



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of December 1, 2025

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TABLE OF CONTENTS

Part V Section 409 Interest Rate Hedge Requirements	3
409.01 General	3
409.02 Interest Rate Hedge Coverage	3
409.02A Bond Credit Enhancement Transactions	3
409.02B Structured Transactions	4
409.02C Adjusting Interest Rate Hedge Reserves for SARM Loans Using Form 6442 Series with an Effective Date Before May 2024	4
409.02D Adjusting Interest Rate Hedge Reserves for SARM Loans Using Form 6442 Series with an Effective Date of May 2024 or Later	5
409.03 Interest Rate Hedge Term	5
409.04 Lien Filings and Collateral	5
409.05 Borrower Payments	5
409.05A Interest Rate Caps	5
409.05B Interest Rate Swaps	6
409.06 Provider Ratings	6
409.07 Replacement Interest Rate Hedge and Notification	7
409.08 Replacement Interest Rate Hedge Documents and Follow Up	8
GLOSSARY	9



Section 409 Interest Rate Hedge Requirements

409.01 General

An acceptable Interest Rate Hedge must be in place and maintained at all times for:

- variable rate Credit Enhancement Mortgage Loans;
- Structured ARM Loans; and
- any Mortgage Loan where (i) the Borrower executed the Fannie Mae Interest Rate Cap Reserve and Security Agreement ([Form 6442 series](#)), or a similar agreement, allowing for a “springing” Interest Rate Cap under certain circumstances, and (ii) the requirement of the Borrower to acquire and pledge to the Lender an Interest Rate Cap has been triggered under the agreement.

The Interest Rate Hedge may be either an Interest Rate Cap or Interest Rate Swap, although the prior approval of Fannie Mae is required before the Borrower may enter into an Interest Rate Swap.

Each Interest Rate Hedge Agreement and its collateral assignment must meet the requirements of [Part III, Chapter 11: Structured Adjustable Rate Mortgage \(SARM\) Loans](#).

Fannie Mae outside counsel must be engaged, at Borrower’s cost, to review the hedge bid package and documents, and prepare the amended Loan Documents for each hedge renewal. The Servicer must submit a completed Counsel Designation Request for Interest Rate Hedge Transactions ([Form 4625.A](#)).

409.02 Interest Rate Hedge Coverage

409.02A Bond Credit Enhancement Transactions

For Bond Credit Enhancement Mortgage Loans, the Interest Rate Hedge must:

- be in place whenever the variable rate mode is in effect; and
- comply with the requirements of the Reimbursement Agreement and other Loan Documents.

Per the Interest Rate Cap Reserve and Security Agreement ([Form 6442 series](#)), the Servicer must evaluate the Interest Rate Cap reserve and determine if the cost of a replacement Interest Rate Cap has increased or



decreased based on market conditions.

- If the estimated cost of a replacement cap has increased, the Servicer must increase the monthly reserve payment to ensure sufficient funds will be available to purchase the replacement cap by the end of the reserve period.
- If the estimated cost of a replacement cap has decreased, the Servicer must not adjust the reserve.

409.02B Structured Transactions

When required for a Structured Transaction, the Servicer must ensure that the Interest Rate Hedge conforms to the applicable Master Credit Facility Agreement, Bulk Delivery Agreement, and/or the other Loan Document requirements.

409.02C Adjusting Interest Rate Hedge Reserves for SARM Loans Using Form 6442 Series with an Effective Date Before May 2024

Per the Interest Rate Cap Reserve and Security Agreement ([Form 6442 series](#)), the Servicer must evaluate the Interest Rate Cap reserve and determine if the cost of a replacement Interest Rate Cap has increased or decreased based on market conditions.

- If the estimated cost of a replacement cap has increased, the Servicer must increase the monthly reserve payment to ensure that sufficient funds will be available to purchase the replacement cap by the end of the reserve period.
- If the estimated cost of a replacement cap has decreased, the Servicer may:
 - opt to not adjust the reserve; or
 - calculate and adjust the monthly escrow payments needed to purchase a replacement Interest Rate Cap based on 115% of the cost of an Interest Rate Cap with the term required by the Loan Documents, provided:
 - it is a Portfolio Mortgage Loan Delivered before January 1, 2023;
 - the Interest Rate Cap escrow payments are recalculated at least every 6 months;
 - it is not part of a 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 Default or Performance Default.

The Servicer may refund to the Borrower any amount left in the reserve account after purchasing the replacement Interest Rate Cap.

409.02D Adjusting Interest Rate Hedge Reserves for SARM Loans Using Form 6442 Series with an Effective Date of May 2024 or Later

Every 6 months the Servicer must adjust the required Interest Rate Cap escrow amount based on 110% of the current cost of the replacement Interest Rate Cap.

409.03 Interest Rate Hedge Term

The Servicer must:

- monitor the term of each Interest Rate Hedge Agreement;
- hold all escrowed funds for an Interest Rate Hedge in an account meeting the Custodial Account requirements of [Part V, Chapter 3: Custodial Accounts](#);
- engage the Borrower prior to expiration of each Interest Rate Hedge to ensure that an acceptable replacement Interest Rate Hedge is in place prior to its expiration; and
- perform any required functions with respect to the Interest Rate Hedge Agreement.

409.04 Lien Filings and Collateral

The Servicer must maintain all UCC filings, and ensure that Fannie Mae's Lien in the Interest Rate Hedge is maintained. The Servicer must not direct the investment, application, or release of the collateral under any Interest Rate Hedge Agreement, without express written authorization from Fannie Mae.

409.05 Borrower Payments

409.05A Interest Rate Caps

Any payments by the Interest Rate Cap provider must be made to the Servicer and not to the Borrower. The disposition of funds depends on whether the Borrower is current on the Mortgage Loan and Reimbursement



Agreement payment obligations (principal or PRF deposit, as applicable, interest, any Interest Rate Cap escrow, and all other amounts then due) or any default exists under the Reimbursement Agreement or any other Loan Document.

If no default exists, the Servicer must remit the Interest Rate Cap provider's payment to the Borrower. If a default exists, the Servicer must retain the Interest Rate Cap provider's payment as additional collateral for the Borrower's obligations, to be held in accordance with the applicable agreements, and notify Multifamily Structured Asset Management of the receipt of the payment.

If the Bond Trustee or another third party is to receive any payments from the Interest Rate Cap provider, and the Borrower is not current on its payments or a default exists, then the Servicer must:

- notify the payee of the facts; and
- instruct the third party to withhold the payment to the Borrower, and make payment to the Servicer to be held as additional collateral for the Borrower's obligations.

409.05B Interest Rate Swaps

The Servicer must monitor the Interest Rate Swap to ensure that all payments are made on a timely basis. All payments under an Interest Rate Swap must be made directly to the Servicer, which will:

- remit the amount received from the Borrower to the Interest Rate Swap provider; or
- remit the amount received from the Interest Rate Swap provider to the Borrower, but only after the Borrower has made the required monthly P&I payment on the Mortgage Loan.

Payments due on the Interest Rate Swap must match the payment dates on the Mortgage Loan or the Bonds, as applicable. The Servicer must advance Interest Rate Swap payments and Interest Rate Swap credit enhancement fees that are not made by the Borrower or the Interest Rate Swap provider, as applicable, on a timely basis. These payments and their duration will be treated as Delinquency Advances. The Servicer is not required to advance any termination payment due on the Interest Rate Swap.

409.06 Provider Ratings

Fannie Mae lists the credit agency rating requirements and the acceptable Interest Rate Hedge providers on [Cap/Swap Counterparties for Multifamily Transactions](#). If the rating of a provider declines to a level where termination and replacement of the outstanding Interest Rate Hedges



with that provider is required, Fannie Mae will notify the affected servicers and direct them to contact their Borrowers and work with them to effect the termination and replacement. Failure to replace any Interest Rate Hedge provider whose rating no longer meets the rating requirements is a default under the Loan Documents.

409.07 Replacement Interest Rate Hedge and Notification

If the current Interest Rate Hedge expires before the Mortgage Loan Maturity Date, at least 90 days before the Interest Rate Hedge terminates, the Servicer must obtain the Borrower's written intention to:

- purchase a replacement Interest Rate Hedge; or
- convert the interest rate on a variable rate;
 - Credit Enhancement Mortgage Loan to a Bond Reset Interest Rate; or
 - SARM Loan to a fixed rate.

If the Borrower elects to purchase a replacement Interest Rate Hedge, the Servicer must:

- confirm that the possible Interest Rate Hedge providers are all on the current list of approved [Cap/Swap Counterparties for Multifamily Transactions](#);
- review the Loan Documents for the replacement Interest Rate Hedge timing requirements; and
- for a replacement Interest Rate Cap, ensure the:
 - Borrower purchases a replacement Interest Rate Cap with a term equal to the lessor of the:
 - remaining Mortgage Loan term; or
 - term specified in the Loan Documents;
 - replacement Interest Rate Cap's notional amount:
 - equals the Mortgage Loan's UPB when the replacement Interest Rate Cap becomes effective; and
 - remains at that amount throughout the replacement Interest Rate Cap's term; and
 - Cap Strike Rate of the replacement Interest Rate Cap is equal to or less than the Cap Strike Rate required per the Loan Documents.



The Borrower may purchase a replacement Interest Rate Cap in advance if the replacement Interest Rate Cap becomes effective on the initial Interest Rate Cap's Maturity Date.

If the Interest Rate Hedge expires and the Borrower failed to provide evidence of securing the replacement Interest Rate Hedge, the Servicer must notify Multifamily Structured Asset Management immediately. Fannie Mae will instruct the Servicer's action regarding the Borrower's default.

409.08 Replacement Interest Rate Hedge Documents and Follow Up

The Servicer must send to Multifamily Certification and Custody within 15 Business Days the original replacement Interest Rate Hedge documents, including the Interest Rate Cap Agreement or Interest Rate Swap Agreement, the Assignment of Hedge Interest or Supplemental Hedge Security Agreement, and UCC Financing Statements, and retain copies in the Servicing File. The Servicer must submit a copy of the new Interest Rate Cap Agreement or Interest Rate Swap Agreement through the MAMP, and provide the new Interest Rate Hedge information as follows:

- for Credit Enhancement Mortgage Loans – upload Hedge Delivery Information ([Form 4643](#)) into CESIR;
- for all Interest Rate Hedges in Credit Facility and Bulk Delivery transactions – update hedge data in MSFMS; or
- for Structured ARM Loans (except in Credit Facility and Bulk Delivery transactions) – submit [Form 4643](#) through the MAMP.



Glossary

A

ACheck Lender due diligence performed for the Borrower, Key Principal, and Principal using the ACheck™ application.

Synonyms

- Applicant Experience Check

B

Bond Trustee Trustee for a Credit Enhancement Instrument.

Synonyms

- Bond Trustee's

Bonds Tax-exempt or taxable multifamily revenue bonds, or other tax-exempt or taxable bonds, issued to finance 1 or more Credit Enhancement Mortgage Loan Properties.

Synonyms

- Bond

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

Bulk Delivery Structured Transaction governed by a Bulk Delivery Agreement that allows future:

- Mortgage Loan additions; and/or
- Property substitutions.

Synonyms

- Bulk Deliveries



Bulk Delivery Agreement	Agreement evidencing the terms and conditions of a Bulk Delivery.
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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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CESIR	Credit Enhancement Servicing and Investor Reporting System
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Credit Enhancement Mortgage Loan	Mortgage Loan financed by a Bond issuance where Fannie Mae provides credit enhancement by <ul style="list-style-type: none">• a Credit Enhancement Instrument, or• an MBS for Bonds.
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Synonyms

- Credit Enhancement Mortgage Loans

Credit Facility	Structured Transaction governed by a Master Credit Facility Agreement requiring Mortgage Loans and Properties to be <ul style="list-style-type: none">• cross-defaulted, and• cross-collateralized.
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Synonyms

- Credit Facilities
- Credit Facility's

Custodial Account	Accounts established by the Servicer for depositing P&I payments, T&I funds, Collateral Agreement deposits, and other similar funds.
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Synonyms

- Custodial Accounts

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

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

K



Key Principal

Person who

- controls and/or manages the Borrower or the Property,
- is critical to the successful operation and management of the Borrower and the Property, and/or
- may be required to provide a Guaranty.

Synonyms

- Key Principals
- Key Principal's

L

Lender

Person Fannie Mae approved to sell or service Mortgage Loans.

Synonyms

- Lenders
- Lender's

Lien

Lien, mortgage, bond interest, pledge, security interest, charge, or encumbrance of any kind.

Synonyms

- Liens

Loan Documents

All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.

Synonyms

- Loan Document
- Mortgage Loan Document
- Mortgage Loan Documents

M



MAMP	<p>Multifamily Asset Management Portal used to submit</p> <ul style="list-style-type: none">• Property inspections,• operating statements,• requested modifications,• asset management reports, and• data corrections for loan or property attributes. <p>Synonyms</p> <ul style="list-style-type: none">• Multifamily Asset Management Portal• MAMP's
Master Credit Facility Agreement	<p>Agreement evidencing the terms and conditions of a Credit Facility.</p>
Maturity Date	<p>Date all Mortgage Loan amounts become fully due and payable per the Loan Documents.</p> <p>Synonyms</p> <ul style="list-style-type: none">• Maturity Dates
Mortgage Loan	<p>Mortgage debt obligation evidenced, or when made will be evidenced, by</p> <ul style="list-style-type: none">• the Loan Documents, or• a mortgage debt obligation with a Fannie Mae credit enhancement. <p>Synonyms</p> <ul style="list-style-type: none">• Mortgage Loans• Mortgage Loan's
MSFMS	<p>Multifamily Structured Facilities Management System performing collateral delivery and securitization functions for Structured Transactions.</p>



Multifamily Certification and Custody

Team responsible for taking custody of and certifying Mortgage Loans that can be contacted at

- multifamcert_team@fanniemae.com,
- (800) 940-4646, or
- for submissions:

Fannie Mae (Multifamily)
Certification and Custody
21240 Ridgetop Circle
Suite 125-130
Sterling, VA 20166.

Synonyms

- DDF
- Document Delivery Facility
- Document Delivery System

Multifamily Structured Asset Management

Team that can be contacted at structured_am@fanniemae.com.

P

P&I

Principal and interest



Payment Default

Borrower's failure to fully pay any required Mortgage Loan payment when due, including,

- principal,
- interest,
- late charges,
- default interest,
- fees,
- pricing incentive recapture,
- prepayment premium,
- escrows, or
- other collateral accounts for
 - taxes,
 - insurance,
 - assessments,
 - Completion/Repair Escrow, and
 - Replacement Reserve.

Synonyms

- Payment Defaults

Performance Default

Borrower's failure to perform any promise or covenant within any applicable grace periods per the Mortgage Loan, other than a Payment Default.

Synonyms

- Performance Defaults

Portfolio Mortgage Loan

Mortgage Loan purchased by Fannie Mae and held as of a certain date regardless of whether it is a Cash Mortgage Loan or an MBS Mortgage Loan.

Synonyms

- Portfolio Mortgage Loans
- Portfolio Mortgage Loan's

PRF

Account you hold accumulating principal amortization payments for variable rate Bond credit enhancements.

Synonyms

- Principal Reserve Fund



Principal

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](#).

Synonyms

- Principals

S

Security

MBS, PFP MBS, or REMIC.

Synonyms

- Securities

Servicer

Primary Person servicing the Mortgage Loan, including

- the originator,
- seller, or
- a third party.

Synonyms

- Servicers
- Servicer's

Servicing File

Your file for each Mortgage Loan serviced.

Synonyms

- Servicing Files

Sponsor

Principal equity owner and/or primary decision maker of the Borrower (often the Key Principal or the Person Controlling the Key Principal).

Synonyms

- Sponsors
- Sponsor's

U



UCC	Uniform Commercial Code
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UPB	Unpaid Principal Balance
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Synonyms

- UPBs