Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of October 26, 2026

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Section 213 Prepayment Premium Sharing

213.01 General

The Lender Contract governs over the requirements of the Guide if it specifies whether the Lender or Servicer is entitled to retain a portion of any Prepayment Premium paid by the Borrower. If the Lender Contract provides that the Lender or Servicer is entitled to retain a portion of the Prepayment Premium, then the Servicer must calculate the applicable share of the Prepayment Premium owed to the Lender or Servicer, and remit to Fannie Mae that portion of the Prepayment Premium owed to Fannie Mae or the Investor. If the Lender Contract provides that the Lender or Servicer is not entitled to retain a portion of the Prepayment Premium, then the entire Prepayment Premium must be remitted to Fannie Mae.

If the Lender Contract does not specify whether the Lender or Servicer is entitled to retain a portion of any Prepayment Premium, then the Servicer is entitled to retain a portion of any Prepayment Premium only as provided below.

The Servicer must always remit the portion of the Prepayment Premium due to the Investor and to Fannie Mae with the final Mortgage Loan payment, retaining the balance of the Prepayment Premium due the Servicer as provided above. Upon receipt, Fannie Mae will pass through the portion of the Prepayment Premium due to the Investor.

213.02 Yield Maintenance Prepayment Premiums – Prepayment Occurs Before the Yield Maintenance Period End Date

213.02A Calculation of Total Prepayment Premium

For any prepayment that occurs before the Yield Maintenance Period End Date, the Servicer must first determine the total Prepayment Premium owing by the Borrower in accordance with the Loan Documents. The Loan Documents generally require the Borrower to pay a Prepayment Premium equal to the greater of (i) 1% of the UPB (the Minimum 1% Prepayment Premium), or (ii) yield maintenance.

213.02B Calculation of Investor's Share of Total Prepayment Premium for a Securitized Mortgage Loan

Fannie Mae does not guarantee payment of any portion of the Prepayment Premium to the Investor. The Investor only receives a share of any Prepayment Premium actually received from the Borrower. For a Securitized Mortgage Loan, the Servicer must calculate the Investor's share of the total Prepayment Premium as follows using the yield rate specified per

the Loan Documents:

(Principal prepaid) x (Pass-Through Rate yield rate) x (present value factor).

If the result is negative, the Investor receives no Prepayment Premium share.

213.02C Calculation of Fannie Mae's Share of Total Prepayment Premium

For both Securitized Mortgage Loans and Cash Mortgage Loans, the Servicer must calculate Fannie Maes share of the total Prepayment Premium.

If the Prepayment Premium is greater than the Minimum 1% Prepayment Premium, the difference between the total Prepayment Premium and the Investors portion will be shared between Fannie Mae and the Servicer.

Fannie Maes share equals:

- for Securitized Mortgage Loans:

(total Prepayment Premium - Investors portion) x (Guaranty Fee / (Guaranty Fee + Servicing Fee)); and

- for Cash Mortgage Loans:

total Prepayment Premium - Servicer's share (calculated per Part V, Chapter 2: Reporting and Remitting, Section 213.02D: Calculation of Servicer's Share of Total Prepayment Premium).

If the total Prepayment Premium equals the Minimum 1% Prepayment Premium, Fannie Maes share equals the entire remaining Prepayment Premium above the Investors portion.

213.02D Calculation of Servicer's Share of Total Prepayment Premium

The Servicer receives a portion of the Prepayment Premium only if the Prepayment Premium exceeds the Minimum 1% Prepayment Premium.

The Servicer's share equals:

- for Securitized Mortgage Loans:

(total Prepayment Premium - Investor's portion) x (Servicing Fee / (Guaranty Fee + Servicing Fee)); and

- for Cash Mortgage Loans:

  total Prepayment Premium x (Servicing Fee / (Pass-Through Rate + Servicing Fee)).

213.03 Yield Maintenance Prepayment Premiums – Prepayment Occurs On or After the Yield Maintenance Period End Date

213.03A Prepayment On or After Yield Maintenance Period End Date

The Loan Documents may provide that any full prepayment that occurs on or after the Yield Maintenance Period End Date but before a date specified in the Loan Documents (typically the last calendar day of the fourth month prior to the month in which the Maturity Date occurs), must be accompanied by a Prepayment Premium equal to a stated amount (usually 1% of the UPB of the Mortgage Loan). Neither the Investor nor the Servicer is entitled to any portion of any Prepayment Premium paid on or after the Yield Maintenance Period End Date. The entire Prepayment Premium must be remitted to Fannie Mae.

213.03B Prepayment During Open Period

The Loan Documents may provide that the Borrower is not required to pay any Prepayment Premium in connection with a full prepayment made on or after a date specified in the Loan Documents (typically the last calendar day of the fourth month prior to the month in which the Maturity Date occurs).

213.04 Fixed Rate Mortgage Loans with Graduated Prepayment Premiums

For fixed rate Mortgage Loans where the Loan Documents require a graduated Prepayment Premium, the Servicer is not entitled to retain any portion of the Prepayment Premium. The entire Prepayment Premium must be remitted to Fannie Mae.

213.05 Prepayment Premiums for ARM Loans and Structured ARM Loans

Unless the prepayment of an ARM Loan that used Prepayment Option 1 or Prepayment Option 2, or of a Structured ARM Loan is the result of a casualty or condemnation, any prepayment made before a date specified in the Loan Documents (typically the last calendar day of the fourth month prior to the month in which the Maturity Date occurs) must include a Prepayment Premium that will be shared between Fannie Mae and the Servicer. The Investor is not entitled to receive any portion of the Prepayment Premium for either an ARM Loan or a Structured ARM Loan. In each case, Fannie Maes share will be a percentage determined by the

following formula:

$\frac{\text{Guaranty Fee}}{\text{(Guaranty Fee + Servicing Fee)}}$

For example, if the Guaranty Fee is 62.5 basis points and if the Servicing Fee is 45 basis points, then Fannie Mae's share will be:

$\frac{62.5}{(62.5 + 45)}$	or	58.14%.

The Servicer must remit the portion of the Prepayment Premium due Fannie Mae with the final Mortgage Loan payment. The Servicer may retain the balance of the Prepayment Premium.

No Prepayment Premium is due in connection with an ARM Loan with a conversion option or with a Structured ARM Loan that is converting to a fixed rate Mortgage Loan.

213.06 Prepayment Premium Waivers; Servicer's Share of Prepayment Premium

The Servicer may not waive any portion of the Prepayment Premium due and owing under the Loan Documents, except as provided in Part III, Chapter 17: Choice Refinance Loans, Section 1702: Prepayment Premiums in connection with a Choice Refinance Loan.

No portion of the Servicers share of the Prepayment Premium may be:

- waived by the Lender;
- used as a rebate to the Borrower, or any party related to the Borrower, for any purpose; or
- used for the payment of any expenses related to any loan used to refinance the Mortgage Loan.

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

B

Borrower	Person who is the obligor per the Note. **Synonyms** • Borrowers • Borrower's

C

Cash Mortgage Loan	Mortgage Loan purchased by Fannie Mae in exchange for cash. **Synonyms** • Cash Mortgage Loans
Choice Refinance Loan	Mortgage Loan refinancing a Portfolio Mortgage Loan using streamlined underwriting per Part III, Chapter 17: Choice Refinance Loans. **Synonyms** • Choice Refinance Loans

G

Guaranty	Payment Guaranty, Non-Recourse Guaranty, or other guaranty by a Guarantor for the Mortgage Loan.

Guaranty Fee	Fee retained by Fannie Mae for credit enhancing a Mortgage Loan or assuming credit risk on a Mortgage Loan, and which may be expressed as a percentage. **Synonyms** • Guaranty Fees
Guide	Multifamily Selling and Servicing Guide controlling all Lender and Servicer requirements unless a Lender Contract specifies otherwise. **Synonyms** • DUS Guide

I

Investor	MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan. **Synonyms** • Investors • Investor's

L

Lender	Person Fannie Mae approved to sell or service Mortgage Loans. **Synonyms** • Lenders • Lender's

Lender Contract	Program Documents per the Multifamily Selling and Servicing Agreement. **Synonyms** • Lender's Contract • Lender Contracts • Contract • Multifamily Selling and Servicing Agreement • MSSA
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
Minimum 1% Prepayment Premium	For a prepayment, an amount equal to 1% of the UPB.
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

P

Pass-Through Rate	Mortgage Loan Gross Note Rate minus: • for MBS Mortgage Loans, the Guaranty Fee, minus the Servicing Fee; and • for Cash Mortgage Loans, the Servicing Fee.
Prepayment Premium	For a Mortgage Loan prepayment, amount the Borrower must pay in addition to the prepaid principal and accrued interest per the Loan Documents. **Synonyms** • Prepayment Premiums
Principal	Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors. **Synonyms** • Principals

S

Securitized Mortgage Loan	Mortgage Loan backing an MBS, PFP MBS, or REMIC. **Synonyms** • Securitized Mortgage Loans
Servicer	Primary Person servicing the Mortgage Loan, including • the originator, • seller, or • a third party. **Synonyms** • Servicers • Servicer's

Servicing Fee	Fee a Servicer receives for collecting payments, managing operational procedures, and assuming your portion of credit risk for a Mortgage Loan, and which may be expressed as a percentage. **Synonyms** • Servicing Fees

U

UPB	Unpaid Principal Balance **Synonyms** • UPBs

Y

Yield Maintenance Period End Date	Last day on which a Borrower owes yield maintenance for a voluntary Mortgage Loan prepayment. **Synonyms** • Yield Maintenance Period End Dates