



# Multifamily Selling and Servicing Guide

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## Section 1301

## 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	04891
Terms	<p>Permitted combinations of fixed rate and adjustable rate terms:</p> <ul style="list-style-type: none"> <li>• 5-year fixed rate term, followed by automatic conversion to a 25-year adjustable rate term;</li> <li>• 7-year fixed rate term, followed by automatic conversion to a 23-year adjustable rate term; or</li> <li>• 10-year fixed rate term, followed by automatic conversion to a 20-year adjustable rate term.</li> </ul>
Maximum Loan Amount	Per <a href="#">Part III, Chapter 9: Small Mortgage Loans, Section 901.01: Description.</a>
Ineligible Products	<ul style="list-style-type: none"> <li>• Cooperative Property</li> <li>• Military Housing Property</li> <li>• MAH Property</li> <li>• Near Stabilized Property</li> <li>• Seniors Housing Property</li> <li>• Student Housing Property</li> <li>• Dedicated Student Housing Property</li> <li>• Supplemental Mortgage Loan</li> </ul>
Prepayment Premium Options	<p>Either</p> <ul style="list-style-type: none"> <li>• standard yield maintenance, or</li> <li>• graduated Prepayment Premium.</li> </ul>



Product Description	
Prepayment Premium Period End Date / Yield Maintenance Period End Date	Final day of the last Loan Year of the applicable fixed rate term.
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	6-month LIBOR.
Interest Rate Floor	Must not be less than the combined <ul style="list-style-type: none"> <li>• Guaranty Fee, plus</li> <li>• Servicing Fee, plus</li> <li>• investor spread (perForm 4660).</li> </ul>
Rate Change Date	Date the interest rate changes based on changes in the selected Index.
Gross Note Rate During Adjustable Rate Term	Equals the <ul style="list-style-type: none"> <li>• Index, plus</li> <li>• Guaranty Fee, plus</li> <li>• Servicing Fee, plus</li> <li>• investor spread (perForm 4660).</li> </ul>
Interest Rate Change Frequency During Adjustable Rate Term	Every 6 months, based on changes in the Index.
Frequency of Payment Change During Adjustable Rate Term	P&I are recalculated every 6 months on the Rate Change Date.
Maximum Interest Rate Change	Plus or minus 1% of the then-current interest rate both <ul style="list-style-type: none"> <li>• at conversion from fixed rate to adjustable rate, and</li> <li>• during the adjustable rate term.</li> </ul>
Maximum Interest Rate During Adjustable Rate Term	5% over the fixed rate.
Index Look-Back Period	45 days before the Rate Change Date.



Product Description	
Interest Accrual Method	Must be <ul style="list-style-type: none"><li>• Actual/360, or</li><li>• 30/360.</li></ul>
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

## C

**Cooperative Property** Multifamily residential property owned by a Cooperative Organization.

**Synonyms**

- Coop
- 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

## 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.

**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.

## L

LIBOR London Interbank Offered Rate is the benchmark interest rate banks quote to lend funds to one another in the international interbank market for short-term loans, or as replaced by an alternative Index determined by Fannie Mae.

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.

## 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.
Prepayment Premium	<p>When a Mortgage Loan prepayment is made, amount required to be paid by the Borrower in addition to the principal amount being prepaid and accrued interest per the related Loan Documents.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Prepayment Premiums</li></ul>
Prepayment Premium Period End Date	Last date on which a Borrower owes a Prepayment Premium for a voluntary Mortgage Loan prepayment.
Property	<p>Multifamily residential property securing the Mortgage Loan and including the land (or Leasehold interest in land), Improvements, and personal property (as defined in the Uniform Commercial Code).</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Properties</li><li>• Property's</li></ul>

## S

Seniors Housing Property	<p>Multifamily residential rental property with any combination of Independent Living, Assisted Living, Alzheimer's/Dementia Care, or Skilled Nursing units.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Seniors Housing</li></ul>
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## Servicing Fee

Fee a Servicer receives for collecting payments, managing operational procedures, and assuming Lender's portion of credit risk for a Mortgage Loan.

### **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

The last day on which a Borrower owes yield maintenance for a voluntary prepayment of the Mortgage Loan.

### **Synonyms**

- Yield Maintenance Period End Dates