

Structured Adjustable-Rate Mortgage Loans (SARMs)

Fannie Mae Multifamily offers long term financing with a very competitive variable interest rate that is convertible to a fixed-rate for acquisition or refinance of multifamily properties.



Term	5, 7, or 10 years.
Amortization	Up to 30 years.
Interest Rate Adjustments	Interest rate adjusts based on changes to the underlying Index and is equal to the Index plus the Margin. No limit on rate changes.
Maximum LTV	75%.
Minimum DSCR	1.00x, using a DSCR calculated based on a variable underwriting rate. Mortgage loan amount shall not exceed that of a fixed-rate loan of similar terms.
Rate Lock	30-day commitments.
Supplemental Financing	Supplemental loans are available.
Prepayment Availability	After a one-year lock-out period, loans may be voluntarily prepaid. Lender selects the option of a declining prepayment premium or a 1% prepayment premium. No prepayment premium required during the last 3 months of the loan term. When refinancing into a fixed-rate product with Fannie Mae, the prepayment premium may be waived under certain conditions.

Benefits

- Attractive low-cost financing
- Convertible to fixed-rate
- Flexible loan terms and prepayment options
- Ability to choose interest rate cap

Eligibility

- Existing, stabilized Conventional properties; Multifamily Affordable Housing properties; Seniors Housing properties; Student Housing properties; and Manufactured Housing Communities
- Mortgage Loans secured by properties undergoing Moderate Rehabilitation may be eligible on a case-by-case basis.
- Credit Enhancement Mortgage Loans and Substantial Rehabilitation are not eligible
- Loans of \$25 million or more

For More Information

Contact a Fannie Mae representative or visit Multifamily Business Portal for details.

fanniemae.com/multifamily



Variable Underwriting Rate	Sum of (i) the Index, plus (ii) the investor spread, guaranty fee and servicing fee (the “Margin”), plus (iii) the interest rate cap escrow expressed as a percentage (if the cap term is shorter than the loan term), plus (iv) 3%, plus (v) the amortizing constant for that built-up rate.
Index	1 or 3 month LIBOR.
Interest Rate Cap	<ul style="list-style-type: none"> • Structured ARMs have no built-in periodic or lifetime 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.
Interest Rate Floor	The interest rate shall never be less than the Margin.
Conversion to Fixed Rate	<p>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 during the previous 12 months and the Borrower is not in default under any loan document.</p> <ul style="list-style-type: none"> • No prepayment penalty charged at the time the SARM converts to a Fixed Rate. • Minimal re-underwriting; Lender determines that the current Net Cash Flow can support the new fixed-rate terms. • No increase in the loan amount; loan may be eligible for a Supplemental Loan.
Accrual	Actual/360.
Recourse	Non-recourse execution with standard carve-outs for “bad acts” such as fraud and bankruptcy.
Escrows	Replacement reserve, tax, and insurance escrows are typically required.
Third-Party Reports	Standard third-party reports required, including Appraisal, Phase I Environmental Site Assessment, and Property Condition Assessment.
Assumption	Loans are typically assumable, subject to review and approval of the new borrower’s financial capacity and experience.