



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of November 15, 2024

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.



TABLE OF CONTENTS

Part III Section 1101 Description	3
GLOSSARY	6



Section 1101

Description

Requirements

An ARM Loan has

- an interest rate that is adjusted periodically based on a specified
 - Index, and
 - interest period,
- payments that are adjusted to repay the UPB in substantially equal payments over the remaining amortization period, and
- a term of 5, 7, or 10 years, depending on the plan.

Product Description	
Plan Number	<ul style="list-style-type: none">• 04931 - ARM 5/5 Loan: 30-Day Average SOFR• 04933 - ARM 7/6 Loan: 30-Day Average SOFR
Terms	<ul style="list-style-type: none">• ARM 5/5 Loan: Initial 5-year term with an optional second 5-year adjustable rate term• ARM 7/6 Loan: 7-year term
Index	<ul style="list-style-type: none">• ARM 5/5 Loan: 30-Day Average SOFR• ARM 7/6 Loan: 30-Day Average SOFR
Interest Rate Floor	Must not be less than the combined <ul style="list-style-type: none">• Guaranty Fee, plus• Servicing Fee, plus• Investor spread.
Lockout Period	<ul style="list-style-type: none">• 1 st Loan Year; and• 1 st Loan Year of the second 5-year adjustable rate term (typically the 6th Loan Year), when an ARM 5/5 Loan renews for an additional 5-year adjustable rate term.



Product Description	
Prepayment Availability	<p>May be voluntarily prepaid after each lockout period with a 1% Prepayment Premium, but no Prepayment Premium is due</p> <ul style="list-style-type: none">• during the "open period" (typically the last 3 months of the loan term),• when an ARM Loan converts to a fixed rate Mortgage Loan, or• when an ARM 5/5 Loan renews for an additional 5-year adjustable rate term.
Rate Change Date	Date the interest rate changes based on changes in the selected Index.
Interest Rate Change Frequency	Monthly
Maximum Interest Rate Change	Plus or minus 1% of the then-current interest rate.
Maximum Lifetime Interest Rate Limit	<ul style="list-style-type: none">• For an ARM 5/5 Loan,<ul style="list-style-type: none">- Guaranty Fee, plus- Servicing Fee, plus- 5%.• For an ARM 7/6 Loan,<ul style="list-style-type: none">- Guaranty Fee, plus- Servicing Fee, plus- 6%.
Index Look-Back Period	1 Business Day before the Rate Change Date.
Interest Accrual Method	Actual/360
Interest Rate Cap	Not required; interest rate adjustments are subject to an embedded cap.



Product Description	
Conversion to Fixed Rate	Permitted, with no prepayment penalty and minimal re-underwriting, after the lockout period and before the "open period" (typically the last day of the 4th month preceding the end of the Mortgage Loan term).
Investors	<ul style="list-style-type: none">• For an ARM 5/5 Loan,<ul style="list-style-type: none">- the Multifamily Trading Desk, or- Third Party MBS Investor.• For an ARM 7/6 Loan, the Multifamily Trading Desk.
Rate Lock	<ul style="list-style-type: none">• Maximum 45-day Commitment.• No rate change may occur before Delivery.
ARM 5/5 Loan Options at Maturity	Before the end of the initial 5-year term for an ARM 5/5 Loan, Borrower must elect to: <ul style="list-style-type: none">• convert the ARM Loan to a fixed rate;• fully repay the ARM Loan; or• renew the adjustable rate term for an additional 5-year term.



Glossary

3

30-Day Average SOFR Compounded average of SOFR over a specified interest period of 30 days.

B

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

C

Commitment Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan.

Synonyms

- Committed
- Commitments

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



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

Index

Basis for determining the Gross Note Rate of an ARM Loan, including any required alternative index that may be determined necessary by Fannie Mae because the Index is no longer widely accepted or has been 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

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

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

Multifamily Trading Desk Team that quotes interest rate pricing for a Mortgage Loan and can be contacted at (888) 889-1118.

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.

Synonyms

- Plan Numbers

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

- Prepayment Premiums

R



Rate Lock

Agreement between you and the Investor containing the terms of the Lender-Arranged Sale or Multifamily Trading Desk trade of the Mortgage Loan and the MBS terms and conditions relating to the underlying MBS, if applicable, which may be documented via a recorded telephone conversation.

Synonyms

- Rate Locks

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

T

Third Party MBS Investor

MBS Investor for an MBS Mortgage Loan that is not the Multifamily Trading Desk.

Synonyms

- Third Party MBS Investor's

U

UPB

Unpaid Principal Balance

Synonyms

- UPBs