



## Multifamily Mortgage Business Guide Update 19-01

January 29, 2019

To: Multifamily Lenders

From: Christina Flynn, Vice President for Multifamily Credit, Chief Underwriter

Subject: Guide Update 19-01 – Changes to Mezzanine Financing and Preferred Equity

### HIGHLIGHTS

Effective February 4, 2019, Fannie Mae is updating the Mezzanine and Preferred Equity requirements in Part IIIC, Chapter 10 of the Multifamily Selling and Servicing Guide (Guide) and associated defined terms in Part I, to:

- remove references to the Community Investments (CI) Mezzanine and DUS Plus Mezzanine programs which are no longer available;
- describe permitted Mezzanine Financing;
- clarify the definitions of Soft and Hard Preferred Equity; and
- describe acceptable Preferred Equity structures and underwriting requirements.

### Changes

The Mezzanine Financing requirements in the Guide are being revised to:

- remove references to the CI Mezzanine and DUS Plus Mezzanine programs which are no longer available;
- clarify the guidance for DUS Lender Affiliate Mezzanine Financing (DLA Mezzanine Financing); and
- update the Mezzanine Financing program to permit, on a case-by-case basis, third-party mezzanine financing for Mortgage Loans with an original principal amount of at least \$50 million.

For Preferred Equity, the revisions include:

- clarifying the definitions of Soft and Hard Preferred Equity; and
- describing the limitations, structures, terms, and underwriting requirements for acceptable forms of Soft and Hard Preferred Equity.

Please refer to the Guide chapter for full details and other edits.



### **Effective Date**

This Guide Update is effective February 4, 2019.

### **Questions**

Please contact your deal team with any questions.

### **Associated Documents**

The updated documents are attached, and will be published in AllRegs on the Effective Date.

- Part I – Glossary ([clean](#) and [blackline](#))
- Part IIIC, Chapter 10, Mezzanine Financing and Preferred Equity ([clean](#) and [blackline](#))