



# 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.



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	<ul style="list-style-type: none"><li>• Servicer Narrative</li><li>• Interest Rate Cap and Security Agreement</li></ul>
In a Credit Facility or Bulk Delivery	Deal	Credit Facilities / Bulk Deliveries - Non-Delegated	Hedge Waiver	<ul style="list-style-type: none"><li>• Servicer Narrative</li><li>• Interest Rate Cap and Security Agreement</li><li>• Applicable Cap Strike Rate Calculations</li></ul>

Process and Documentation	
For SARM Loans...	Process
Not in a Credit Facility or Bulk Delivery	<p>In the Narrative, you must include affirmative statements that:</p> <ul style="list-style-type: none"><li>• you are using your delegated authority per this Supplement; and</li><li>• the SARM Loan complies with the terms of this Supplement.</li></ul>



Process and Documentation	
For SARM Loans...	Process
In a Credit Facility or Bulk Delivery	<p>You must:</p> <ul style="list-style-type: none"><li>• include detailed Cap Strike Rate calculations when you submit the 2-year Interest Rate Cap term waiver request; and</li><li>• affirmatively state the SARM Loan complies with the terms of this Supplement.</li></ul> <p>Fannie Mae will</p> <ul style="list-style-type: none"><li>• review the Cap Strike Rate calculation and 2-year Interest Rate Cap waiver, and</li><li>• document the decision in the MAMP per the standard process.</li></ul>

## 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](mailto:kimberly_nelson@fanniemae.com);
- Credit Facilities and Bulk Deliveries:
  - Maria Fleming at (202) 752-1698, or [maria\\_e\\_fleming@fanniemae.com](mailto:maria_e_fleming@fanniemae.com); or
  - [structured\\_AM@fanniemae.com](mailto:structured_AM@fanniemae.com); and



■ all other questions:

- Michael W. Dick at (202) 752-6634, or [michael\\_w\\_dick@fanniemae.com](mailto:michael_w_dick@fanniemae.com); or
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