Fannie Mae®

Multifamily Selling and Servicing Guide

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1105.04 Interest Rate Cap Contract Documentation and Delivery

Operating Procedures

Interest Rate Cap Contract Documentation and Delivery	
For	Actions
Cap Provider Payment	The Interest Rate Cap provider must: • pay you directly if, on the 1st day of the month corresponding with the monthly loan payment date, the 30-Day Average SOFR Index exceeds the Cap Strike Rate for a monthly settlement; and • only disburse a provider payment to the Borrower if - there is no Mortgage Loan default, and - you have received all payments due per the Note for that month.
Timing	• Borrower must accept a bid for the initial Interest Rate Cap in writing from a Fannie Mae-approved provider before you Deliver the SARM Loan. • You must submit copies of all cap-related documentation when you Deliver the SARM Loan.
Purchase Price	Borrower must pay the entire purchase price for an Interest Rate Cap to the provider when the Interest Rate Cap Agreement is issued.
Pledge to Fannie Mae	Borrower must execute Form 6442 series to pledge its interest in the Interest Rate Cap and any reserve to Fannie Mae as additional SARM Loan collateral.

Glossary

3

30-Day Average SOFR	Compounded average of SOFR over a specified interest period of 30 days.

B

Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

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.
Collateral	Property, Personal Property, or other property securing a Mortgage Loan.

D

Delivery	Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Maes satisfaction. **Synonyms** • Deliver • Delivered • Deliveries

I

Index	Basis for determining an ARM Loan Gross Note Rate or entering a Streamlined Treasury Lock on a fixed rate Mortgage Loan, including any required alternative index deemed necessary by Fannie Mae because the prior Index: • is no longer widely accepted; or • was replaced as the index for similar financial instruments.
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

L

Lender Contract	Program Documents per the Multifamily Selling and Servicing Agreement. **Synonyms** • Lender’s Contract • Lender Contracts • Contract • Multifamily Selling and Servicing Agreement • MSSA

M

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

N

Note	Instrument evidencing a Mortgage Loan obligation, including
	• Form 6010 series,
	• any other Fannie Mae-approved note, and
	• all applicable
	  - addenda,
	  - schedules, and
	  - exhibits.
	
	Synonyms
	• Notes

S

Secured Overnight Financing Rate	For any Business Day, the Secured Overnight Financing Rate as published by the Federal Reserve Bank of New York, or any successor administrator, on the Federal Reserve Website.

Synonyms
- SOFR