



Multifamily Selling and Servicing Guide

Effective as of August 1, 2019

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 1201 Description	3
GLOSSARY	5



Section 1201

Description

Requirements

A SARM Loan is an ARM Loan with an external Interest Rate Cap.

Product Description	
Plan Numbers	<ul style="list-style-type: none"> • 03488 for 1-month LIBOR. • 03487 for 3-month LIBOR.
Term	5 to 10 years
Funding Type	MBS or cash
Index	1- or 3-month LIBOR
Interest Rate Floor	Must not be less than the combined <ul style="list-style-type: none"> • Guaranty Fee, plus • Servicing Fee, plus • investor spread.
Prepayment Availability	After a 1-year lock-out period, may be voluntarily prepaid per the selected prepayment option.
Minimum Loan Amount	\$25 million
Interest Rate	Equals the <ul style="list-style-type: none"> • Index, plus • Guaranty Fee, plus • Servicing Fee, plus • investor spread.
Interest Rate Adjustment	<ul style="list-style-type: none"> • Occurs every 1 or 3 months depending on the Index. • Has no limit on number or size of rate changes.
Interest Rate Cap	Required for the entire term of the SARM Loan.
Amortization and Interest Accrual Method	Amortizes with fixed monthly principal installments based on a calculated actual/360 fixed rate payment.



Product Description	
Conversion to Fixed Rate	Permitted, with no prepayment penalty and minimal re-underwriting, between the 1st day of the 2nd Loan Year and the last day of the 4th month preceding the end of the Mortgage Loan term.
Rate Lock	<ul style="list-style-type: none">• 45-day commitments.• No rate change may occur before Delivery.



Glossary

D

Delivery

Meeting all of the data delivery requirements in [Part IV A, Chapter 4: Delivery Procedures – Data](#), and submitting an acceptable Mortgage Loan Delivery Package per [Part IV A, Chapter 5: Delivery Procedures – Documents](#). A Mortgage Loan is “Delivered,” when all documents, data, and information are correct, accurate, and able to be certified by Fannie Mae, with all required documents properly completed, executed, and recorded (if applicable), and any deficiencies are 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.

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

MBS Mortgage-Backed Security

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

R



Rate Lock

Agreement between the Lender 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 Lender's portion of credit risk for a Mortgage Loan.

Synonyms

- Servicing Fees