



Multifamily Selling and Servicing Guide

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Section 1303 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%



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

B

Borrower Person who is the obligor under 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.

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

P



Prepayment Premium

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.

Synonyms

- Prepayment Premiums

Prepayment Premium Period End Date

Last date on which a Borrower owes a Prepayment Premium for a voluntary Mortgage Loan prepayment.