

Multifamily Selling and Servicing Guide

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1907.07 Interest Rate Cap Contract Documentation and Delivery

Requirements

For credit enhancements using:

- an MBS, you must comply with Part III, Chapter 12: Structured Adjustable Rate Mortgage (SARM) Loans, Section 1205.05: Interest Rate Cap Contract Documentation and Delivery; or
- a Credit Enhancement Instrument, this Section applies.

% Operating Procedures

Торіс	Process
Cap Provider Payment	You must ensure the Interest Rate Cap provider pays you or the Bond Trustee directly
	 on the 1st or 15th day of the month corresponding with the Bond payment dates, and when the Bond interest rate index is greater than the average Cap Strike Rate for a month.
	Only disburse a provider payment to the Borrower if
	 there is no Mortgage Loan default, and you received all payments due under the Indenture and Bonds for that month.
	If the Borrower defaults under the Mortgage Loan or Reimbursement Agreement, you must
	 promptly notify Fannie Mae and any applicable Bond Trustee, and direct the Bond Trustee to suspend its payment to the Borrower.
Timing	The Borrower must accept a bid for the initial Interest Rate Cap in writing from a Fannie Mae approved provider before you request a Commitment.



Торіс	Process
Purchase Price	The Borrower must pay the entire purchase price for an Interest Rate Cap to the provider when the Interest Rate Cap Agreement is issued.
Pledge to Fannie Mae	The Borrower must pledge its interest in the Interest Rate Cap and any reserve to Fannie Mae using the documentation provided by Fannie Maes counsel.



Glossary

B	
Bond Trustee	Trustee for a Credit Enhancement Instrument.
	Synonyms • Bond Trustee's
Bonds	Tax-exempt or taxable multifamily revenue bonds, or other tax-exempt or taxable bonds, issued to finance 1 or more Credit Enhancement Mortgage Loan Properties.
	Synonyms • Bond
Borrower	Person who is the obligor per the Note.
	Synonyms • Borrowers • Borrower's
С	
Cap Strike Rate	Maximum specified Index interest rate that will trigger a payment obligation by the Interest Rate Cap provider.
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

L

Credit Enhancement Instrument

D

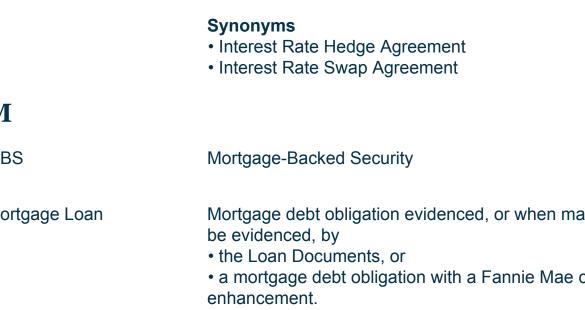
Agreement between Fannie Mae and a Bond Trustee where Fannie Mae provides credit enhancement of a Credit Enhancement Mortgage Loan, Bonds issued to finance a Credit Enhancement Mortgage Loan, or an Interest Rate Hedge Agreement; and if applicable, a Bond liquidity facility.

Synonyms

Credit Enhancement Instruments

Delivery Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Mae's satisfaction. **Synonyms** Deliver Delivered Deliveries Τ Indenture Bond issuer trust indenture or resolution listing Bond terms. Interest Rate Cap Interest rate agreement between the Borrower and a provider for which the Borrower receives payments at the end of each period when the interest rate exceeds the Cap Strike Rate. The Interest Rate Cap provides a ceiling (or cap) on the Borrower's Mortgage Loan interest payments. Synonyms Interest Rate Caps Interest Rate Hedge Interest Rate Hedges Interest Rate Swap

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Synonyms

- Mortgage Loans





Interest Rate Cap, Hedge, or Swap.

Μ

MBS

Mortgage Loan

Interest Rate Cap

Agreement

Mortgage debt obligation evidenced, or when made will

Contract setting forth the terms and conditions of an

• a mortgage debt obligation with a Fannie Mae credit

Effective: 04/05/2024

- Mortgage Loan's