



# Multifamily Selling and Servicing Guide

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

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### **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 ARM Note. Factors used to determine the new interest rate for ARM Mortgage 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 Index service through its website on [www.fanniemae.com/multifamily](http://www.fanniemae.com/multifamily). 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 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 Mortgage Loans on its books, Fannie Mae must receive the Monthly Payment/Rate Change on a timely basis.

## **205.03** Structured ARM Loans

Structured ARM Mortgage Loans using ARM Plan Numbers 03487 and 03488 are subject to the same reporting and remittance requirements as other ARM Mortgage Loans except for the differences described in this section.

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

Rate Changes for 1-month LIBOR Index Structured ARM Mortgage Loans (Plan No. 03488) will occur on the First Payment Date and the first day of each month thereafter until maturity as specified in the Note. Rate Changes for 3-month LIBOR Index Structured ARM Mortgage Loans (Plan No. 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 Note.

The First Payment Date will be the first day of the second full calendar month following the Mortgage Loan closing date as specified in the Note or, if the closing date is the first day of the month, the First Payment Date will be the first day of the month following the closing date. 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 Structured ARM Note.

If the Structured ARM Loan is an interest-only Mortgage Loan, 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 Structured ARM Note.

For 1-month LIBOR Index Structured ARM Mortgage Loans (Plan No. 03488), the new Required Monthly Payment becomes effective on the first day of the month following the month in which the Rate Change Date occurs.

For 3-month LIBOR Index Structured ARM Mortgage Loans (Plan No. 03487), a new Required Monthly Payment becomes effective on the first 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 Structured ARM Note.



# Glossary

## B

|              |  |
|--------------|--|
| Business Day | <p>Any day other than a</p> <ul style="list-style-type: none"><li>• Saturday,</li><li>• Sunday,</li><li>• day on which Fannie Mae is closed,</li><li>• day on which the Federal Reserve Bank of New York is closed, or</li><li>• for any MBS and any required withdrawal for remittance thereunder, a day on which the Federal Reserve Bank is closed in the district where any funds are held for the MBS.</li></ul> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Business Days</li></ul> |
|--------------|--|

## F

|                           |  |
|---------------------------|--|
| Fannie Mae Representative | <p>Fannie Mae personnel who assist you with various business matters (e.g., Fannie Mae Deal Team, pricing, delivery, servicing, asset management, etc.).</p> |
|---------------------------|--|

## I

|       |  |
|-------|--|
| Index | <p>Basis for determining the Gross Note Rate of an ARM Loan.</p> |
|-------|--|

## L

|       |   |
|-------|---|
| LIBOR | <p>London Interbank Offered Rate is the benchmark interest rate banks quote to lend funds to one another in the international interbank market for short-term loans, or as replaced by an alternative Index determined by Fannie Mae.</p> |
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## 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**

### 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

## **N**

### Note

Current instrument evidencing a Mortgage Loan obligation, including [Form 6010 series](#), any other note approved by Fannie Mae, and all applicable addenda, schedules, and exhibits.

### **Synonyms**

- Notes

## **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.

## **S**



Servicer

Primary Person responsible for servicing the Mortgage Loan (e.g., the originator, the selling Lender, or a third-party servicer).

**Synonyms**

- Servicers

**U**

UPB

Unpaid Principal Balance