



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of May 8, 2025

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.



TABLE OF CONTENTS

Part III Section 1205 Interest Rate Caps	3
1205.01 Generally	3
1205.02 Determining the Cap Strike Rate	4
1205.03 Establishing Interest Rate Cap Reserves	5
1205.04 Interest Rate Cap Contract Documentation and Delivery	5
GLOSSARY	7



Section 1205 Interest Rate Caps

1205.01 Generally

☒ Requirements

Description	
Interest Rate Cap	Borrower must: <ul style="list-style-type: none">• purchase a third-party Interest Rate Cap; and• keep an Interest Rate Cap Agreement in place continually until the earlier of the<ul style="list-style-type: none">- effective date of any permitted conversion to a fixed rate Mortgage Loan, or- SARM Loan Maturity Date.
Interest Rate Cap Provider	Borrower must only obtain bids from Fannie Mae-approved providers listed on https://multifamily.fanniemae.com .
Interest Rate Cap Documentation	Must be on forms acceptable to Fannie Mae.
Minimum Interest Rate Cap Term	5 years.
Replacement Interest Rate Cap	You must ensure the Borrower purchases a replacement Interest Rate Cap if the Interest Rate Cap term expires before the SARM Loan conversion or Maturity Date.
Interest Rate Cap Reserves	Borrower must fund a cash reserve equal to at least 110% of the current replacement cap cost if the Interest Rate Cap term expires before the SARM Loan Maturity Date.



Description	
Interest Rate Cap Contract Process and Documentation	<p>You must deliver all Interest Rate Cap-related documentation, including the</p> <ul style="list-style-type: none">• Interest Rate Cap Agreement, and• Interest Rate Cap Reserve and Security Agreement (Form 6442 series). <p>Fannie Mae will engage outside counsel at your expense to review all cap-related documentation.</p>
Initial Interest Rate Cap Notional Amount	<p>Must equal the original principal amount of the SARM Loan throughout the Interest Rate Cap's term.</p>

→ Guidance

You may require the Borrower to:

- pay Fannie Mae's costs, including legal fees; and
- fund a reserve to pay these expenses.

1205.02 Determining the Cap Strike Rate

☑ Requirements

You must:

- determine the maximum Cap Strike Rate permitted for the initial Interest Rate Cap; and
- ensure the sum of the following is less than or equal to the rate (calculated using an underwritten debt service constant that includes amortization) that produces the minimum required Underwritten DSCR for the SARM Loan's Pricing and Underwriting Tier:
 - the Cap Strike Rate for the initial Interest Rate Cap; plus
 - Guaranty Fee; plus
 - Servicing Fee; plus
 - Investor spread.

→ Guidance



You should enter “0” in the C&D “Cap Cost Factor” field if the replacement Interest Rate Cap escrow was fully funded on the Mortgage Loan Origination Date.

You may calculate the initial Cap Strike Rate based on an interest-only underwritten debt service constant if the approved interest-only term is greater than or equal to the initial Interest Rate Cap term.

1205.03 Establishing Interest Rate Cap Reserves

Requirements

You must ensure the Borrower funds a cash reserve to purchase a replacement Interest Rate Cap if the the initial Interest Rate Cap term is less than the SARM Loan term.

If the initial Interest Rate Cap term is less than the SARM Loan term, the Borrower must:

- fully fund the cash reserve on the Mortgage Loan Origination Date; and
- escrow at least 110% of the current replacement cap cost.

1205.04 Interest Rate Cap Contract Documentation and Delivery

Operating Procedures

Interest Rate Cap Contract Documentation and Delivery	
For	Actions
Cap Provider Payment	<p>The Interest Rate Cap provider must:</p> <ul style="list-style-type: none">• pay you directly if, on the 1st day of the month corresponding with the monthly loan payment date, the 30-Day Average SOFR Index exceeds the Cap Strike Rate for a monthly settlement; and• only disburse a provider payment to the Borrower if<ul style="list-style-type: none">- there is no Mortgage Loan default, and- you have received all payments due per the Note for that month.



Interest Rate Cap Contract Documentation and Delivery	
Timing	<ul style="list-style-type: none">• Borrower must accept a bid for the initial Interest Rate Cap in writing from a Fannie Mae-approved provider before you Deliver the SARM Loan.• You must submit copies of all cap-related documentation when you Deliver the SARM Loan.
Purchase Price	Borrower must pay the entire purchase price for an Interest Rate Cap to the provider when the Interest Rate Cap Agreement is issued.
Pledge to Fannie Mae	Borrower must execute Form 6442 series to pledge its interest in the Interest Rate Cap and any reserve to Fannie Mae as additional SARM Loan collateral.



Glossary

3

30-Day Average SOFR Compounded average of SOFR over a specified interest period of 30 days.

B

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

C

Cap Strike Rate Index interest rate specified in the Interest Rate Cap Agreement at or above which a payment obligation will be triggered by the Interest Rate Cap provider.

D

Delivery Submission of all correct, accurate, and certifiable documents, data, and information with all applicable documents properly completed, executed, and recorded as needed, and any deficiencies resolved to Fannie Mae's satisfaction.

Synonyms

- Deliver
- Delivered
- Deliveries

G



Guaranty Fee

Fee retained by Fannie Mae for credit enhancing a Mortgage Loan or assuming credit risk on a Mortgage Loan, and which may be expressed as a percentage.

Synonyms

- Guaranty Fees

I

Index

Basis for determining the Gross Note Rate of an ARM Loan, including any required alternative index that may be determined necessary by Fannie Mae because the Index is no longer widely accepted or has been replaced as the index for similar financial instruments.

Interest Rate Cap

Interest rate agreement between the Borrower and a provider for which the Borrower receives payments at the end of each period when the interest rate exceeds the Cap Strike Rate. The Interest Rate Cap provides a ceiling (or cap) on the Borrower's Mortgage Loan interest payments.

Synonyms

- Interest Rate Caps
- Interest Rate Hedge
- Interest Rate Hedges
- Interest Rate Swap
- Interest Rate Cap's

Interest Rate Cap Agreement

Contract setting forth the terms and conditions of an Interest Rate Cap, Hedge, or Swap.

Synonyms

- Interest Rate Hedge Agreement
- Interest Rate Swap Agreement



Investor

MBS Investor for an MBS Mortgage Loan, or Fannie Mae for a Cash Mortgage Loan.

Synonyms

- Investors
- Investor's

M

Maturity Date

Date all Mortgage Loan amounts become fully due and payable per the Loan Documents.

Synonyms

- Maturity Dates

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

Mortgage Loan
Origination Date

Date you fund a Mortgage Loan to the Borrower.

Synonyms

- Mortgage Loan's Origination Date
- Origination Date

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

Pricing and Underwriting Tier

Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660).

Synonyms

- Tier

S

Security

MBS, PFP MBS, or REMIC.

Synonyms

- Securities

Servicing Fee

Fee a Servicer receives for collecting payments, managing operational procedures, and assuming your portion of credit risk for a Mortgage Loan, and which may be expressed as a percentage.

Synonyms

- Servicing Fees