



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of August 29, 2025

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1205.01 Generally

☒ Requirements

Description	
Interest Rate Cap	Borrower must: <ul style="list-style-type: none">• purchase a third-party Interest Rate Cap; and• keep an Interest Rate Cap Agreement in place continually until the earlier of the<ul style="list-style-type: none">- effective date of any permitted conversion to a fixed rate Mortgage Loan, or- SARM Loan Maturity Date.
Interest Rate Cap Provider	Borrower must only obtain bids from Fannie Mae-approved providers listed on https://multifamily.fanniemae.com .
Interest Rate Cap Documentation	Must be on forms acceptable to Fannie Mae.
Minimum Interest Rate Cap Term	5 years.
Replacement Interest Rate Cap	You must ensure the Borrower purchases a replacement Interest Rate Cap if the Interest Rate Cap term expires before the SARM Loan conversion or Maturity Date.
Interest Rate Cap Reserves	Borrower must fund a cash reserve equal to at least 110% of the current replacement cap cost if the Interest Rate Cap term expires before the SARM Loan Maturity Date.
Interest Rate Cap Contract Process and Documentation	<p>You must deliver all Interest Rate Cap-related documentation, including the</p> <ul style="list-style-type: none">• Interest Rate Cap Agreement, and• Interest Rate Cap Reserve and Security Agreement (Form 6442 series). <p>Fannie Mae will engage outside counsel at your expense to review all cap-related documentation.</p>



Description	
Initial Interest Rate Cap Notional Amount	Must equal the original principal amount of the SARM Loan throughout the Interest Rate Cap's term.

Guidance

You may require the Borrower to:

- pay Fannie Mae's costs, including legal fees; and
- fund a reserve to pay these expenses.



Glossary

B

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

I

Interest Rate Cap Interest rate agreement between the Borrower and a 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 Mortgage Loan interest payments.

Synonyms

- Interest Rate Caps
- Interest Rate Hedge
- Interest Rate Hedges
- Interest Rate Swap
- Interest Rate Cap's

Interest Rate Cap Agreement Contract setting forth the terms and conditions of an Interest Rate Cap, Hedge, or Swap.

Synonyms

- Interest Rate Hedge Agreement
- Interest Rate Swap Agreement

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

S

Security

MBS, PFP MBS, or REMIC.

Synonyms

- Securities