



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of February 2, 2026

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409.07 Replacement Interest Rate Hedge and Notification

If the current Interest Rate Hedge expires before the Mortgage Loan Maturity Date, at least 90 days before the Interest Rate Hedge terminates, the Servicer must obtain the Borrower's written intention to:

- purchase a replacement Interest Rate Hedge; or
- convert the interest rate on a variable rate:
 - Credit Enhancement Mortgage Loan to a Bond Reset Interest Rate; or
 - SARM Loan to a fixed rate.

If the Borrower elects to purchase a replacement Interest Rate Hedge, the Servicer must:

- confirm that the possible Interest Rate Hedge providers are all on the current list of approved [Cap/Swap Counterparties for Multifamily Transactions](#);
- review the Loan Documents for the replacement Interest Rate Hedge timing requirements; and
- for a replacement Interest Rate Cap, ensure the:
 - Borrower purchases a replacement Interest Rate Cap with a term equal to the lesser of the:
 - remaining Mortgage Loan term; or
 - term specified in the Loan Documents;
 - replacement Interest Rate Cap's notional amount:
 - equals the Mortgage Loan's UPB when the replacement Interest Rate Cap becomes effective; and
 - remains at that amount throughout the replacement Interest Rate Cap's term; and
 - Cap Strike Rate of the replacement Interest Rate Cap is equal to or less than the Cap Strike Rate required per the Loan Documents.

The Borrower may purchase a replacement Interest Rate Cap in advance if the replacement Interest Rate Cap becomes effective on the initial Interest Rate Cap's Maturity Date.



If the Interest Rate Hedge expires and the Borrower failed to provide evidence of securing the replacement Interest Rate Hedge, the Servicer must notify Multifamily Structured Asset Management immediately. Fannie Mae will instruct the Servicer's action regarding the Borrower's default.



Glossary

B

Borrower

Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

C

Cap Strike Rate

Index interest rate specified in the Interest Rate Cap Agreement at or above which a payment obligation will be triggered by the Interest Rate Cap provider.

Credit Enhancement Mortgage Loan

Mortgage Loan financed by a Bond issuance where Fannie Mae provides credit enhancement by

- a Credit Enhancement Instrument, or
- an MBS for Bonds.

Synonyms

- Credit Enhancement Mortgage Loans

I

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.

Synonyms

- Interest Rate Caps
- Interest Rate Hedge
- Interest Rate Hedges
- Interest Rate Swap
- Interest Rate Cap's

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

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
- Mortgage Loan's

Multifamily Structured Asset Management

Team that can be contacted at structured_am@fanniemae.com.

S

Servicer

Primary Person servicing the Mortgage Loan, including

- the originator,
- seller, or
- a third party.

Synonyms

- Servicers
- Servicer's



U

UPB

Unpaid Principal Balance

Synonyms

- UPBs