Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 1203 Prepayment Terms

☑ Requirements

You must select from 3 Prepayment Premium options.

PREPAYMENT Option 1 5% Declining Prepayment Premium Schedule			
Loan Year	5-Year Term	7-Year Term	10-Year Term
1	5%	5%	5%
2	4%	5%	5%
3	3%	4%	4%
4	2%	4%	4%
5	1%	3%	3%
6	N/A	2%	3%
7	N/A	1%	2%
8	N/A	N/A	2%
9	N/A	N/A	1%
10	N/A	N/A	1%

PREPAYMENT Option 2 3% Declining Prepayment Premium Schedule			
Loan Year	5-Year Term	7-Year Term	10-Year Term
1	3%	3%	3%
2	2%	3%	3%
3	1%	2%	3%
4	1%	2%	2%
5	1%	1%	2%
6	N/A	1%	2%
7	N/A	1%	1%

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PREPAYMENT Option 2 3% Declining Prepayment Premium Schedule			
Loan Year	5-Year Term	7-Year Term	10-Year Term
8	N/A	N/A	1%
9	N/A	N/A	1%
10	N/A	N/A	1%

PREPAYMENT Option 3 Standard Yield Maintenance			
Loan Year	5-Year Term	7-Year Term	10-Year Term
Yield Maintenance Ends	Last day of the 5th Loan Year	Last day of the 7th Loan Year	Last day of the 10th Loan Year

If the Borrower makes a prepayment due to casualty or condemnation, no Prepayment Premium is due. For all other prepayments, the Borrower must pay a Prepayment Premium if the prepayment occurs before the Prepayment Premium Period End Date.

The Borrower may prepay the Hybrid ARM Loan without any Prepayment Premium:

- on the last day of the fixed rate term; or
- at any time during the adjustable rate term.

The Prepayment Premium is shared with Fannie Mae per Part V, Chapter 2: Reporting and Remitting, Section 213: Prepayment Premium Sharing using the applicable Prepayment Premium schedule for a fixed rate Mortgage Loan.

Glossary

A

Adjustable Rate Mortgage Loan	Mortgage Loan with an interest rate that periodically adjusts based on an Index per the Note or Loan Documents. **Synonyms** • ARM Loan • Adjustable Rate Mortgage Loans • ARM Loans

B

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

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

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

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

P

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.