Multifamily Mortgage Business Guide Update 17-06

August 21, 2017

To: Multifamily Lenders

From: Rob Levin, Vice President for Credit and Multifamily Chief Underwriter

Subject: Guide Update Memo 17-06: Hybrid ARM Loans

**HIGHLIGHTS**

Effective August 28, 2017, Fannie Mae is updating the Multifamily Selling and Servicing Guide ("Guide") to enhance the Hybrid ARM Mortgage Loan, affecting the following Guide chapter and associated Loan Documents:

- Part IIIc, Chapter 12 – Hybrid Adjustable Rate Mortgage Loans;
- Form 6101.HYARM – Schedule 1 to Multifamily Loan and Security Agreement - Definitions Schedule (Interest Rate Type - HYARM);
- Form 6102.HYARM – Schedule 2 to Multifamily Loan and Security Agreement – Summary of Loan Terms (Interest Rate Type - HYARM);
- Form 6102.19.HYARM – Modifications to Multifamily Loan and Security Agreement - Schedule 2 Addenda - Summary of Loan Terms (New York Gap Note Modifications) (Interest Rate Type - HYARM);
- Form 6103.HYARM – Schedule 3 to Multifamily Loan and Security Agreement - Interest Rate Type Provisions (HYARM);
- Form 6104.02 – Schedule 4 to Multifamily Loan and Security Agreement (Prepayment Premium Schedule – Standard Yield Maintenance – HYARM);
- Form 6104.19 – Schedule 4 to Multifamily Loan and Security Agreement (Prepayment Premium Schedule – HYARM Graduated Prepayment Premium – 5 Year Fixed Rate Period);
- Form 6104.20 – Schedule 4 to Multifamily Loan and Security Agreement (Prepayment Premium Schedule – HYARM Graduated Prepayment Premium – 7 Year Fixed Rate Period);
- Form 6104.21 – Schedule 4 to Multifamily Loan and Security Agreement (Prepayment Premium Schedule – HYARM Graduated Prepayment Premium – 10 Year Fixed Rate Period).

**Changes**

Fannie Mae is enhancing the Hybrid ARM Loan product to improve flexibility and increase loan proceeds.

Enhancements include:

- adding a 5 year initial fixed rate term, in addition to the existing 7 and 10 year initial terms, each of which converts to an adjustable rate for the remainder of the 30 year term;
- offering a competitive declining Prepayment Premium during the fixed rate term that is open for Prepayment during the adjustable rate term; and
• eliminating Underwriting Floors and the Fixed Rate Test; however, a Hybrid ARM Loan secured by a Property not located in an Eligible MSA is subject to a minimum 1.00 Underwritten DSCR based on the initial fixed interest rate plus 2.50%.

Certain Asset Classes are ineligible; please refer to the Guide chapter for complete details.

Effective Date
This Guide Update is effective August 28, 2017.

Questions
Please contact your Deal Team with any questions.

Associated Documents
On the Effective Date, the updated Guide chapter will be published on AllRegs, and the revised Form Loan Documents will be available on the Loan Documents page on fanniemae.com.

• Part IIIc, Chapter 12, Hybrid Adjustable Rate Mortgage Loans (clean and blackline)
• Form 6101.HYARM – Schedule 1 to Multifamily Loan and Security Agreement - Definitions Schedule (Interest Rate Type - HYARM)
• Form6102.HYARM – Schedule 2 to Multifamily Loan and Security Agreement – Summary of Loan Terms (Interest Rate Type - HYARM)
• Form 6102.19.HYARM – Modifications to Multifamily Loan and Security Agreement - Schedule 2 Addenda - Summary of Loan Terms (New York Gap Note Modifications) (Interest Rate Type - HYARM)
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