Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 1204 Monthly Principal and Interest Payments

1204.01 During the Fixed Rate Term

☑ Requirements

The monthly installments of P&I must equal the amount needed to repay the UPB

- in substantially equal payments over the amortization term at the fixed rate, and
- based on a 30/360 interest accrual method.

To calculate loan payments at the end of an interest-only period, refer to the Loan Documents.

1204.02 On the Hybrid ARM Loan Conversion Date

☑ Requirements

On the Hybrid ARM Conversion Date, the Borrower must make the last regularly scheduled payment of P&I for the fixed rate term.

1204.03 During the Adjustable Rate Term

☑ Requirements

The Borrower must make payments of P&I based on changes to the Index:

- on the 1st day of the month immediately following the Hybrid ARM Conversion Date; and
- on the 1st day of each month thereafter, until the Maturity Date.

On the Rate Change Date, a new P&I installment will be calculated to be in effect on the 1st day of the following month.

Monthly installments of P&I, due on each payment date during the adjustable rate term, must equal the amount needed to repay the UPB

- in substantially equal payments over the amortization term at the variable rate,
- based on a 30/360 interest accrual method.

Operating Procedures

To determine the amount of each monthly installment allocated to principal, subtract the amount allocated to interest following each rate change.

For example:

A 5-year Hybrid ARM Loan with the following terms:	
Loan Amount	$2,500,000
Fixed Rate	5.25%
Fixed Rate Term	60 months
Amortization Term	360 months
Fixed Rate Period	Standard fixed payment amortization
Monthly Payment	$13,805.09
UPB at End of Month 60	$2,303,737.20

Upon conversion to adjustable rate in month 61, amortization is recalculated using the following terms:	
Loan Amount	$2,303,737.20
Variable Rate	4.25%
Amortization Term	300 months
Monthly Payment	$12,480.22
Interest Payment	(4.25% / 360 months) x 30 days x UPB
Principal Payment	Monthly Payment Interest Payment
UPB at End of Month 66	$2,277,579.64

At rate change in month 67, amortization is recalculated using the following terms:	
Loan Amount	$2,277,579.64
Variable Rate	4.50%
Amortization Term	294 months
Monthly Payment	$12,799.71
Interest Payment	(4.50% / 360 months) x 30 days x UPB

At rate change in month 67, amortization is recalculated using the following terms:	
Principal Payment	Monthly Payment Interest Payment
UPB at End of Month 72	$2,251,786.15

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
Hybrid ARM Loan Conversion Date	Date when the UPB of a Hybrid ARM Loan automatically converts from accruing at a fixed interest rate to accruing at an adjustable interest rate. **Synonyms** • Hybrid ARM Conversion Date

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.

L

Loan Documents	All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan. **Synonyms** • Loan Document • Mortgage Loan Document • Mortgage Loan Documents

M

Maturity Date	Date all Mortgage Loan amounts become fully due and payable per the Loan Documents. **Synonyms** • Maturity Dates

P

P&I	Principal and interest
Principal	Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors. **Synonyms** • Principals

U

UPB	Unpaid Principal Balance

Synonyms
• UPBs