



Fannie Mae®

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# Multifamily Selling and Servicing Guide

Effective as of December 1, 2025

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## **216.03** Prepayments – General Introduction

When a Borrower prepays a Mortgage Loan in a DUS Bond Credit Enhancement in whole or in part, the bonds also will be prepaid or redeemed in whole or in part on a corresponding basis. This is the starting point for the analysis of the obligations of the Borrower to account for any fees payable on account of the prepayment or redemption.

### **216.03A** Bond Redemption Premiums Payable to Bondholders

All relevant rules regarding bond redemption premiums will be contained in the related Bond Indenture. The Borrower is obligated to pay any bond redemption premium. Fannie Mae does not provide credit enhancement for the bond redemption premium.

Not all types of bond redemptions are subject to redemption premiums and the Servicer must consult the related Bond Indenture documentation to determine whether a redemption premium is due. As a general rule, only bond redemptions initiated voluntarily or optionally by the Borrower will potentially have a redemption premium. Mandatory redemptions almost never have a redemption premium. Mandatory redemptions include redemptions paid from condemnation proceeds and insurance proceeds from casualty losses.

#### **1. Variable Rate Bond Redemption**

Weekly variable rate bonds may typically be redeemed at any time, or at least on any bond interest payment date, without restriction or redemption premium to the bondholders subject to the terms of the related Bond Indenture.

#### **2. Fixed Rate Bond Redemption**

Fixed rate bonds are typically restricted from optional or voluntary redemption by the Borrower for a specific period following the original bond issuance date, known as a lockout period. A lockout period may approximate 10 years from the initial bond issuance. Following the expiration of the lockout period, any voluntary redemption during the subsequent 3 to 5 year period typically requires the payment of a redemption premium to bondholders.

**NOTE:** Most transactions require the Borrower to pay the bond redemption premium with money that is not subject to being treated as a voidable preference under applicable bankruptcy and insolvency laws. This usually means the redemption premium cannot come from regular resources of the Borrower. The Bond Indenture must be consulted for requirements applicable to sources of payment of the Bond Redemption Premium and legal counsel should be consulted.



### **216.03B** Termination Fee or Prepayment Premium Payable to Fannie Mae

Any Prepayment Premium payable to Fannie Mae on the credit enhancement is separate and distinct from any redemption premium payable to bondholders. This is true for all executions: Direct Pay, Standby and MBS.

In most instances, Fannie Mae requires the Borrower to pay a Prepayment Premium (or “Termination Fee” if required in the applicable documents) if the prepayment occurs within a certain number of years after original delivery of Fannie Mae’s credit enhancement. In earlier Bond Credit Enhancement transactions, the premium will be called a Prepayment Premium and will be addressed in the Note. In later transactions, the premium will be called a Termination Fee and will be addressed in the Reimbursement Agreement.

### **216.03C** Termination When No Prepayment Occurs; Weekly Variable Rate Transactions

In DUS Variable Rate Credit Enhancements, there is the possibility that neither the Mortgage Loan nor the bonds are actually being prepaid, but only that the Borrower is replacing Fannie Mae as the provider of the credit enhancement and liquidity, terminating Fannie Mae’s involvement in the transaction. For purposes of this section, that too is treated as a prepayment. In the event that the Mortgage Loan is being prepaid or Fannie Mae is being replaced as credit enhancer, the result is that the credit enhancement is being terminated. In recent years, to take this into account, the general term “Termination” has been used to refer to the events and “Termination Fee” to refer to the fee which may be payable on account of those events.

The Servicer must remit any Termination Fee due Fannie Mae in accordance with remittance requirements contained below in this Section by 2:00 p.m. Eastern Time on the next Business Day following the day on which the Borrower’s termination of Fannie Mae’s credit enhancement and liquidity is effective.



# Glossary

## B

**Borrower** Person who is the obligor per the Note.

### **Synonyms**

- Borrowers
- Borrower's

**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

## D

**Direct Pay** Credit enhancement under which Fannie Mae makes principal and interest payments directly to the Bond Trustee (for payment to bondholders) regardless of whether the Borrower has reimbursed Fannie Mae for such payments.

**DUS** Delegated Underwriting and Servicing

## I

**Indenture** Bond issuer trust indenture or resolution listing Bond terms.

## M



## MBS

Mortgage-Backed Security

## 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

## N

## Note

Instrument evidencing a Mortgage Loan obligation, including

- [Form 6010 series](#),
- any other Fannie Mae-approved note, and
- all applicable
  - addenda,
  - schedules, and
  - exhibits.

### Synonyms

- Notes

## P

## 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

## S



**Servicer** Primary Person servicing the Mortgage Loan, including

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

**Synonyms**

- Servicers
- Servicer's

**Standby** Credit enhancement under which Fannie Mae makes principal and interest payments directly to the Bond Trustee (for payment to bondholders) if the Borrower fails to make required mortgage note payments or if a bankruptcy event has occurred.