



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of September 8, 2025

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Chapter 12 Structured Adjustable Rate Mortgage (SARM) Loans

Section 1201 Description

☒ Requirements

A SARM Loan is an ARM Loan with an external Interest Rate Cap.

Product Description	
Plan Number	04932 - 30-Day Average SOFR
Term	5 to 10 years
Funding Type	MBS or Cash
Index	30-Day Average SOFR
Rate Change Date	Date the interest rate changes based on changes in the selected Index.
Index Look-Back Period	1 Business Day before the Rate Change Date.
Interest Rate Floor	Must be equal to or greater than the sum of the <ul style="list-style-type: none">• Guaranty Fee,• Servicing Fee, and• Investor spread.
Lockout Period	1 st Loan Year
Prepayment Availability	After the lockout period, voluntary prepayments permitted per the selected prepayment option.
Minimum Loan Amount	\$25 million
Interest Rate	Equals the sum of the <ul style="list-style-type: none">• Index,• Guaranty Fee,• Servicing Fee, and• Investor spread.



Product Description	
Interest Rate Adjustment	<ul style="list-style-type: none">• Occurs everymonth.• Except for the Interest Rate Floor, has no limit on number or size of rate changes.
Interest Rate Cap	Required for the entire SARM Loan term.
Interest Accrual Method	Actual/360
Amortization	Amortizes with fixed monthly principal installments based on a calculated actual/360 fixed rate payment.
Conversion to Fixed Rate	Permitted per Part IV, Chapter 7: Variable Rate Conversions and Renewals, Section 702: ARM Loan and SARM Loan Conversions .
Investors	<ul style="list-style-type: none">• Third Party MBS Investor, or• Multifamily Trading Desk.
Rate Lock	<ul style="list-style-type: none">• Maximum 45-day Commitment.• No rate change permittedbefore Delivery.

Section 1202

Underwriting

☒ Requirements

You must calculate the minimum Underwritten DSCR based on an amortizing debt service constant.

Minimum Underwritten DSCR	
Term	Equals the sum of the...
Maximum Note Rate	<ul style="list-style-type: none">• minimum Cap Strike Rate as set by Fannie Mae for the Mortgage Loan, plus• Mortgage Loan margin equal to the sum of the<ul style="list-style-type: none">- Investor spread,- Guaranty Fee, and- Servicing Fee.
Debt Service Constant	<ul style="list-style-type: none">• Maximum Note Rate, plus• applicable amortization factor based on the Maximum Note Rate.



You must ensure the maximum SARM Loan amount is the lesser of the amount:

- calculated using the:
 - minimum DSCR per Form 4660 for both the
 - Maximum Note Rate for the adjustable interest rate, and
 - Fixed Rate Test described in Form 4660; and
 - maximum LTV Ratio per Form 4660; or
- you determined is appropriate.

You must use the Fixed Rate Test interest rate to determine the UPB for the refinance risk analysis per [Part II, Chapter 2: Valuation and Income, Section 204: Refinance Risk Analysis](#).

Guidance

The amortization used to underwrite the SARM Loan is different than the actual SARM Loan amortization schedule, which uses fixed monthly principal installments.

Section 1203 Actual Amortization Calculation

Requirements

You must amortize SARM Loans on a straight-line basis over the total loan term. The amount of amortization due during the Mortgage Loan term is the same amount that would be due, in total, for a comparable fixed rate loan. When you calculate the amortization due, you must consider

- the loan term,
- the amortization schedule,
- any interest only period, and
- the Pricing and Underwriting Tier.

To calculate SARM Loan amortization, you must use fixed rate pricing with an interest rate equal to:

- an indicative MBS investor yield; plus
- the lower of the:
 - lowest Guaranty Fee and Servicing Fee in the Pricing Memo for a hypothetical actual/360 fixed rate Mortgage Loan with the same loan



term and Pricing and Underwriting Tier as the SARM Loan; or

- Guaranty Fee and Servicing Fee quoted by the Fannie Mae Deal Team for a fixed rate Mortgage Loan when you request pricing for the SARM Loan.

Operating Procedures

You must...	Process
Obtain Fixed Rate Quote	<ul style="list-style-type: none">• Obtain a quote for a hypothetical actual/360 fixed rate Mortgage Loan.• Use the quoted fixed interest rate to calculate the amortization for the SARM Loan.
Calculate the Fixed Monthly Principal Installment Over the SARM Loan Term	<ul style="list-style-type: none">• Step 1: Using an actual/360 interest accrual method, calculate the aggregate amortization amount to be collected over the SARM Loan term based on the:<ul style="list-style-type: none">- SARM Loan principal amount;- lowest interest rate for a hypothetical actual/360 fixed rate Mortgage Loan with the same loan term and Pricing and Underwriting Tiers as the SARM Loan, rounded to 3 decimal places; and- required amortization period.• Step 2: Divide the aggregate amortization amount from Step 1 by the number of amortizing monthly installments in the SARM Loan term. The result is the fixed monthly principal installment. <p>For example, the number of monthly installments would be:</p> <ul style="list-style-type: none">• 120, for a 10-year amortizing Mortgage Loan; or• 108, for a 10-year Mortgage Loan with 1 year of interest-only.

Guidance



The following is an example for calculating the fixed monthly principal installment for a Tier 2 SARM Loan with a

- 10-year term,
- 30-year amortization period,
- actual/360 interest accrual method, and
- \$25 million Mortgage Loan amount.

Example: Hypothetical Actual/360 Fixed Rate Quote	
Guaranty Fee quoted by Fannie Mae	0.95%
Servicing Fee quoted by Fannie Mae	+ 0.55%
U.S. Treasury and Investor spread (quoted by Fannie Mae or Third Party MBS Investor)	+ 4.00%
Gross Note Rate	= 5.50%

Step 1: Calculate the aggregate principal amortization amount collected over the Mortgage Loan term if it had a fixed rate.

Determine the...	Assuming...	Result
<ul style="list-style-type: none">• Month and year when the first full monthly loan payment would be made, based on an actual/360 amortization schedule.• Total amortization amount depends on:<ul style="list-style-type: none">- the number of days (i.e., 28, 29, 30, or 31) in the month before each loan payment date; and- when the next leap year occurs.	<ul style="list-style-type: none">• a debt service constant calculated using the hypothetical fixed Gross Note Rate of 5.500% (6.8134680% debt service constant);• an issue date of December 1, 2018; and• a first loan payment date of January 1, 2019.	The aggregate principal amortization amount over 120 payments is \$4,114,494.17.

Step 2: Calculate the fixed monthly principal installment by dividing the aggregate amortization amount by the total number of amortizing payments during the SARM Loan term.



Calculate the Fixed Monthly Principal Installment	
Aggregate amortization	\$4,114,494.17
Divided by total payments	120
Equals fixed monthly principal	\$34,287.45

Section 1204 Prepayment Terms

1204.01 Generally

Requirements

The following table describes various situations and the applicable prepayment provisions; see [Part V, Chapter 2: Reporting and Remitting, Section 213: Prepayment Premium Sharing](#) for Prepayment Premium calculations and sharing between you and Fannie Mae.

Situation	Prepayment Provisions
Borrower attempts to make a voluntary prepayment during the lockout period.	Borrower cannot make a voluntary prepayment during the lockout period.
SARM Loan is accelerated during the prepayment lockout period.	Borrower owes a 5% Prepayment Premium.
Borrower makes a prepayment sometime after the lockout period and before the "open period" (typically 3 months before Maturity Date) for any reason other than a casualty or condemnation.	Borrower owes a Prepayment Premium.
SARM Loan converts to a fixed rate Mortgage Loan.	Borrower does not owe a Prepayment Premium.
Borrower makes a prepayment during the "open period" (typically 3 months before the Maturity Date).	Borrower does not owe a Prepayment Premium.
Borrower makes a prepayment due to casualty or condemnation.	Borrower does not owe a Prepayment Premium.



1204.02 Prepayment Option 1 – Declining Prepayment Premium Schedule

Requirements

For a voluntary prepayment after the lockout period using Prepayment Option 1, you must use Schedule 4 of the Multifamily Loan and Security Agreement - Prepayment Premium Schedule (Graduated Prepayment Premium – ARM, SARM) (Form 6104.10) with the applicable Prepayment Premium percentage listed in this table.

Loan Year	5-Year Term	7-Year Term	10-Year Term
1 (Locked Out) ¹	N/A	N/A	N/A
2	4%	4%	4%
3	3%	3%	3%
4	2%	2%	2%
5	1%	1%	1%
6	N/A	1%	1%
7	N/A	1%	1%
8	N/A	N/A	1%
9	N/A	N/A	1%
10	N/A	N/A	1%
1 During the lockout period, the Borrower cannot voluntarily prepay the SARM Loan. If the SARM Loan is accelerated during the lockout period, the Borrower owes a 5% Prepayment Premium.			

1204.03 Prepayment Option 2 - 1% Prepayment Premium Schedule

Requirements

For a voluntary prepayment after the lockout period using Prepayment Option 2, you must use Schedule 4 to Multifamily Loan and Security Agreement (Prepayment Premium Schedule-1% Prepayment Premium – ARM, SARM) (Form 6104.11) to document the required 1% Prepayment Premium.

Loan Year	5-Year Term	7-Year Term	10-Year Term
1 (Locked Out) ¹	N/A	N/A	N/A



Loan Year	5-Year Term	7-Year Term	10-Year Term
2	1%	1%	1%
3	1%	1%	1%
4	1%	1%	1%
5	1%	1%	1%
6	N/A	1%	1%
7	N/A	1%	1%
8	N/A	N/A	1%
9	N/A	N/A	1%
10	N/A	N/A	1%
1 During the lockout period, the Borrower cannot voluntarily prepay the SARM Loan. If the SARM Loan is accelerated during the lockout period, the Borrower owes a 5% Prepayment Premium.			

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.



Description	
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.
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	Must equal the original principal amount of the SARM Loan throughout the Interest Rate Cap's term.

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



Interest Rate Cap Contract Documentation and Delivery	
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.
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	<p>Borrower must pay the entire purchase price for an Interest Rate Cap to the provider when the Interest Rate Cap Agreement is issued.</p>
Pledge to Fannie Mae	<p>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.</p>



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

Business Day Any day other than a

- Saturday,
- Sunday,
- day when Fannie Mae is closed,
- day when the Federal Reserve Bank of New York is closed, or
- for any MBS and required remittance withdrawal, day when the Federal Reserve Bank is closed in the district where any of the MBS funds are held.

Synonyms

- Business Days

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.



Commitment

Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan.

Synonyms

- Committed
- Commitments

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

F

Fannie Mae Deal Team

Team responsible for reviewing Pre-Review Mortgage Loans, waivers, etc.

Synonyms

- Deal Team

Form 4660

Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans.

Synonyms

- Multifamily Underwriting Standards

G



Gross Note Rate	Interest rate stated in the Loan Documents.
Guaranty Fee	<p>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.</p> <p>Synonyms</p> <ul style="list-style-type: none">• 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	<p>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.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Interest Rate Caps• Interest Rate Hedge• Interest Rate Hedges• Interest Rate Swap• Interest Rate Cap's
Interest Rate Cap Agreement	<p>Contract setting forth the terms and conditions of an Interest Rate Cap, Hedge, or Swap.</p> <p>Synonyms</p> <ul style="list-style-type: none">• 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

L

Loan Year Period beginning on the date of the Note and ending on the last day of the month that is 12 full months after the date of the Note, and each successive 12-month period thereafter.

Synonyms

- Loan Years

M

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

Synonyms

- Maturity Dates

Maximum Note Rate Equals the sum of the:

- minimum Cap Strike Rate as set by Fannie Mae; and
- Mortgage Loan margin equal to the sum of the
 - Investor spread,
 - Guaranty Fee, and
 - Servicing Fee.

MBS Mortgage-Backed Security



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

Multifamily Trading Desk

Team that quotes interest rate pricing for a Mortgage Loan and can be contacted at (888) 889-1118.

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



Plan Number	<p>Number identifying the applicable loan characteristics for any Mortgage Loan that accrues interest at a variable rate at any time during the loan term.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Plan Numbers
Prepayment Premium	<p>For a Mortgage Loan prepayment, amount the Borrower must pay in addition to the prepaid principal and accrued interest per the Loan Documents.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Prepayment Premiums
Pricing and Underwriting Tier	<p>Tier 1, Tier 2, Tier 3, or Tier 4 per the Multifamily Underwriting Standards (Form 4660).</p> <p>Synonyms</p> <ul style="list-style-type: none">• Tier
Pricing Memo	<p>Applicable DUS Pricing Memo or non-DUS Pricing Memo communicating pricing for various products and features.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Pricing Memos
Principal	<p>Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Principals

R



Rate Lock

Agreement between you and the Investor containing the terms of the Lender-Arranged Sale or Multifamily Trading Desk trade of the Mortgage Loan and the MBS terms and conditions relating to the underlying MBS, if applicable, which may be documented via a recorded telephone conversation.

Synonyms

- Rate Locks

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

T

Third Party MBS Investor

MBS Investor for an MBS Mortgage Loan that is not the Multifamily Trading Desk.

Synonyms

- Third Party MBS Investor's

U

UPB

Unpaid Principal Balance

Synonyms

- UPBs