



# Multifamily Selling and Servicing Guide

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## 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:

<b>A 5-year Hybrid ARM Loan with the following terms:</b>	
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

<b>Upon conversion to adjustable rate in month 61, amortization is recalculated using the following terms:</b>	
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

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



**At rate change in month 67, amortization is recalculated using the following terms:**

UPB at End of Month 72	\$2,251,786.15
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# 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

## I

**Index** Basis for determining the Gross Note Rate of an ARM Loan.

## L

**Loan Documents** All documents evidencing, securing, or guaranteeing the debt obligation executed for a Mortgage Loan and approved by Fannie Mae.

**Synonyms**

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

## M



**Maturity Date** Date all amounts due and owing under the Mortgage Loan become fully due and payable per the Loan Documents.

**Synonyms**

- Maturity Dates

**P**

**P&I** Principal and interest

**Principal** Person who owns or controls 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