Fannie Mae®

# Multifamily Selling and Servicing Guide

## Effective as of October 26, 2026

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## 1807.03 Interest Rate Cap

### Requirements

| Terms | You must ensure the third-party Interest Rate Cap... |
|---|---|
| Interest Rate Cap | For a variable rate Credit Enhancement Mortgage Loan with variable rate Bonds, is purchased and maintained for the entire time the variable rate Bonds are credit enhanced. |
| Index | Has the same Index as the variable rate Bonds. |
| Interest Rate Cap Provider | Is obtained from an approved provider listed on https://multifamily.fanniemae.com/about-multifamily/our-partners/industry-partners. |
| Initial Interest Rate Cap | Notional Amount equals the Bond UPB when the Interest Rate Cap is purchased. |
| Minimum Interest Rate Cap Term | Agreement remains continually in place until the earlier of<br><br>• 5 years, or<br>• the remaining Bond term. |
| Replacement Interest Rate Cap | Replacement is purchased if the existing Interest Rate Cap expires before the variable rate Bond conversion or Maturity Date. |
| Cap Strike Rate for Replacement Interest Rate Cap | Cap Strike Rate for the Replacement Interest Rate Capis the same or lower than that of the initial Interest Rate Cap. |
| Cap cost factor | Cost factor is included in the Maximum Note Rate per Part III, Chapter 18: Bond Transactions and Credit Enhancement Mortgage Loans, Section 1807.05: Cap Cost Factor Included in Maximum Note Rate. |
| Interest Rate Cap Reserve Adjustment | Cash reserve:<br><br>• is evaluated at the end of each 6-month period to determine if the cost of the replacement Interest Rate Cap has increased, based on market conditions; and<br>• future deposits are not decreased even if the future Interest Rate Cap cost has decreased. |
| Documents | Documents are:<br><br>• on acceptable forms; and<br>• delivered to Fannie Mae, including the<br>- Interest Rate Cap Agreement, and<br>- applicable Interest Rate Cap Reserve and Security Agreement (Form 6442 series). |

### Operating Procedures

Fannie Mae will engage outside counsel at your expense to review all Interest Rate Cap-related documents.

# Glossary

## B

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| 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.<br><br>**Synonyms**<br>• Bond |

## C

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|---|---|
| Cap Strike Rate | Index interest rate specified in the Interest Rate Cap Agreement at or above which a payment obligation will be triggered by the Interest Rate Cap provider. |
| Credit Enhancement Mortgage Loan | Mortgage Loan financed by a Bond issuance where Fannie Mae provides credit enhancement by<br>• a Credit Enhancement Instrument, or<br>• an MBS for Bonds.<br><br>**Synonyms**<br>• Credit Enhancement Mortgage Loans |

## D

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| 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 Maes satisfaction.<br><br>**Synonyms**<br>• Deliver<br>• Delivered<br>• Deliveries |

## G

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| Guide | Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise.<br><br>**Synonyms**<br>• DUS Guide |

# I

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| Index | Basis for determining an ARM Loan Gross Note Rate or entering a Streamlined Treasury Lock on a fixed rate Mortgage Loan, including any required alternative index deemed necessary by Fannie Mae because the prior Index:<br>• is no longer widely accepted; or<br>• was replaced as the index for similar financial instruments. |
| 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.<br><br>**Synonyms**<br>• Interest Rate Caps<br>• Interest Rate Hedge<br>• Interest Rate Hedges<br>• Interest Rate Swap<br>• Interest Rate Cap's |
| Interest Rate Cap Agreement | Contract setting forth the terms and conditions of an Interest Rate Cap, Hedge, or Swap.<br><br>**Synonyms**<br>• Interest Rate Hedge Agreement<br>• Interest Rate Swap Agreement |

# M

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| Maturity Date | Date all Mortgage Loan amounts become fully due and payable per the Loan Documents.<br><br>**Synonyms**<br>• Maturity Dates |
| Maximum Note Rate | Equals the sum of the:<br>• minimum Cap Strike Rate as set by Fannie Mae; and<br>• Mortgage Loan margin equal to the sum of the<br>- Investor spread,<br>- Guaranty Fee, and<br>- Servicing Fee. |
| Mortgage Loan | Mortgage debt obligation evidenced, or when made will be evidenced, by<br>• the Loan Documents, or<br>• a mortgage debt obligation with a Fannie Mae credit enhancement.<br><br>**Synonyms**<br>• Mortgage Loans<br>• Mortgage Loan's |

## N

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| Note | Instrument evidencing a Mortgage Loan obligation, including<br>• Form 6010 series,<br>• any other Fannie Mae-approved note, and<br>• all applicable<br>- addenda,<br>- schedules, and<br>- exhibits.<br><br>**Synonyms**<br>• Notes |

## R

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| Replacements | Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required.<br><br>**Synonyms**<br>• Replacement |

## S

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| Security | MBS, PFP MBS, or REMIC.<br><br>**Synonyms**<br>• Securities |

## U

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| UPB | Unpaid Principal Balance<br><br>**Synonyms**<br>• UPBs |