



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of February 2, 2026

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Section 704

ARM 5/5 Optional 5-Year Adjustable Rate Term Renewal

704.01 Eligibility

Operating Procedures

To renew an ARM 5/5 Loan for a second 5-year adjustable rate term:

Timing before the initial Maturity Date	You must...
At least 180 days	<ul style="list-style-type: none">Notify Multifamily Asset Management that the ARM 5/5 Loan will be renewed for the second 5-year adjustable rate term.Confirm the ARM 5/5 Loan complies with Part III, Chapter 10: Adjustable Rate Mortgage (ARM) Loans, Section 1004: ARM 5/5 Loan Optional 5-Year Adjustable Rate Term Renewal Eligibility.Include preliminary DSCR and LTV calculations.Estimate the starting interest rate for the second 5-year adjustable rate term, including the new Investor spread.
At least 30 days	<p>Provide Multifamily Asset Management with:</p> <ul style="list-style-type: none">an updated ARM 5/5 Loan eligibility confirmation;current DSCR and LTV calculations; andan estimate of the starting interest rate for the second 5-year adjustable rate term, including the new Investor spread.

704.02 Underwriting

Requirements

If an ARM 5/5 Loan is renewed for an additional 5 years, you must:

- Use the same Guaranty Fee and Servicing Fee as the first 5-year adjustable rate term.
- Adjust the Investor spread for the second 5-year adjustable rate term based on current market conditions.
- Adjust the monthly Replacement Reserve deposit to include required



capital improvements during Loan Years 6 through 10, plus 2 additional years, per the original PCA Report.

- Not charge a Prepayment Premium.

704.03 Prepayment Terms

Requirements

If an ARM 5/5 Loan is renewed for an additional 5 years:

- no voluntary prepayment will be permitted during the 6th Loan Year (i.e., the 1st Loan Year of the second 5-year adjustable rate term); and
- the ARM Loan may be prepaid after the 6th Loan Year with a 1% Prepayment Premium, but no Prepayment Premium is due
 - during the last 3 months of the loan term, or
 - if the ARM Loan converts to a fixed rate Mortgage Loan.

The following table describes various situations and the applicable prepayment provisions for the second 5-year adjustable rate term for an ARM 5/5 Loan; see [Part V, Chapter 2: Reporting and Remitting, Section 213: Prepayment Premium Sharing](#) for Prepayment Premium calculations and sharing between you and Fannie Mae.

Situation	Prepayment Provisions
ARM 5/5 Loan is renewed for a second 5-year adjustable rate term.	Borrower does not owe a Prepayment Premium.
Borrower attempts to make a voluntary prepayment during the 6th Loan Year.	Borrower may not make a voluntary prepayment during the 6th Loan Year (i.e., a voluntary prepayment is locked out).
ARM 5/5 Loan converts to a fixed rate Mortgage Loan after the 6th Loan Year.	Borrower does not owe a Prepayment Premium.
Borrower makes a voluntary prepayment after the 6th Loan Year and before the 3 months prior to the extended Maturity Date for any reason other than a casualty or condemnation.	Borrower owes a Prepayment Premium.



Glossary

B

Borrower

Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

G

Guaranty Fee

Fee retained by Fannie Mae for credit enhancing a Mortgage Loan or assuming credit risk on a Mortgage Loan, and which may be expressed as a percentage.

Synonyms

- Guaranty Fees

I

Investor

MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan.

Synonyms

- Investors
- Investor's

L

Loan Year

Period beginning on the date of the Note and ending on the last day of the month that is 12 full months after the date of the Note, and each successive 12-month period thereafter.

Synonyms

- Loan Years

M



Maturity Date	Date all Mortgage Loan amounts become fully due and payable per the Loan Documents.
	Synonyms <ul style="list-style-type: none">• Maturity Dates
Mortgage Loan	Mortgage debt obligation evidenced, or when made will be evidenced, by <ul style="list-style-type: none">• the Loan Documents, or• a mortgage debt obligation with a Fannie Mae credit enhancement.
	Synonyms <ul style="list-style-type: none">• Mortgage Loans• Mortgage Loan's
Multifamily Asset Management	Team that can be contacted at drawer_am@fanniemae.com .
P	
PCA Report	Property Condition Assessment Report documenting the findings of a PCA.
Prepayment Premium	For a Mortgage Loan prepayment, amount the Borrower must pay in addition to the prepaid principal and accrued interest per the Loan Documents.
	Synonyms <ul style="list-style-type: none">• Prepayment Premiums
R	
Replacement Reserve	Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.
	Synonyms <ul style="list-style-type: none">• Replacement Reserves
S	



Servicing Fee

Fee a Servicer receives for collecting payments, managing operational procedures, and assuming your portion of credit risk for a Mortgage Loan, and which may be expressed as a percentage.

Synonyms

- Servicing Fees