



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of December 1, 2025

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Section 1201 Description

☒ Requirements

A Hybrid ARM Loan combines the features of fixed rate and ARM Loans, and has a total term of 30 years, consisting of

- an initial term when interest accrues at a fixed rate, followed by
- the remaining term, during which interest accrues at an adjustable rate.

Product Description	
Plan Number	04934 - 30-Day Average SOFR
Terms	<p>Permitted combinations of fixed rate and adjustable rate terms:</p> <ul style="list-style-type: none">• 5-year fixed rate term, followed by automatic conversion to a 25-year adjustable rate term;• 7-year fixed rate term, followed by automatic conversion to a 23-year adjustable rate term; or• 10-year fixed rate term, followed by automatic conversion to a 20-year adjustable rate term.
Maximum Loan Amount	Per Part III, Chapter 9: Small Mortgage Loans, Section 901.01: Description .
Ineligible Products	<ul style="list-style-type: none">• Cooperative Property• Military Housing Property• MAH Property• Near Stabilized Property• Seniors Housing Property• Student Housing Property• Dedicated Student Housing Property• Supplemental Mortgage Loan
Prepayment Premium Options	<p>Either</p> <ul style="list-style-type: none">• standard yield maintenance, or• graduated Prepayment Premium.



Product Description	
Prepayment Premium Period End Date / Yield Maintenance Period End Date	Final day of the last Loan Year during the fixed rate term per the applicable Prepayment Premium option.
Conversion to Adjustable Rate	Automatic conversion from a fixed rate to an adjustable rate on the 1st day of the 1st Loan Year following the applicable fixed rate term.
Index During Adjustable Rate Term	30-Day Average SOFR
Interest Rate Floor	Must not be less than the combined <ul style="list-style-type: none"> • Guaranty Fee, plus • Servicing Fee, plus • Investor spread (per Form 4660).
Gross Note Rate During Adjustable Rate Term	Equals the <ul style="list-style-type: none"> • Index, plus • Guaranty Fee, plus • Servicing Fee, plus • Investor spread (per Form 4660).
Rate Change Date	Date the interest rate changes based on changes in the selected Index.
Interest Rate Change Frequency During Adjustable Rate Term	Every 6 months, based on the Index in effect as of the Rate Change Date.
Frequency of Payment Change During Adjustable Rate Term	P&I payments are recalculated for every Rate Change Date.
Maximum Interest Rate Change	Plus or minus 1% of the then-current interest rate both <ul style="list-style-type: none"> • at conversion from fixed rate to adjustable rate, and • during the adjustable rate term.
Maximum Interest Rate During Adjustable Rate Term	5% over the fixed rate.
Index Look-Back Period	1 Business Day before the Rate Change Date.



Product Description	
Interest Accrual Method	Must be actual/360.
Payments	Calculated using a 30/360 interest accrual method.
Interest-Only	Must not exceed the fixed rate term.

You must rate lock the Hybrid ARM Loan with the Multifamily Trading Desk (MBS or cash).

You must underwrite the Hybrid ARM Loan based on the applicable fixed rate terms.



Glossary

3

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

B

Business Day Any day other than a

- Saturday,
- Sunday,
- day when Fannie Mae is closed,
- day when the Federal Reserve Bank of New York is closed, or
- for any MBS and required remittance withdrawal, day when the Federal Reserve Bank is closed in the district where any of the MBS funds are held.

Synonyms

- Business Days

C

Cooperative Property Multifamily residential property owned by a Cooperative Organization.

Synonyms

- Co-op
- Cooperative

D

Dedicated Student Housing Property Multifamily rental Property in which 80% or more of the units are leased to undergraduate or graduate students.

Synonyms

- Dedicated Student Housing

F



Form 4660

Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans.

Synonyms

- Multifamily Underwriting Standards

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

H

Hybrid ARM Loan

Mortgage Loan with a total term of 30 years, comprised of an initial term when interest accrues at a fixed rate, and which automatically converts to a term where interest accrues at an adjustable rate.

Synonyms

- Hybrid ARM Loans

I

Index

Basis for determining the Gross Note Rate of an ARM Loan, including any required alternative index that may be determined necessary by Fannie Mae because the Index is no longer widely accepted or has been replaced as the index for similar financial instruments.



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

Synonyms

- Investors
- Investor's

L

Loan Year Period beginning on the date of the Note and ending on the last day of the month that is 12 full months after the date of the Note, and each successive 12-month period thereafter.

Synonyms

- Loan Years

M

MBS Mortgage-Backed Security

Military Housing Property Multifamily rental Property in which 40% or more of the units are occupied by individuals serving in, or employed by, the United States military.

Synonyms

- Military Housing

Multifamily Trading Desk Team that quotes interest rate pricing for a Mortgage Loan and can be contacted at (888) 889-1118.

N

Near Stabilized Property Newly constructed or recently rehabilitated Property, with all construction or rehabilitation complete, which is expected to achieve Stabilized Residential Occupancy and the applicable required Underwritten Debt Service Coverage Ratio within 120 days after the Mortgage Loan Origination Date.



P

P&I Principal and interest

Plan Number Number identifying the applicable loan characteristics for any Mortgage Loan that accrues interest at a variable rate at any time during the loan term.

Synonyms

- Plan Numbers

Prepayment Premium For a Mortgage Loan prepayment, amount the Borrower must pay in addition to the prepaid principal and accrued interest per the Loan Documents.

Synonyms

- Prepayment Premiums

Prepayment Premium Period End Date Last date when a Borrower owes a Prepayment Premium for a voluntary Mortgage Loan prepayment.

Property Multifamily residential real estate securing the Mortgage Loan, including the

- fee simple or Leasehold interest,
- Improvements, and
- personal property (per the Uniform Commercial Code).

Synonyms

- Properties
- Property's

S



Seniors Housing Property

Multifamily residential rental property with any combination of Independent Living, Assisted Living, Alzheimer's/Dementia Care, or Skilled Nursing units.

Synonyms

- Seniors Housing
- Seniors Housing Properties

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

Student Housing Property

A multifamily residential rental property in which 40% or more, but less than 80%, of the units are leased to either undergraduate or graduate students.

Synonyms

- Student Housing

Supplemental Mortgage Loan

Mortgage Loan purchased by Fannie Mae that is subordinated to, and has a Mortgage Loan Origination Date after, the Senior Mortgage Loan that is also owned by Fannie Mae.

Synonyms

- Supplemental Mortgage Loans

Y

Yield Maintenance Period End Date

Last day on which a Borrower owes yield maintenance for a voluntary Mortgage Loan prepayment.

Synonyms

- Yield Maintenance Period End Dates