Fannie Mae®

Supplement 25-04: Revised Interest Rate Cap Process

Effective: 12/10/25

Summary of Changes

Primary Audience: Asset Management

HIGHLIGHTS
Effective as of December 10, 2025, you are delegated the authority to approve the purchase of shorter-term Interest Rate Caps than permitted per the Loan Documents for certain Portfolio SARM Loans. The previous restriction limiting this delegation to only once per SARM Loan was eliminated.

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 the Borrower purchases an Interest Rate Cap at the Cap Strike Rate required per 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; and
- must not re-calculate the Cap Strike Rate unless explicitly permitted by the Loan Documents.

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; 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

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.

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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 • Interest Rate Cap and Security Agreement
In a Credit Facility or Bulk Delivery	Deal	Credit Facilities / Bulk Deliveries - Non-Delegated	Hedge Waiver	• Servicer Narrative • Interest Rate Cap and Security Agreement • 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: • you are using your delegated authority per this Supplement; and • the SARM Loan complies with the terms of this Supplement.

Process and Documentation	
For SARM Loans...	Process
In a Credit Facility or Bulk Delivery	You must: • include detailed Cap Strike Rate calculations when you submit the 2-year Interest Rate Cap term waiver request; and • affirmatively state the SARM Loan complies with the terms of this Supplement. Fannie Mae will • review the Cap Strike Rate calculation and 2-year Interest Rate Cap waiver, and • 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 24-03: Revised Interest Rate Cap Process.

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

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- all other questions:
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  - interest_rate_hedge@fanniemae.com.