

TENANT IN COMMON BORROWERS – MINIMUM REQUIREMENTS SMALL BALANCE LOAN

(Revised 9-25-2015)

- (a) A property may not have more than five tenants in common owners.
- (b) Each owner must be a single asset entity.
- (c) All owners must enter into a management agreement that provides either the TIC Manager (defined below) or another property manager with responsibility for the day to day management of the Property (“Property Manager”). The Property Manager must:
 - Have at least five years’ immediately prior experience in the management of multifamily properties in the market where the Property is located (including management of at least five other multifamily properties with a total number of units at all the other multifamily properties equal to or greater than five times the number of units at the Property).
 - Be otherwise acceptable to Lender.
- (d) There must be a tenant in common agreement entered into by all of the owners (“**Agreement**”).
 - The Agreement must specify which owner is responsible for day-to-day management of the Property (“**TIC Manager**”).
 - The Agreement must specify the authority of the TIC Manager (both actions and expenditures).
 - The Agreement must specify when all or a majority of the owners’ consent is required.
 - If the owners’ consent is required, the Agreement must specify what percentage of the owners consent is required, and how that consent can be given (for example, does consent need to be written?).
 - The Property Manager must have an irrevocable power-of-attorney in the Agreement to deal with the lender on matters relating to the operation and maintenance of the Property.
 - The owners must agree in the Agreement not to seek to partition the Property.
 - Provisions for transfers of ownership interests, particularly in the event of death of an individual, or divorce of a couple owning a common interest, must be specified in the Agreement.
 - The Agreement must be subject to all requirements and restrictions set forth in the Freddie Mac loan documents (or a generic "loan documents for any mortgages on

the Property" is acceptable), noting particularly that any provisions for transfer of ownership interests are subject to, and may be limited by, provisions of the loan documents.

- Each owner must agree in the Agreement not to allow its interest in the Property to become subject to any liens from any third parties, and that if an owner's interest is involuntarily liened, such lien will be discharged within 30 days (or promptly discharged).
- The Agreement must provide that all payments under the mortgage (or all loans, in general) have priority over distributions to the owners and in all ways be subordinate and subject to the terms and conditions of the mortgage.
- Each owner must waive its rights to residency in the Property in the Agreement.
- The Agreement must provide the name, address, telephone number and percentage of ownership interests of each owner. The Agreement must also provide that each owner agrees to promptly notify all other owners and any mortgage lender of any change in address or telephone numbers.
- The Agreement must also provide that each owner will promptly respond to requests for information from other owners and any mortgage lenders, and will promptly make themselves available for execution of documents.
- The Agreement must require that no termination, modification or waiver of the Agreement may be made without any mortgage lender's prior written consent.
- The Agreement must name any mortgage lender as a third-party beneficiary of the Agreement and such mortgage lender may enforce the provisions of the Agreement against any party thereto.
- Any rights of first refusal with respect to or options to purchase the Property included in the Agreement must be subordinate to the lien of the mortgage.
- At all times while the mortgage is outstanding, each owner must waive in the Agreement any and all lien rights it holds against any other owner, including any capital calls, for a failure of such owner to perform its obligations as a tenant in common, either under the Agreement or at law.
- At all times while the mortgage is outstanding, the owners must agree in the Agreement that any and all rights and remedies, including rights of indemnity or otherwise, are fully subordinate to the lien of the mortgage and all other terms and provisions of the loan documents. At all times while the mortgage is outstanding, the owners must agree to stand still with respect to the enforcement of any of their rights and remedies and take no enforcement action with respect to such rights and remedies.