



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## Section 1103 Prepayment Terms

### 1103.01 Generally

#### Requirements

The following table describes various situations and the applicable prepayment provisions; 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   |
|---|---|
| Borrower attempts to make a voluntary prepayment during the lockout period.   | Borrower may not make a voluntary prepayment during the lockout period. |
| ARM Loan is accelerated during the prepayment lockout period.   | Borrower owes a 5% Prepayment Premium.                                  |
| Borrower makes a voluntary prepayment after the lockout period and before the "open period" (typically 3 months prior to the Maturity Date) for any reason other than a casualty or condemnation. | Borrower owes a Prepayment Premium.                                     |
| ARM Loan converts to a fixed rate Mortgage Loan.  | Borrower does not owe a Prepayment Premium.                             |
| Borrower makes any prepayment during the "open period" (typically 3 months before the Maturity Date).   | Borrower does not owe a Prepayment Premium.                             |
| Borrower makes a prepayment at any time due to casualty or condemnation.  | Borrower does not owe a Prepayment Premium.                             |

### 1103.02 1% Prepayment Premium Schedule

#### Requirements

After the 1st Loan Year, the Prepayment Premium will be 1% for any reason other than a casualty or condemnation.



| Loan Year                   | 5-Year Term | 7-Year Term | 10-Year Term |
|-----------------------------|-------------|-------------|--------------|
| 1 (Locked Out) <sup>1</sup> | N/A         | N/A         | N/A          |
| 2                           | 1%          | 1%          | 1%           |
| 3                           | 1%          | 1%          | 1%           |
| 4                           | 1%          | 1%          | 1%           |
| 5                           | 1%          | 1%          | 1%           |
| 6 <sup>2</sup>              | N/A         | 1%          | 1%           |
| 7                           | N/A         | 1%          | 1%           |
| 8                           | N/A         | N/A         | 1%           |
| 9                           | N/A         | N/A         | 1%           |
| 10                          | N/A         | N/A         | 1%           |

<sup>1</sup>During the lockout period, the Borrower may not voluntarily prepay the ARM Loan. If the ARM Loan is accelerated during the lockout period, the Borrower owes a 5% Prepayment Premium.

<sup>2</sup>If an ARM 5/5 Loan is renewed for the optional 5-year adjustable rate term, the Borrower may not voluntarily prepay during the lockout period at the beginning of the second 5-year adjustable rate term (typically the 6th Loan Year). If the ARM 5/5 Loan is accelerated during the 6th Loan Year, the Borrower owes a 5% Prepayment Premium.



# Glossary

## B

**Borrower** Person who is the obligor per the Note.

**Synonyms**

- Borrowers
- Borrower'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**

- Maturity Dates

**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

## P



## 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