



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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**TABLE OF CONTENTS**

---

Part III Section 1105.01 Generally ..... 3

GLOSSARY ..... 5



## 1105.01 Generally

### ☒ Requirements

| Description                                          |                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest Rate Cap                                    | Borrower must: <ul style="list-style-type: none"><li>• purchase a third-party Interest Rate Cap; and</li><li>• keep an Interest Rate Cap Agreement in place continually until the earlier of the<ul style="list-style-type: none"><li>- effective date of any permitted conversion to a fixed rate Mortgage Loan, or</li><li>- SARM Loan Maturity Date.</li></ul></li></ul> |
| Interest Rate Cap Provider                           | Borrower must only obtain bids from Fannie Mae-approved providers listed on <a href="https://multifamily.fanniemae.com">https://multifamily.fanniemae.com</a> .                                                                                                                                                                                                             |
| 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.                                                                                                                                                                                                      |
| 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"><li>• Interest Rate Cap Agreement, and</li><li>• Interest Rate Cap Reserve and Security Agreement (<a href="#">Form 6442 series</a>).</li></ul> <p>Fannie Mae will engage outside counsel at your expense to review all cap-related documentation.</p> |



| Description                                  |                                                                                                          |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Initial Interest Rate<br>Cap Notional Amount | Must equal the original principal amount of the<br>SARM Loan throughout the Interest Rate Cap's<br>term. |

#### Guidance

You may require the Borrower to:

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



# Glossary

## B

**Borrower** Person who is the obligor per the Note.

### Synonyms

- Borrowers
- Borrower's

## I

**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

## 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

## **S**

## Security

MBS, PFP MBS, or REMIC.

### **Synonyms**

- Securities