Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of November 16, 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 • 5 years, or • 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: • 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 • future deposits are not decreased even if the future Interest Rate Cap cost has decreased.
Documents	Documents are: • on acceptable forms; and • delivered to Fannie Mae, including the - Interest Rate Cap Agreement, and - 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

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

C

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 • a Credit Enhancement Instrument, or • an MBS for Bonds. **Synonyms** • Credit Enhancement Mortgage Loans

D

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

G

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

I

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: • is no longer widely accepted; or • 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. **Synonyms** • Interest Rate Caps • Interest Rate Hedge • Interest Rate Hedges • Interest Rate Swap • Interest Rate Cap's
Interest Rate Cap Agreement	Contract setting forth the terms and conditions of an Interest Rate Cap, Hedge, or Swap. **Synonyms** • Interest Rate Hedge Agreement • Interest Rate Swap Agreement

M

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

N

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

R

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

S

Security	MBS, PFP MBS, or REMIC. **Synonyms** • Securities

U

UPB	Unpaid Principal Balance **Synonyms** • UPBs