



Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 1203 Actual Amortization Calculation

Requirements

You must amortize SARM Loans on a straight-line basis over the total loan term. The amount of amortization due during the Mortgage Loan term is the same amount that would be due, in total, for a comparable fixed rate loan. When you calculate the amortization due, you must consider

- the loan term,
- the amortization schedule,
- any interest only period, and
- the Pricing and Underwriting Tier.

To calculate SARM Loan amortization, you must use fixed rate pricing with an interest rate equal to:

- an indicative MBS investor yield; plus
- the lower of the:
 - lowest Guaranty Fee and Servicing Fee in the Pricing Memo for a hypothetical actual/360 fixed rate Mortgage Loan with the same loan term and Pricing and Underwriting Tier as the SARM Loan; or
 - Guaranty Fee and Servicing Fee quoted by the Fannie Mae Deal Team for a fixed rate Mortgage Loan when you request pricing for the SARM Loan.

Operating Procedures

| You must... | Process |
|-------------------------|--|
| Obtain Fixed Rate Quote | <ul style="list-style-type: none">• Obtain a quote for a hypothetical actual/360 fixed rate Mortgage Loan.• Use the quoted fixed interest rate to calculate the amortization for the SARM Loan. |



| You must... | Process |
|--|---|
| <p>Calculate the Fixed Monthly Principal Installment Over the SARM Loan Term</p> | <ul style="list-style-type: none"> • Step 1: Using an actual/360 interest accrual method, calculate the aggregate amortization amount to be collected over the SARM Loan term based on the: <ul style="list-style-type: none"> - SARM Loan principal amount; - lowest interest rate for a hypothetical actual/360 fixed rate Mortgage Loan with the same loan term and Pricing and Underwriting Tiers the SARM Loan, rounded to 3 decimal places; and - required amortization period. • Step 2: Divide the aggregate amortization amount from Step 1 by the number of amortizing monthly installments in the SARM Loan term. The result is the fixed monthly principal installment. <p>For example, the number of monthly installments would be:</p> <ul style="list-style-type: none"> • 120, for a 10-year amortizing Mortgage Loan; or • 108, for a 10-year Mortgage Loan with 1 year of interest-only. |

 **Guidance**

The following is an example for calculating the fixed monthly principal installment for a Tier 2 SARM Loan with a

- 10-year term,
- 30-year amortization period,
- actual/360 interest accrual method, and
- \$25 million Mortgage Loan amount.

| Example: Hypothetical Actual/360 Fixed Rate Quote | |
|---|-------|
| Guaranty Fee quoted by Fannie Mae | 0.95% |



| Example: Hypothetical Actual/360 Fixed Rate Quote | |
|--|---------|
| Servicing Fee quoted by Fannie Mae | + 0.55% |
| U.S. Treasury and Investor spread (quoted by Fannie Mae or Third Party MBS Investor) | + 4.00% |
| Gross Note Rate | = 5.50% |

Step 1: Calculate the aggregate principal amortization amount collected over the Mortgage Loan term if it had a fixed rate.

| Determine the... | Assuming... | Result |
|--|--|--|
| <ul style="list-style-type: none"> Month and year when the first full monthly loan payment would be made, based on an actual/360 amortization schedule. Total amortization amount depends on: <ul style="list-style-type: none"> - the number of days (i.e., 28, 29, 30, or 31) in the month before each loan payment date; and - when the next leap year occurs. | <ul style="list-style-type: none"> a debt service constant calculated using the hypothetical fixed Gross Note Rate of 5.500% (6.8134680% debt service constant); an issue date of December 1, 2018; and a first loan payment date of January 1, 2019. | The aggregate principal amortization amount over 120 payments is \$4,114,494.17. |

Step 2: Calculate the fixed monthly principal installment by dividing the aggregate amortization amount by the total number of amortizing payments during the SARM Loan term.

| Calculate the Fixed Monthly Principal Installment | |
|---|----------------|
| Aggregate amortization | \$4,114,494.17 |
| Divided by total payments | 120 |
| Equals fixed monthly principal | \$34,287.45 |



Glossary

F

Fannie Mae Deal Team Team responsible for reviewing Pre-Review Mortgage Loans, waivers, etc.

Synonyms

- Deal Team

G

Gross Note Rate Interest rate stated in the Loan Documents.

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

Investor MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan.

Synonyms

- Investors
- Investor's

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
- Mortgage Loan's

P

Pricing and Underwriting Tier

Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660).

Synonyms

- Tier

Pricing Memo

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

Synonyms

- Pricing Memos

Principal

Person who owns or controls specified interests in the Borrower per [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors](#).

Synonyms

- Principals

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