



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## 1105.02 Determining the Cap Strike Rate

### Requirements

You must:

- determine the maximum Cap Strike Rate permitted for the initial Interest Rate Cap; and
- ensure the sum of the following is less than or equal to the rate (calculated using an underwritten debt service constant that includes amortization) that produces the minimum required Underwritten DSCR for the SARM Loan's Pricing and Underwriting Tier:
  - the Cap Strike Rate for the initial Interest Rate Cap; plus
  - Guaranty Fee; plus
  - Servicing Fee; plus
  - Investor spread.

### Guidance

You should enter “0” in the C&D “Cap Cost Factor” field if the replacement Interest Rate Cap escrow was fully funded on the Mortgage Loan Origination Date.

You may calculate the initial Cap Strike Rate based on an interest-only underwritten debt service constant if the approved interest-only term is greater than or equal to the initial Interest Rate Cap term.



# Glossary

## C

**Cap Strike Rate** Index interest rate specified in the Interest Rate Cap Agreement at or above which a payment obligation will be triggered by the Interest Rate Cap provider.

## G

**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

**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

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

### **Synonyms**

- Investors
- Investor's

## M



Mortgage Loan  
Origination Date

Date you fund a Mortgage Loan to the Borrower.

**Synonyms**

- Mortgage Loan's Origination Date
- Origination Date

**P**

Pricing and  
Underwriting Tier

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

**Synonyms**

- Tier

**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