returns due to the Preferred Equity investor that are required to be paid regardless of: (a) available Excess Net Cash Flow or (b) whether the Property yields Net Cash Flow sufficient to make any such payment.
Net Cash Flow	"**Net Cash Flow**" has the meaning set forth in the Guide.
Permitted Preferred Equity	Preferred Equity that (i) complies with the Guide and this Checklist~~,~~ or (ii) is ~~described on Exhibit F, or (iii) is~~ otherwise approved by Fannie Mae, as required by this Checklist. Note that equity structures described on Exhibit F are not Preferred Equity and do NOT require compliance with this Checklist.
Permitted Structured Common Equity	Structured Common Equity that (i) complies with the Guide and this Checklist~~,~~ or (ii) is ~~described on Exhibit F, or (iii) is~~ otherwise approved by Fannie Mae, as required by this Checklist. Note that equity structures described on Exhibit F are not Structured Common Equity and do NOT require compliance with this Checklist.
Preferred Equity	A direct or indirect investment in the Borrower for which the Governing Document provides such Equity Investor with: (a) an asset management fee or any other fee before Returns are paid to the ~~investors~~Equity Investors, or (b) preferred or unequal rights to receive Returns relative to other Equity Investors; provided, however, "Preferred Equity" does not include ~~preferred dividends, distributions, payments, or returns~~ : (1) an equity structure in which no Equity Investor has the right, whether individually or together with its Affiliates, to a Forced Sale, a Control Takeover, or to remove any Affiliate Property Manager; (2) equity structures consisting solely of Returns paid to the following (although the following may be Structured Common Equity per this Checklist): (i) a REIT Equity Investor from Excess Net Cash Flow; or

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EQUITY INVESTMENT GUIDANCE	
	(ii) an Equity Investor in the form of: (x) payments ~~or a~~of promote ~~returns~~Returns after pari passu payments are made to all Equity Investors based on a specified minimum IRR or Returns threshold, or (y) repayments 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. NOTE: See Exhibit F for examples of equity structures that do NOT require compliance with this Checklist.
Redemption or Buy Sell Rights	The right of an Equity Investor to force a redemption of the Equity Investor's interests or exercise a right to force a purchase of the Equity Investor's interests.
Returns	Dividends, distributions, payments, or returns to an Equity Investor (individually and collectively).
Soft Pay Preferred Equity	A Preferred Equity structure that specifies that all Returns due to the Preferred Equity investor are only required to the extent of available Excess Net Cash Flow for so long as the Mortgage Loan is outstanding, and if Excess Net Cash Flow is not available, such Returns may be permitted to accrue.
Structured Common Equity	~~A~~ Common Equity ~~structure that includes~~in which an Equity Investor has the right, whether individually or together with its Affiliates, to a Forced Sale ~~right~~ or a Control Takeover ~~right~~. NOTE: See Exhibit F for examples of equity structures that do NOT require compliance with this Checklist.

Requirements for Forced Sale Rights in All Equity Transactions	
Forced Sale Rights in All Equity Transactions	Equity structures may include a Forced Sale right provided it: (a) ~~(a) Is~~is limited to a third party, based on fair market value~~, and~~ ; (b) for Preferred Equity only occurs after the earlier of the end of the yield maintenance period or the fifth anniversary of the Mortgage Loan~~,~~ (provided that a Forced Sale triggered by a Permitted Equity Default Trigger may occur at any time); and (c) ~~(b) For~~for Preferred Equity only, triggered only by the Permitted Equity Default Triggers in Part II of this Checklist~~,~~ ~~and~~ ~~(c) Complies with the Limitations on Equity Terms described in Part III of this Checklist.~~
Requirements for Control Takeover Rights in All Equity Transactions	
Control Takeover Rights in All Equity Transactions	Equity structures may include a Control Takeover right in favor of the Equity Investor provided it: (a) Is subject to Lender's approval under the Loan Documents including Article 11 of the Loan Agreement, (b) For Preferred Equity only, is triggered only by the Permitted Equity Default Triggers in Part II of this Checklist, and (c) Complies with the Limitations on Equity Terms described in Part III of this Checklist
Structured Common Equity and Soft Pay Preferred Equity Underwriting Requirements	
Structured Common Equity and Soft Pay Preferred Equity Underwriting Requirements	For transactions classified as either Structured Common Equity or Soft Pay Preferred Equity: **Only a Forced Sale Right**. If the Equity Investor's remedies are limited to only a Forced Sale (in compliance with the Requirements for Forced Sale Rights above) and there are no Control Takeover rights, the Equity Investor must be underwritten as a **Principal** (regardless of the percentage of ownership the Equity Investor owns directly or indirectly in Borrower) and identified as a **Principal** in the Loan Documents. **Redemption or Buy Sell Right Within the Mortgage Loan Term**. If the Equity Investor has Redemption or Buy Sell Rights during the Mortgage Loan term, the Equity Investor must be underwritten as a **Principal** (regardless of the percentage of ownership the Equity Investor owns directly or indirectly in Borrower), **in accordance with the Additional Principal Due Diligence Requirements**, and also identified as a **Principal** in the Loan Documents. **Control Takeover Right Based on Items 1-3 of Part II**. If the Equity Investor's remedies include: (i) a Control Takeover (in compliance with the Requirements for Control Takeover Rights above) and the Control Takeover is based on any Permitted Equity Default Trigger listed in Items 1-3 of Part II above or (ii) the right to change an Affiliate Property Manager, the Equity Investor (or the appropriate Person in Control of the Equity Investor) must be underwritten as a **Principal** (regardless of the percentage of ownership the Equity Investor owns directly or indirectly in Borrower)~~, in accordance with the Additional Principal Due Diligence Requirements~~ and also identified as a **Principal** in the Loan Documents. **Additional Principal Due Diligence Requirements** are required for Soft Pay Preferred Equity Investors. **Control Takeover Right Based on Items 4-13 of Part II**. For Soft Pay Preferred Equity only, if the Equity Investor's remedies include a Control Takeover (in compliance with the Requirements for Control Takeover Rights above) and the Control Takeover is based on any Permitted Equity Default Trigger listed in Items 4-13 of Part II above, the Equity Investor must be underwritten as a **Principal** (regardless of the percentage of ownership the Equity Investor owns directly or indirectly in Borrower) and identified as a **Principal** in the Loan Documents.

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	No Loan Sizing. There are no specified loan sizing constraints for Structured Common Equity or Soft Pay Preferred Equity.

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Mandatory Pay Preferred Equity Underwriting Requirements	
Mandatory Pay Preferred Equity Underwriting Requirements	For a transaction classified as Mandatory Pay Preferred Equity: • **Preferred Equity Investor as Principal**. The Preferred Equity investor must be underwritten as a **Principal** (regardless of the percentage of ownership the Equity Investor owns directly or indirectly in Borrower), **in accordance with the Additional Principal Due Diligence Requirements** and identified as a **Principal** in the Loan Documents. • **Preferred Equity Sizing**. The amount of the Mandatory Pay Preferred Equity at Mortgage Loan origination must be constrained by the following loan sizing requirements: o a combined Underwritten DSCR of 1.05x calculated as required in the Guide for the Mortgage Loan, plus Returns for the Mandatory Payments based on interest-only; and o a maximum LTV of ninety percent (90%) based on the Mortgage Loan and the fully funded Preferred Equity investment. The supportable Mandatory Payments under Mandatory Pay Preferred Equity are set by this loan-sizing constraint without any increases permitted. • **Payments From Excess Net Cash Flow May Accrue**. Any payments due to the Preferred Equity ~~investor~~Investor (or the appropriate Person in Control of the Preferred Equity investor) while the Mortgage Loan is outstanding that exceed the supportable Mandatory Payments may only be required to the extent of available Excess Net Cash Flow, and if Excess Net Cash Flow is not available, such payments due may be permitted to accrue (and any failure to pay must not trigger a Forced Sale, Control Takeover, or removal of an Affiliate Property Manager).
Hard Pay Preferred Equity Underwriting Requirements	
Hard Pay Preferred Equity Underwriting Requirements	For a transaction classified as Hard Pay Preferred Equity: • **Preferred Equity Investor as Principal.** The Preferred Equity investor (or the appropriate Person in Control of the Preferred Equity investor) must be underwritten as a **Principal** (regardless of the percentage of ownership the Equity Investor owns directly or indirectly in Borrower), **in accordance with the Additional Principal Due Diligence Requirements** and identified as a **Principal** in the Loan Documents. • **Preferred Equity Sizing**. The amount of the Hard Pay Preferred Equity at Mortgage Loan origination is subject to the loan sizing constraints for Hard Pay Preferred Equity in the Multifamily Underwriting Standards/Form 4660. The supportable Mandatory Payments under Hard Pay Preferred Equity are set by this loan-sizing constraint without any increases permitted. • **Preferred Equity Experience**. The Preferred Equity investor must ~~(directly or through affiliates) have owned, operated or asset-managed at least twenty-five thousand (25,000) multifamily units in the past five years, not including any investments through (i) mezzanine loans or (ii) other Preferred Equity joint ventures.~~be approved by Fannie Mae. **Excess Payments May Accrue.** Any payments due to the Preferred Equity investor (or the appropriate Person in Control of the Preferred Equity investor) while the Mortgage Loan is outstanding that exceed the supportable Mandatory Payments may only be required to the extent of available Excess Net Cash Flow, and if Excess Net Cash Flow is not available, may be permitted to accrue (and any failure to pay must not trigger a Forced Sale, Control Takeover, or removal of an Affiliate Property Manager).

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~~Pre-Review~~Pre-Review Requirements	
Pre-Review Requirements	Pre-Review of this Checklist is required for: • All Mandatory Pay Preferred Equity; • All Hard Pay Preferred Equity; • Any Soft Pay Preferred Equity structures that do not meet the requirements of this Checklist; and • Any Structured Common Equity structures that do not meet the requirements of this Checklist. If a Checklist is submitted for Pre-Review: • Lender must update and resubmit a Checklist previously submitted to Fannie Mae during pre-review if material terms are changed in Governing Documents subsequently received by Lender; and • Lender must submit a final copy of the Checklist, which must be delivered with Lender's delivery to Fannie Mae in 6502.Folder II.
Other Requirements	
Other Requirements	Additional MBS Disclosures: • For transactions with Mandatory Pay or Hard Pay Preferred Equity, Lender must comply with any Additional MBS Disclosures requirements. • For Structured Common Equity and Soft Pay Preferred Equity transactions that comply with this Checklist, no Additional MBS Disclosures are required. • For Preferred Equity with Redemption or Buy Sell Rights during the Mortgage Loan term, Lender must comply with any Additional MBS Disclosures requirements. Loan Documents for Structured Common Equity and all Preferred Equity transactions: • Attach Form 6283 (Modifications to Multifamily Loan and Security Agreement (Preferred Equity and Structured Common Equity Terms)) and 6102.28 (Addenda to Schedule 2 – Preferred Equity and Structured Common Equity Terms) to the Loan Agreement. Fannie Mae Equity Operating Procedures Job Aid compliance is required for all Preferred Equity and Structured Common Equity transactions.

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EXHIBIT A TO
FANNIE MAE EQUITY CHECKLIST

Organizational Chart and Governing Documents

[DRAFTING NOTE:

For all Structured Common Equity and Preferred Equity transactions that require Pre-Review, attach to this Exhibit A:

- **the current draft of the complete organizational chart of Borrower compliant with the Organizational Chart Requirements set forth on Form 6406; and**
- **the draft of all Governing Documents referenced in Part I.**

In all cases, for delivery of this Checklist in Folder II of the Delivery Package Table of Contents (Form 6502.Folder II), attach to this Exhibit A all final Governing Documents, along with final complete organizational chart compliant with the Organizational Chart Requirements set forth on Form 6406 and described above.]

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EXHIBIT B TO
FANNIE MAE EQUITY CHECKLIST

Material Financial Terms and Cash Flow Waterfall

[DRAFTING NOTE:

- **Required for Structured Common Equity and Preferred Equity transactions**
- **Insert Summary of net cash flow waterfall, capital proceeds waterfall and other material financial terms from the Governing Documents]**

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EXHIBIT C TO
FANNIE MAE EQUITY CHECKLIST

Source and Use Schedule

[DRAFTING NOTE:

- **Required for all Preferred Equity transactions.**
- **Required for any Structured Common Equity acquisition and refinance transactions that include new equity to recapitalize the Borrower.**
- **Insert Summary or Schedule of the Sources and Uses from the Governing Documents]**

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EXHIBIT D TO
FANNIE MAE EQUITY CHECKLIST

Preferred Equity Refinance/Sale Exit Analysis

[DRAFTING NOTE:

- **Not required for Structured Common Equity transactions.**
- **For Preferred Equity transactions, Lender must attach a refinance/sale exit analysis that:**
  - **Incorporates the terms of both the Mortgage Loan and the Preferred Equity;**
  - **Demonstrates that the Key Principal/Sponsor will:**
    - **Maintain a positive equity position in the Property throughout the term of the Mortgage Loan; or**
    - **Have some other incentive (e.g. continuing cash flow) to remain committed to the Property and its successful operation; and**
  - **Concludes that there will be sufficient cash flow, NCF growth, and residual value to pay off the Mortgage Loan and the Preferred Equity at Mortgage Loan maturity]**

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EXHIBIT E TO
FANNIE MAE EQUITY CHECKLIST

Guidance on Acceptable Major Decisions

The following are examples of acceptable Major Decisions:

(a) marketing the Property for sale;

(b) transferring interests in the Property or in Borrower;

(c) replacing (i) the manager, managing member, general partner or other Person Controlling Borrower or (ii) the property manager or leasing agent of the Property;

(d) pledge, assignment or other transfer of all or any portion of the Property or any equity interests in direct and indirect owners of Borrower;

(e) issuance of new membership or partnership interests;

(f) any modification or amendment of any approved renovation budget, budget timelines, ~~marking~~marketing program, or draw schedule;

(g) approving the annual operating budget and capital improvement budget and any material deviation from either approved annual budgets;

(h) other than the creation of trade receivables in the ordinary course of business not in violation of the Loan Documents, making of any loan or extending credit or acting as guarantor or surety to, for or on behalf of any other Person other than the Mortgage Loan;

(i) approval of the terms and conditions of any indebtedness (including the Mortgage Loan and any additional advance under, or increase in the outstanding principal balance of, or refinance of, the Mortgage Loan) for money borrowed;

(j) entering into any modification, amendment, refinancing, waiver, supplement, termination, extension, renewal or replacement of the Mortgage Loan, unless such amendment is required by the Loan Documents and may be taken by Lender without Borrower's approval;

(k) taking any action or inaction that would violate any provisions of the Loan Documents, any material leases or any other material agreements;

(l) entering into any agreement that (i) (a) is not terminable upon thirty (30) days' notice without payment or penalty and (b) has an aggregate value or contract sum equal to or in excess of $100,000, (ii) is a contract or subcontract for structural, foundation, building envelope, major electrical or plumbing work, or (iii) any other construction contract or subcontract, or contract for engineering or architectural services, that has an aggregate contract sum equal to or greater than $50,000, or entering into any material amendment, modification, waiver, or termination of the same;

(m) entering into any property management or leasing agreement or any amendment, modification, waiver, or termination of any property management agreement or leasing agreement;

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(n) entering into any agreement with any ~~affiliate~~Affiliate;

(o) the institution, settlement, or any other decision with respect to any lawsuit or other legal proceeding in excess of $100,000;

(p) the institution, settlement, or any other decision relating to any condemnation relating to the Property;

(q) the filing of a bankruptcy petition, making an assignment for the benefit of creditors, applying for a custodian, receiver or trustee, or any other bankruptcy or similar proceeding;

(r) settling any dispute with any taxing authority;

(s) changing or adopting any method of accounting, profit/loss allocation, or depreciation;

(t) designating banks for the deposit of funds;

(u) making significant accounting decisions which may have a material adverse effect;

(v) selecting, engaging, and terminating accountants;

(w) making any decision relating to material environmental matters;

(x) electing to restore the Property after a material casualty or condemnation, unless restoration is required by the Loan Documents;

(y) making, causing or agreeing to changes in the zoning, subdivision, easements, boundary lines, roads, or other rights-of-way, or any restrictive covenants applicable to the Property;

(z) organizational changes, including name changes, the formation of subsidiaries, mergers or consolidations, changing the nature or purpose of the business, amending, modifying or terminating the operating agreement or partnership agreement, or converting entity type;

(aa) filing or settlement of insurance claims in excess of $100,000 not in compliance with the requirements of the Loan Documents;

(bb) making material decisions relating to insurance or fidelity bond coverage;

(cc) making investments other than as set forth in the approved business plan;

(dd) making or withholding cash flow or capital event distributions in violation of the Governing Documents or the Loan Documents;

(ee) approving or cancelling any Material Commercial Lease, or approving any amendment to a Material Commercial Lease, or consenting to any assignment of or subletting under any Material Commercial Lease unless required in accordance with its terms or the Loan Documents;

(ff) approval of the terms and conditions of any indemnification agreement other than in connection with the Mortgage Loan; and

(gg) amendment, modification, termination or failure to comply with any special purpose entity provisions.

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EXHIBIT F TO
FANNIE MAE EQUITY CHECKLIST

Equity Structure Examples Not Subject to this Form

~~**The following are examples of Equity structures that are NOT subject to compliance with this Checklist.**~~

For the avoidance of doubt, the following are examples of Equity structures that are NOT considered Preferred Equity or Structured Common Equity and are NOT subject to compliance with this Checklist. If you have any questions on whether to complete this Checklist, contact your Fannie Mae Deal Team to discuss.

1. **Both the Sponsor and the Equity Investor are Underwritten and Named as Key Principals (and, if applicable, both the Sponsor and the Equity Investor execute the Guaranty).** One hundred percent (100%) of the Borrower's equity is owned by the Sponsor and one other Equity Investor who is entitled to receive preferred ~~dividends, distributions, payments, or returns~~Returns relative to the Sponsor; and both the Sponsor and Equity Investor:

   (a) are underwritten and named in the Loan Documents as Key Principals, and
   (b) execute the Non-Recourse Guaranty (Form 6015), if Form 6015 is required by the Guide.

2. **Multiple Equity Investors**. ~~The Borrower is owned by a joint venture between the Key Principal Sponsor and several Equity Investors~~ An Equity structure which includes more than one Equity Investor (that could be comprised of different ownership classes or series) which have Control Takeover or Forced Sale rights with the following features:

   (a) ~~None of the~~No Equity ~~Investors have~~Investor has a direct or indirect ~~Principal~~ ownership interest ~~(i.e., ≥25%) in the Borrower.~~that, individually or together with any Affiliate, could cause a Forced Sale or Control Takeover; and
   ~~(b) The Equity Investors are comprised of several different ownership classes (i.e., Series A, Series B and Series C) with each class paid in a certain order.~~
   (~~c~~b) The Forced Sale or Control Takeover rights are based on at least a majority vote by all Equity Investors.

3. **No Equity Investor has, individually or together with its Affiliates, Control Takeover ~~or~~rights, Forced Sale rights, or the right to remove an Affiliate Property Manager; *provided that*, solely with respect to Structured Common Equity, an Equity Investor's right to remove an Affiliate Property Manager (individually or together with its Affiliates) is permitted.**

4. **An Equity investment made solely for the allocation of LIHTCs.**

5. **Upper Tier Financing/Credit Line**. A pledge of a direct or indirect equity interest in the Borrower in connection with upper-tier financing or an upper tier line of credit provided it does not include a Control Takeover that is based on economic thresholds (such as the failure to

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achieve specific, quantifiable occupancy, net operating income, debt service coverage ratio, or other economic performance measures) related to a portfolio of properties that includes the Property.

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