



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## Section 1103

## 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"><li>• Obtain a quote for a hypothetical actual/360 fixed rate Mortgage Loan.</li><li>• Use the quoted fixed interest rate to calculate the amortization for the SARM Loan.</li></ul>



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

## 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"><li>Month and year when the first full monthly loan payment would be made, based on an actual/360 amortization schedule.</li><li>Total amortization amount depends on:<ul style="list-style-type: none"><li>the number of days (i.e., 28, 29, 30, or 31) in the month before each loan payment date; and</li><li>when the next leap year occurs.</li></ul></li></ul>	<ul style="list-style-type: none"><li>a debt service constant calculated using the hypothetical fixed Gross Note Rate of 5.500% (6.8134680% debt service constant);</li><li>an issue date of December 1, 2018; and</li><li>a first loan payment date of January 1, 2019.</li></ul>	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, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), 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