Fannie Mae®

Multifamily Selling and Servicing Guide

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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 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.

Glossary

A

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

I

Index	Basis for determining an ARM Loan Gross Note Rate or entering a Streamlined Treasury Lock on a fixed rate Mortgage Loan, including any required alternative index deemed necessary by Fannie Mae because the prior Index: • is no longer widely accepted; or • was 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

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

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