



Fannie Mae Structured Adjustable-Rate Mortgage (ARM) Loans

Summary

Fannie Mae's Multifamily Housing product line offers long term financing with a very competitive variable interest rate that is convertible to a fixed rate.

Eligibility:

- Acquisition or refinance of existing market-rate multifamily properties. Seniors Housing, Student Housing, Moderate Rehabilitation Mortgage Loans and Multifamily Affordable Housing (MAH) Mortgage Loans.
- Bond Credit Enhancements, and Substantial Rehabilitation are not eligible.

Loan Amount: Minimum \$25 million

Loan to Value: Up to 75%

Loan Term: 5, 7, or 10 years

Amortization: Up to 30 years, based on the property type. Amortization schedule is based on the current fixed-interest rate for a comparable maturity, set at closing. A level monthly principal payment is calculated using a straight-line accrual of the expected total amortization to be collected over the loan term.

Debt Service Coverage Ratio (DSCR): 1.00x minimum

- DSCR is calculated based on a variable underwriting rate equal to the index, plus margin, plus the interest rate cap escrow (if the cap term is shorter than the loan term), plus 3% converted to an amortizing constant.
- 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 plus a margin, subject to periodic and/or lifetime caps as specified in the loan documents, in no case will the interest rate be less than the margin. No limit on rate changes.

Interest Rate Cap:

- Structured ARMs have no built-in periodic or lifetime interest rate caps. Instead, the borrower must purchase an interest rate cap from an approved interest rate cap provider.
- The term of the initial interest rate cap need not be equal to the term of the mortgage loan, but must be for at least 5 years.
- If the mortgage loan term is longer than the interest rate cap term, the borrower must escrow monthly for the purchase of the next interest rate cap.



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Conversion to Fixed Rate: Loans have a conversion feature whereby the interest rate may be converted to a 7- or 10-year fixed-rate loan on any rate change date beginning with the first day of the second loan year and ending on the first day of the third month prior to maturity, provided the loan has not been delinquent for the previous 12 months and the borrower is not in default under any loan documents.

- No prepayment penalty is charged at the time that the ARM loan converts to a fixed rate loan.
- 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.

Prepayment: Option 1: One-year lock-out, then declining prepayment premium; 4% second year of loan term; 3% third year of loan term; 2% fourth year of loan term; followed by 1% thereafter. **Option 2:** One-year lock-out followed by a 1% prepayment penalty thereafter. No prepayment penalty during the last three months of the loan term.

Guaranty: Non-recourse with Standard Carve-Outs

Subordinate Financing: Not allowed on market-rate properties

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.
- SARMS cannot have a rate lock period over 90 days.

**Contact us for current rates and terms.*