



# Multifamily Selling and Servicing Guide

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## Section 1101 Description

### Requirements

An ARM Loan has

- an interest rate that is adjusted periodically based on a specified Index, and
- payments that are adjusted to repay the UPB in substantially equal payments over the remaining amortization period.

Product Description	
Plan Number	02255
Terms	<ul style="list-style-type: none"><li>• 5, 7, or 10 years.</li><li>• See Pricing Memo for current term availability.</li></ul>
Index	1-month LIBOR
Interest Rate Floor	Must not be less than the combined <ul style="list-style-type: none"><li>• Guaranty Fee, plus</li><li>• Servicing Fee, plus</li><li>• investor spread.</li></ul>
Rate Change Date	Date the interest rate changes based on changes in the Index.
Prepayment Availability	<ul style="list-style-type: none"><li>• No prepayment during the 1st Loan Year; then prepayable with a 1% Prepayment Premium.</li><li>• No Prepayment Premium is due<ul style="list-style-type: none"><li>- during the last 3 months of the loan term, or</li><li>- when an ARM Loan converts to a fixed rate Mortgage Loan.</li></ul></li></ul>



Product Description	
Maturity	<p>Matures on the 5th, 7th, or 10th anniversary of the 1st day of the month:</p> <ul style="list-style-type: none"> <li>• immediately following the month in which the Mortgage Loan was originated; or</li> <li>• in which the Mortgage Loan was originated, if the Mortgage Loan Origination Date was on the 1st day of a month.</li> </ul>
Payments	Scheduled monthly payments are due on the 1st day of each month.
Interest Rate Change Frequency	Monthly
Maximum Interest Rate Change	Plus or minus 1% of the then-current interest rate.
Maximum Lifetime Interest Rate Limit	<p>For ARM 7/6, the</p> <ul style="list-style-type: none"> <li>• Guaranty Fee, plus</li> <li>• Servicing Fee, plus</li> <li>• 6%.</li> </ul>
Index Look-Back Period	15 days before the Rate Change Date.
Interest Accrual Method	Actual/360
Interest Rate Cap	Not required; interest rate adjustments are subject to an embedded cap.
Conversion to Fixed Rate	<p>Permitted between the 1st day of the 2nd Loan Year and the last day of the:</p> <ul style="list-style-type: none"> <li>• 4th Loan Year if the loan term is 5 years; or</li> <li>• 5th Loan Year if the loan term is greater than 5 years.</li> </ul>



## Glossary

### G

**Guaranty Fee** Fee retained by Fannie Mae for credit enhancing a Mortgage Loan or assuming credit risk on a Mortgage Loan.

**Synonyms**

- Guaranty Fees

### I

**Index** Basis for determining the Gross Note Rate of an ARM Loan.

**Interest Rate Cap** Interest rate agreement between the Borrower and a hedge 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 interest payments on the Mortgage Loan.

**Synonyms**

- Interest Rate Hedge
- Interest Rate Hedges
- Interest Rate Swap

### L

**LIBOR** London Interbank Offered Rate is the benchmark interest rate banks quote to lend funds to one another in the international interbank market for short-term loans, or as replaced by an alternative Index determined by Fannie Mae.

**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.



## M

### 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 Origination Date

Date the Lender funds a Mortgage Loan to the Borrower.

#### **Synonyms**

- Mortgage Loan's Origination Date
- Origination Date

## P

### Plan Number

Number identifying the applicable loan characteristics for any Mortgage Loan that accrues interest at a variable rate at any time during the loan term.

### Prepayment Premium

When a Mortgage Loan prepayment is made, amount required to be paid by the Borrower in addition to the principal amount being prepaid and accrued interest per the related Loan Documents.

#### **Synonyms**

- Prepayment Premiums

### Pricing Memo

Applicable DUS Pricing Memo or non-DUS Pricing Memo communicating pricing for various products and features to Lenders.

#### **Synonyms**

- Pricing Memos

## S



## Servicing Fee

Fee a Servicer receives for collecting payments, managing operational procedures, and assuming Lender's portion of credit risk for a Mortgage Loan.

### **Synonyms**

- Servicing Fees

## U

### UPB

Unpaid Principal Balance