Fannie Mae®

Supplement 24-02: Interest Rate Cap Escrows

Effective: 03/25/24

Summary of Changes

HIGHLIGHTS
Effective as of March 25, 2024, you are delegated the authority to decrease the monthly escrow payments for Interest Rate Caps for certain Portfolio SARM Loans regardless of the requirements in the • Loan Documents, or • Guide.

Primary Changes

I. Eligible SARM Loan Delegation Criteria

Due to the decreased cost of Interest Rate Caps, you are delegated the authority to decrease the monthly escrow payments for Interest Rate Caps, regardless of the Loan Document or Guide requirements stating otherwise, for a SARM Loan if:

- it is a Portfolio Mortgage Loan Delivered before January 1, 2023;
- it is not part of a Variable Rate Bond Credit Enhancement Transaction;
- it does not have:
  - an existing Payment Default or Performance Default under the Loan Documents; or
  - a Borrower, Key Principal, or Principal on ACheck; and
- no other Portfolio Mortgage Loans in your Fannie Mae portfolio with that Sponsor have an existing Payment or Performance Default.

II. Delegation Requirements

If you use your delegated authority per this Supplement, you:

- must:

- calculate the monthly escrow payments for purchasing a replacement Interest Rate Cap based on 115% of the cost of an Interest Rate Cap with the term required by the Loan Documents.

  For example, if the Loan Documents require a 3-year Interest Rate Cap, and the Borrower previously obtained waiver approval to calculate the escrow based on the cost of a 2-year Interest Rate Cap, then you must calculate the new escrow payment based on 115% of the cost of the 3-year Interest Rate Cap required by the Loan Documents, not on the previously approved 2-year Interest Rate Cap;
- adjust the monthly escrow payments accordingly;
- re-calculate the future Interest Rate Cap Escrow payments at least every 6 months, regardless of the Loan Document recalculation timing requirements;
- not re-calculate the Cap Strike Rate unless explicitly permitted by the Loan Documents; and
- determine if the waiver requires a Loan Document amendment; and

- may document any amendment in any form you determine to be legally enforceable.

III. Refunds

For an eligible SARM Loan, you are delegated the authority to:

- refund the Borrower any amount left in the reserve account after purchasing a replacement Interest Rate Cap, even if the Loan Documents do not permit the refund; and
- release Interest Rate Cap reserve funds only when purchasing the replacement Interest Rate Cap, not during the ongoing semi-annual or annual escrow re-calculations.

The Borrower may elect to:

- retain all or part of the excess funds in the reserve account after purchasing the Interest Rate Cap to lower the amount of future monthly escrow payments; and/or
- use any excess funds to pay legal fees.

IV: Process and Documentation

You must document your delegated approval per this Supplement in your Servicing File, but no MAMP submission is required.

V: Additional Data Fields

You must submit the additional Interest Rate Cap data fields with all SARM Loan operating

statements.

Questions

Please contact the following regarding:

- Additional Data Fields, Kimberly Nelson at (202) 752-2551, or kimberly_nelson@fanniemae.com;
- Credit Facilities and Bulk Deliveries:
  - Maria Fleming at (202) 752-1698, or maria_e_fleming@fanniemae.com; or
  - structured_am@fanniemae.com; and
- all other questions:
  - Michael Dick at (202) 752-6634, or michael_w_dick@fanniemae.com; or
  - interest_rate_hedge@fanniemae.com.