



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of May 27, 2026

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409.02C Adjusting Interest Rate Hedge Reserves for SARM Loans Using Form 6442 Series with an Effective Date Before May 2024

Per the Interest Rate Cap Reserve and Security Agreement ([Form 6442 series](#)), the Servicer must evaluate the Interest Rate Cap reserve and determine if the cost of a replacement Interest Rate Cap has increased or decreased based on market conditions.

- If the estimated cost of a replacement cap has increased, the Servicer must increase the monthly reserve payment to ensure that sufficient funds will be available to purchase the replacement cap by the end of the reserve period.
- If the estimated cost of a replacement cap has decreased, the Servicer may:
 - opt to not adjust the reserve; or
 - calculate and adjust the monthly escrow payments needed to purchase a replacement Interest Rate Cap based on 115% of the cost of an Interest Rate Cap with the term required by the Loan Documents, provided:
 - it is a Portfolio Mortgage Loan Delivered before January 1, 2023;
 - the Interest Rate Cap escrow payments are recalculated at least every 6 months;
 - it is not part of a Variable Rate Bond Credit Enhancement Transaction;
 - it does not have an existing Payment Default or Performance Default under the Loan Documents or a Borrower, Key Principal, or Principal on ACheck; and
 - no other Portfolio Mortgage Loans in your Fannie Mae portfolio with that Sponsor have an existing Payment Default or Performance Default.

The Servicer may refund to the Borrower any amount left in the reserve account after purchasing the replacement Interest Rate Cap.



Glossary

A

ACheck Lender due diligence performed for the Borrower, Key Principal, and Principal using the ACheck™ application.

Synonyms

- Applicant Experience Check

B

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

I

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
- Interest Rate Cap's

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

Loan Documents

All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.

Synonyms

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

P

Payment Default

Borrower's failure to fully pay any required Mortgage Loan payment when due, including,

- principal,
- interest,
- late charges,
- default interest,
- fees,
- pricing incentive recapture,
- prepayment premium,
- escrows, or
- other collateral accounts for
 - taxes,
 - insurance,
 - assessments,
 - Completion/Repair Escrow, and
 - Replacement Reserve.

Synonyms

- Payment Defaults



Performance Default	<p>Borrower's failure to perform any promise or covenant within any applicable grace periods per the Mortgage Loan, other than a Payment Default.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Performance Defaults
Portfolio Mortgage Loan	<p>Mortgage Loan purchased by Fannie Mae and held as of a certain date regardless of whether it is a Cash Mortgage Loan or an MBS Mortgage Loan.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Portfolio Mortgage Loans• Portfolio Mortgage Loan's
Principal	<p>Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Principals
S	
Security	<p>MBS, PFP MBS, or REMIC.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Securities
Servicer	<p>Primary Person servicing the Mortgage Loan, including</p> <ul style="list-style-type: none">• the originator,• seller, or• a third party. <p>Synonyms</p> <ul style="list-style-type: none">• Servicers• Servicer'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