



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 1st Loan Year. | Borrower may not make a voluntary prepayment during the 1st Loan Year (i.e., a voluntary prepayment is locked out). |
| ARM Loan is accelerated during the prepayment lockout period. | Borrower owes a 5% Prepayment Premium. |
| Borrower makes a prepayment after the 1st Loan Year and before the 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 a prepayment during the 3 months before the Maturity Date. | Borrower does not owe a Prepayment Premium. |
| Borrower makes a prepayment 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) ¹ | N/A | N/A | N/A |
| 2 | 1% | 1% | 1% |
| 3 | 1% | 1% | 1% |
| 4 | 1% | 1% | 1% |
| 5 | 1% | 1% | 1% |
| 6 | 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% |

¹During 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.



Glossary

B

Borrower Person who is the obligor under 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.

M

Maturity Date Date all amounts due and owing under the Mortgage Loan 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

P



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