

# DOUGHERTY MORTGAGE LLC

## Fannie Mae ARM 7-6™

### Summary

Fannie Mae's Multifamily Housing product line offers an attractive variable rate financing option with embedded interest rate caps and an option to convert to a fixed-rate loan. Maximum interest rate is set at loan origination.

**Eligibility:** Acquisition or refinance of existing, stabilized multifamily properties including: Conventional/Market-Rate, Multifamily Affordable Housing (MAH), Seniors Housing, and Student Housing,

**Loan to Value:** 80%

**Loan Term:** 7 Years

**Amortization:** Up to 30 years. The amortization schedule is adjusted at each rate change to provide for complete amortization over the remaining amortization period at the then-current adjustable rate.

**Debt Service Coverage Ratio:** 1.00x at the maximum lifetime interest rate. Mortgage loan amount shall not exceed that of a fixed rate loan of similar terms.

**Interest Rate\*:** Interest rate adjusts based on changes to the underlying index (1-month London Interbank Offering Rate (LIBOR)) and is equal to the index plus a margin.

**Interest Rate Cap:** Maximum monthly interest rate adjustment of 1% up or down. Maximum lifetime interest rate ceiling established at rate lock.

**Prepayment:** One-year lock-out followed by a 1% prepayment penalty thereafter. No prepayment penalty during the last three months of the loan term.

**Conversion to Fixed Rate:** ARM 7-6™ allows the borrower to convert the mortgage loan to a fixed rate at any time beginning on the first day of the second loan year and ending on the first day of the sixth loan year.

- ❖ No prepayment penalty is charged at the time that the Mortgage Loan converts.
- ❖ Conversion requires minimal re-underwriting; Lender determines that the current Net Operating Income (NOI) can support the new Fixed Rate.
- ❖ There is no increase in the loan amount; however, the borrower may request a Supplemental Mortgage Loan, subject to meeting eligibility criteria.
- ❖ Loan may be converted to a 7 or 10 year fixed rate term to begin from conversion date based on the then current applicable Spread and Fixed Rate Test.
- ❖ No change in Guaranty or Servicing fees when the loan converts.

**Guaranty:** Non-recourse with Standard Carve-Outs

**Third Party or non-Fannie Mae Subordinate Financing:** Not allowed on market-rate properties, permitted subject to Fannie Mae requirements on all other property types.

**Assumption:** Available, subject to lender's review and approval and 1% fee

### Requirements and Fees

**Reserves:** Deposits required for Replacement Reserves, Taxes, and Insurance

**Processing Fee:**

- ❖ Typically \$15,000 – Includes cost of Third Party Reports (Appraisal, Environmental and Physical Needs Assessment) and Lender Due Diligence
- ❖ Borrower is responsible for Legal Fees and Standard Closing Costs

**Commitment Fees:** Competitive and negotiable

**Rate Lock Fee:** 2% of loan amount – refunded following delivery

*\*Contact us for current rates and terms*

