Fannie Mae®

# Supplement 24-03: Revised Interest Rate Cap Process

Effective: 03/29/24
Retired: 12/10/25

## Summary of Changes

| HIGHLIGHTS |
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| **Effective as of March 29, 2024**, you are delegated the authority to approve the purchase of, and escrow for, shorter-term Interest Rate Caps than permitted per the Loan Documents for certain Portfolio SARM Loans. |

### Primary Changes

#### I. Eligible SARM Loan Delegation Criteria

Due to the high cost of Interest Rate Caps, you are delegated the authority to allow the purchase of 2-year term Interest Rate Caps, regardless of the required Loan Document term, for a SARM Loan if:

- it is a Portfolio Mortgage Loan Delivered before January 1, 2023;
- it is not part of a:
  - Credit Facility or Bulk Delivery; or
  - 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.

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

- must ensure:

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    - the Borrower purchases an Interest Rate Cap at the Cap Strike Rate required per the Loan Documents; and
    - any future Interest Rate Cap purchase complies with the Loan Documents;
- must re-calculate the future Interest Rate Cap Escrow payments at least every 6 months, regardless of the Loan Document recalculation timing requirements;
- must not re-calculate the Cap Strike Rate unless explicitly permitted by the Loan Documents; and
- may use your delegation to purchase a 2-year Interest Rate Cap:
    - only once per SARM Loan; and
    - for a subsequent Interest Rate Cap replacement even if Fannie Mae previously approved the purchase of a 2-year Interest Rate Cap on a one-time basis.

### II. SARM Loans Not in a Credit Facility or Bulk Delivery

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

- calculate escrow payments for purchasing a replacement Interest Rate Cap based on the cost of a 2-year term Interest Rate Cap; and
- allow the Borrower to purchase a 2-year replacement Interest Rate Cap up to 120 days before the expiration date of the current Interest Rate Cap.

### III. SARM Loans in Credit Facilities and Bulk Deliveries

For an otherwise eligible SARM Loan in a Credit Facility or Bulk Delivery, to purchase a replacement Interest Rate Cap with a 2-year term Interest Rate Cap, you:

- are delegated the authority to escrow payments based on the cost of a 2-year term Interest Rate Cap, provided the term of all future Interest Rate Cap replacements comply per the Loan Documents; and
- must:
    - re-calculate the Cap Strike Rate; and
    - obtain Fannie Mae's approval:
        - of the re-calculated Cap Strike Rate; and
        - to allow the Borrower to purchase an Interest Rate Cap with a 2-year term.

### IV: Process and Documentation

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You must submit a waiver request in the Borrower Request module of the MAMP to:

- document your delegated approval per this Supplement; or
- request Fannie Mae's approval of
  - any recalculated Credit Facility Cap Strike Rate, or
  - non-delegated waiver.

| MAMP Entries | | | | |
|---|---|---|---|---|
| SARM Loan Type | Request Level | Request Master Type | Request Type | Documentation |
| Not in a Credit Facility or Bulk Delivery | Loan / Property | Drawer Asset Management -Delegated | Hedge Waiver | • Servicer Narrative<br>• Interest Rate Cap and Security Agreement |
| In a Credit Facility or Bulk Delivery | Deal | Credit Facilities / Bulk Deliveries - Non-Delegated | Hedge Waiver | • Servicer Narrative<br>• Interest Rate Cap and Security Agreement<br>• Applicable Cap Strike Rate Calculations |

| Process and Documentation | |
|---|---|
| For SARM Loans... | Process |
| Not in a Credit Facility or Bulk Delivery | In the Narrative, you must include affirmative statements that:<br><br>• you are using your delegated authority per this Supplement; and<br>• the SARM Loan complies with the terms of this Supplement. |
| In a Credit Facility or Bulk Delivery | You must:<br><br>• include detailed Cap Strike Rate calculations when you submit the 2-year Interest Rate Cap term waiver request; and<br>• affirmatively state the SARM Loan complies with the terms of this Supplement.<br><br>Fannie Mae will<br><br>• review the Cap Strike Rate calculation and 2-year Interest Rate Cap waiver, and<br>• document the decision in the MAMP per the standard process. |

## V: Additional Data Fields

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

## Superseded Publication

This publication supersedes Supplement 23-05: Interest Rate Caps.

## 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 W. Dick at (202) 752-6634, or michael_w_dick@fanniemae.com; or
  - interest_rate_hedge@fanniemae.com.