



Fannie Mae®

---

# Multifamily Selling and Servicing Guide

Effective as of July 24, 2025

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.



**TABLE OF CONTENTS**

---

Part III Section 1304 Monthly Principal and Interest Payments ..... 3

    1304.01 During the Fixed Rate Term ..... 3

    1304.02 On the Hybrid ARM Loan Conversion Date ..... 3

    1304.03 During the Adjustable Rate Term ..... 3

GLOSSARY ..... 6



## Section 1304 Monthly Principal and Interest Payments

### 1304.01 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.

### 1304.02 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.

### 1304.03 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	$(4.25\% / 360 \text{ months}) \times 30 \text{ days} \times \text{UPB}$
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	$(4.50\% / 360 \text{ months}) \times 30 \text{ days} \times \text{UPB}$



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

## 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

## 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.

## 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