



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## Section 205 ARM Loan Interest Rate and Monthly Payment Changes

### 205.01 Adjustable Rate Mortgage Loan Interest Rate Changes and Required Monthly Payments

The Servicer must enforce each Mortgage Loan in accordance with the terms of the executed Loan Documents. This includes making periodic interest rate and payment adjustments in connection with any type of Adjustable Rate Mortgage Loans. The Servicer must change the Mortgage Loan interest rate and monthly payments to the fullest extent permitted or required, maintaining at all times the Mortgage Loan margin specified in the executed Loan Documents. Factors used to determine the new interest rate for ARM Loans include:

- the Index on which the rate is to be based;
- the “look back” period;
- any applicable interest rate change limitations; and
- the Mortgage Loan margin.

If the Servicer fails to make a timely interest rate or payment adjustment, the Servicer must use its own funds to satisfy any shortage.

#### 205.01A The Adjustable Rate Mortgage Loan Index

The Servicer must determine the Index on which the rate is to be based as specified in the Loan Documents. To assist the Servicer in monitoring indexes, Fannie Mae offers an ARM Loan Index service through its website on <https://multifamily.fanniemae.com>. The Servicer must establish procedures to monitor the Index to assure that the Servicer uses the latest available Index to determine an interest rate change.

#### 205.01B Determining the New Monthly Payment

Except for Fannie Mae Structured ARM Loans, a Required Monthly Payment change occurs at established intervals and corresponds to any change in the interest rate. The new monthly payment is calculated by determining the amount required to repay the UPB of the Mortgage Loan in substantially equal payments over the remaining amortization period of the Mortgage Loan at the interest rate in effect following the latest interest rate change utilizing the applicable Interest Calculation Method. If the Mortgage Loan is an interest-only Mortgage Loan, the new monthly payment is the monthly interest payment at the interest rate in effect following the latest interest rate change utilizing the applicable Interest Calculation Method. The new Required Monthly Payment becomes effective on the first day of the



month following the month in which the interest Rate Change Date occurs.

### **205.02** Monthly Reporting for ARM Loan Payment/Rate Changes

Prior to the effective date of the Monthly Payment/Rate Change the Servicer must submit a Monthly Payment/Rate Change via the eServicing System. For assistance with rate and/or payment changes, the Servicer must contact its Fannie Mae Representative.

In order for Fannie Mae to account for ARM Loans on its books, Fannie Mae must receive the Monthly Payment/Rate Change on a timely basis.

### **205.03** Structured ARM Loans

Structured ARM Loans are subject to the same reporting and remittance requirements as other ARM Loans except for the differences described in this section.

The interest rate for Structured ARM Loans will be determined based on the applicable interest period (typically either 1-month or 3-months) for the applicable Index using a 1-Business Day look-back period per the Loan Documents and the requirements of the applicable Structured ARM Loan Plan Number. The applicable interest rate will be determined by adding the Mortgage Loan margin specified in the Loan Documents to the applicable Index value. No periodic or lifetime interest rate limitations apply to this computation.

Rate changes for Structured ARM Loans with a:

- 1-month interest period (Plan Numbers 03488 and 04932) will occur on the first payment date and the first day of each month thereafter until maturity as specified in the Loan Documents; and
- 3-month interest period (Plan Number 03487) will occur on the first day of the month which is the second month following the first payment date and the first day of every third month thereafter until maturity as specified in the Loan Documents.

The first payment date will be:

- the 1st day of the month following the Mortgage Loan Origination Date, if the Mortgage Loan Origination Date is the 1st calendar day of the month; or
- the 1st day of the second full calendar month following the Mortgage Loan Origination Date for all other Mortgage Loans.

For example, if the Mortgage Loan closes on June 15th, the First



Payment Date is on August 1st, and if the Mortgage Loan closes on June 1st, the First Payment Date is on July 1st.

A Required Monthly Payment change occurs at established intervals and corresponds to any change in the interest rate, the number of days in an accrual period, or the UPB of the Mortgage Loan.

If the Mortgage Loan amortizes, the Required Monthly Payment is the sum of the monthly interest installment and the monthly principal installment. The monthly interest installment is calculated by multiplying the UPB of the Mortgage Loan by the interest rate in effect following the latest interest rate change utilizing an actual/360 interest accrual method. Equal monthly principal installments will be made over the term of the Mortgage Loan in the amount set forth in the Loan Documents.

If the Structured ARM Loan is interest-only, the Required Monthly Payment is the monthly interest payment which is calculated by multiplying the UPB of the Mortgage Loan by the interest rate in effect following the latest interest rate change utilizing an actual/360 interest accrual method as set forth in the Loan Documents. The new Required Monthly Payment becomes effective for Structured ARM Loans with a:

- 1-month interest period (Plan Numbers 03488 and 04932), on the 1st day of the month following the month in which the Rate Change Date occurs; or
- 3-month interest period (Plan Number 03487), on the 1st day of each month following any change in the interest rate or if the number of days in an accrual period is different from the prior month, as set forth in the Loan Documents.



# Glossary

## B

**Business Day** Any day other than a

- Saturday,
- Sunday,
- day when Fannie Mae is closed,
- day when the Federal Reserve Bank of New York is closed, or
- for any MBS and required remittance withdrawal, day when the Federal Reserve Bank is closed in the district where any of the MBS funds are held.

### **Synonyms**

- Business Days

## F

**Fannie Mae Representative** Fannie Mae personnel who assist you with various business matters (e.g., Fannie Mae Deal Team, pricing, delivery, servicing, asset management, etc.).

## 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



## 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

## Mortgage Loan Origination Date

Date you fund a Mortgage Loan to the Borrower.

### **Synonyms**

- Mortgage Loan's Origination Date
- Origination Date

## **P**

### Plan Number

Number identifying the applicable loan characteristics for any Mortgage Loan that accrues interest at a variable rate at any time during the loan term.

### **Synonyms**

- Plan Numbers

## **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