



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of June 30, 2025

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.



TABLE OF CONTENTS

Part III Chapter 16 Mezzanine Financing and Preferred Equity	3
Section 1601 Mezzanine Financing	3
1601.01 Description	3
1601.01A Eligible Mortgage Loans	3
1601.01B Eligible Terms	3
1601.01C Loss Sharing	4
1601.01D Lender's Loan Application	4
1601.02 Underwriting	4
1601.03 Submission	6
1601.03A Materials	6
1601.03B Data	6
1601.04 Intercreditor Agreement	7
1601.05 Servicing	7
Section 1602 Preferred Equity	7
GLOSSARY	9



Chapter 16 Mezzanine Financing and Preferred Equity

Section 1601 Mezzanine Financing

1601.01 Description

☒ Requirements

A Mortgage Loan with Mezzanine Financing is permitted only if

- the Mezzanine Financing is originated by an approved DUS Lender Affiliate (DLA Mezzanine Financing), or
- Fannie Mae approves the Mezzanine Financing from another source (non-DLA Mezzanine Financing) on a case-by-case basis.

Before underwriting non-DLA Mezzanine Financing, you must contact the Deal Team.

1601.01A Eligible Mortgage Loans

☒ Requirements

Mortgage Loans with Mezzanine Financing must:

- be newly originated;
- have an original principal balance of at least
 - \$10 million, for DLA Mezzanine Financing, or
 - \$50 million, for non-DLA Mezzanine Financing;
- be fixed rate; and
- be flagged for MBS additional disclosure per [Form 4098](#).

1601.01B Eligible Terms

☒ Requirements

Mezzanine Financing must:

- have a fixed rate or fixed mezzanine rate of return without escalations;
- not have a maturity date, redemption date, trigger date, or require repayment of the Mezzanine Financing during the term of the Mortgage Loan; and



- have a minimum \$1 million origination balance.

1601.01C Loss Sharing

☑ Requirements

Loss sharing is required on all Mortgage Loans with Mezzanine Financing.

1601.01D Lender's Loan Application

☑ Requirements

Your loan application form must:

- require the Borrower to indicate whether it has or intends to obtain Mezzanine Financing as part of its organizational or capital structure; and
- inform the Borrower that you may delay approval or revoke any prior approval if the Borrower changes its intention to obtain Mezzanine Financing.

1601.02 Underwriting

☑ Requirements

You must comply with the following table.

Topic	Requirements
Income Projections	<ul style="list-style-type: none">• Provide support for the income projections used to determine the aggregate amount of the Mortgage Loan and Mezzanine Financing.• Demonstrate that the local economics are sufficient and sustainable to support both loans.
Underwritten NCF	<p>Use the same Underwritten NCF to determine the loan amount for</p> <ul style="list-style-type: none">• the Mortgage Loan, and• the Mezzanine Financing.



Topic	Requirements
Refinance Analysis	<p>Prepare a refinance analysis that:</p> <ul style="list-style-type: none">• incorporates the terms of both the Mortgage Loan and the Mezzanine Financing;• demonstrates that the Borrower will<ul style="list-style-type: none">- 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 Mezzanine Financing at maturity (as fully extended, if applicable).
Experience	<p>Ensure that the Sponsor and each Key Principal have sufficient net worth, liquidity, and experience with the Property type and market to justify the origination of the Mortgage Loan and the Mezzanine Financing.</p> <p>If upgrades or rehabilitation are being financed by the Mezzanine Financing, then ensure that the Borrower, each Key Principal, and the mezzanine borrower also have</p> <ul style="list-style-type: none">• sufficient experience managing the scope of the proposed rehabilitation, and• strong property management experience in the local market.
Mezzanine Borrower Structure	<p>Ensure the mezzanine borrower is</p> <ul style="list-style-type: none">• a newly-formed, special purpose, bankruptcy-remote limited liability company or limited partnership,• the sole owner of the Borrower, and• wholly-owned by the Principals of the Borrower.



Topic	Requirements
Appraisal	If the Mezzanine Financing is funding rehabilitation, ensure the Appraisal states the Property's "as is" and "as completed" values.
Third-Party Reports	<p>For Mortgage Loans with DLA Mezzanine Financing, include in the underwriting submission, on behalf of your DL Mezzanine Affiliate any:</p> <ul style="list-style-type: none">• internal or third-party inspection reports;• PCAs; and• architect's or engineer's reports (or other similar reports) related to the Mezzanine Financing.

Guidance

You may require a Completion Guaranty ([Form 6018](#)).

The DUS Lender Mezzanine Affiliate may also require a completion guaranty from the Mezzanine Financing borrower.

1601.03 Submission

1601.03A Materials

Operating Procedures

You must submit the following in DUS Gateway when you submit the Mortgage Loan underwriting:

- the Mezzanine Financing sizing model;
- a sources and uses of funds reflecting the Mezzanine Financing proceeds;
- any approvals associated with the Mezzanine Financing; and
- for any Mezzanine Financing that finances rehabilitation:
 - a description of the proposed rehabilitation;
 - the approved rehabilitation budget;
 - the rehabilitation timeline; and
 - the construction or rehabilitation documents.



1601.03B Data

Operating Procedures

To obtain a Commitment, you must complete the Mezzanine Financing fields in DUS Gateway.

1601.04 Intercreditor Agreement

Requirements

For each Mortgage Loan with Mezzanine Financing, you and the Mezzanine Financing lender must execute an intercreditor agreement approved by Fannie Mae.

Operating Procedures

The Borrower must pay the legal fees if Fannie Mae engages outside counsel to review any intercreditor agreements. These fees are non-refundable, and you must pay the counsel retainer when you submit the underwriting.

Guidance

You may charge the Borrower your own legal and due diligence fees.

1601.05 Servicing

Operating Procedures

You must service, report, and remit on the DLA Mezzanine Financing per Part V.

In all cases, you, as servicer of the DLA Mezzanine Financing, must promptly notify Fannie Mae of any default on the Mezzanine Financing.

Section 1602 Preferred Equity

Requirements

For any Mortgage Loan with Preferred Equity in the Borrower's ownership structure, you must comply with the

- Preferred 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 Preferred Equity Checklist ([Form 6441](#)) using:
 - DUS Gateway if the Borrower's ownership structure includes any Preferred 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 requiring Pre-Review per [Form 6441](#); and
- Multifamily Underwriting Certificate (Key Principal) ([Form 6460.Key Principal](#)) for all Preferred Equity investors identified as Key Principals per [Form 6441](#) with the Mortgage Loan Delivery Package in Folder II in DUS DocWay.



Glossary

A

Affiliate

When referring to an affiliate of a Lender, any other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender.

When referring to an affiliate of a Borrower or Key Principal:

- any Person that owns any direct ownership interest in Borrower or Key Principal;
- any Person that indirectly owns, with the power to vote, 20% or more of the ownership interests in Borrower or Key Principal;
- any Person Controlled by, under common Control with, or which Controls, Borrower or Key Principal;
- any entity in which Borrower or Key Principal directly or indirectly owns, with the power to vote, 20% or more of the ownership interests in such entity; or
- any other individual that is related (to the third degree of consanguinity) by blood or marriage to Borrower or Key Principal.

Synonyms

- Affiliates
- Affiliate's

Appraisal

Written statement independently and impartially prepared by a qualified Appraiser stating an opinion of the Property's market value

- as of a specific date, and
- supported by the presentation and analysis of relevant market information.

Synonyms

- Appraisals
- Appraisal's

B



Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

C

Commitment Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan.

Synonyms

- Committed
- Commitments

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.

DUS Lender Lender approved to Deliver loans under the Delegated Underwriting and Servicing program.

Synonyms

- DL

G



Guaranty

Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.

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

Lender Affiliate

Other Person or entity that Controls, is Controlled by, or is under common Control with, the Lender.

M

MBS

Mortgage-Backed Security

Mezzanine Financing

Subordinate debt financing provided to a direct or indirect owner of a Borrower that is secured by a pledge of the direct or indirect equity interest in the Borrower held by the owner, and not by a Lien on the Property.

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 equity investment in an entity providing that investor with preferred rights to receive dividends, distributions, payments, or returns relative to other equity owners.

Property

Multifamily residential real estate securing the Mortgage Loan, including the

- fee simple or Leasehold interest,
- Improvements, and
- personal property (per the Uniform Commercial Code).

Synonyms

- Properties
- Property's

S

Sponsor

Principal equity owner and/or primary decision maker of the Borrower (often the Key Principal or the Person Controlling the Key Principal).

Synonyms

- Sponsors
- Sponsor's