Fannie Mae®

# Multifamily Selling and Servicing Guide

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## 409.01 General

An acceptable Interest Rate Hedge must be in place and maintained at all times for:

- variable rate Credit Enhancement Mortgage Loans;
- Structured ARM Loans; and
- any Mortgage Loan where (i) the Borrower executed the Fannie Mae Interest Rate Cap Reserve and Security Agreement (Form 6442 series), or a similar agreement, allowing for a springing Interest Rate Cap under certain circumstances, and (ii) the requirement of the Borrower to acquire and pledge to the Lender an Interest Rate Cap has been triggered under the agreement.

The Interest Rate Hedge may be either an Interest Rate Cap or Interest Rate Swap, although the prior approval of Fannie Mae is required before the Borrower may enter into an Interest Rate Swap.

Each Interest Rate Hedge Agreement and its collateral assignment must meet the requirements of Part III, Chapter 11: Structured Adjustable Rate Mortgage (SARM) Loans.

Fannie Mae outside counsel must be engaged, at Borrowers cost, to review the hedge bid package and documents, and prepare the amended Loan Documents for each hedge renewal. The Servicer must submit a completed Counsel Designation Request for Interest Rate Hedge Transactions (Form 4625.A).

# Glossary

## A

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

## B

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| Borrower | Person who is the obligor per the Note.<br><br>**Synonyms**<br>• Borrowers<br>• Borrower's |

## C

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| Collateral | Property, Personal Property, or other property securing a Mortgage Loan. |
| Credit Enhancement Mortgage Loan | Mortgage Loan financed by a Bond issuance where Fannie Mae provides credit enhancement by<br>• a Credit Enhancement Instrument, or<br>• an MBS for Bonds.<br><br>**Synonyms**<br>• Credit Enhancement Mortgage Loans |

## I

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|---|---|
| Interest Rate Cap | Interest rate agreement between the Borrower and a provider for which the Borrower receives payments at the end of each period when the interest rate exceeds the Cap Strike Rate. The Interest Rate Cap provides a ceiling (or cap) on the Borrower's Mortgage Loan interest payments.<br><br>**Synonyms**<br>• Interest Rate Caps<br>• Interest Rate Hedge<br>• Interest Rate Hedges<br>• Interest Rate Swap<br>• Interest Rate Cap's |
| Interest Rate Cap Agreement | Contract setting forth the terms and conditions of an Interest Rate Cap, Hedge, or Swap.<br><br>**Synonyms**<br>• Interest Rate Hedge Agreement<br>• Interest Rate Swap Agreement |

# L

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|---|---|
| Lender | Person Fannie Mae approved to sell or service Mortgage Loans.<br><br>**Synonyms**<br>• Lenders<br>• Lender's |
| Loan Documents | All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.<br><br>**Synonyms**<br>• Loan Document<br>• Mortgage Loan Document<br>• Mortgage Loan Documents |

# M

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| Mortgage Loan | Mortgage debt obligation evidenced, or when made will be evidenced, by<br>• the Loan Documents, or<br>• a mortgage debt obligation with a Fannie Mae credit enhancement.<br><br>**Synonyms**<br>• Mortgage Loans<br>• Mortgage Loan's |

# S

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| Security | MBS, PFP MBS, or REMIC.<br><br>**Synonyms**<br>• Securities |
| Servicer | Primary Person servicing the Mortgage Loan, including<br>• the originator,<br>• seller, or<br>• a third party.<br><br>**Synonyms**<br>• Servicers<br>• Servicer's |

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