



Fannie Mae®

---

# Multifamily Selling and Servicing Guide

Effective as of April 16, 2025

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 1205.03 Establishing Interest Rate Cap Reserves .....	3
GLOSSARY .....	4



### 1205.03 Establishing Interest Rate Cap Reserves

#### Requirements

You must ensure the Borrower funds a cash reserve to purchase a replacement Interest Rate Cap if the the initial Interest Rate Cap term is less than the SARM Loan term.

If the initial Interest Rate Cap term is less than the SARM Loan term, the Borrower must:

- fully fund the cash reserve on the Mortgage Loan Origination Date; and
- escrow at least 110% of the current replacement cap cost.



# 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

## M

**Mortgage Loan Origination Date** Date you fund a Mortgage Loan to the Borrower.

### **Synonyms**

- Mortgage Loan's Origination Date
- Origination Date