



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of September 8, 2025

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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.



Glossary

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.
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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.
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Synonyms

- Guaranty Fees

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.
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Synonyms

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

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

- Investors
- Investor's

M



Mortgage Loan Origination Date

Date you fund a Mortgage Loan to the Borrower.

Synonyms

- Mortgage Loan's Origination Date
- Origination Date

P

Pricing and Underwriting Tier

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

Synonyms

- Tier

S

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