Hybrid Adjustable Rate Mortgage Loan
(Hybrid ARM Loan)

This product aid is provided to assist the Lender in delivering data for a Hybrid Adjustable Rate Mortgage Loan (“Hybrid ARM Loan”) in the Multifamily C&D™ system. For more information on Hybrid ARM Loans, please see Part IIIC, Chapter 12 of the Multifamily Selling and Servicing Guide (“Guide”).

What is a Hybrid ARM Loan?

A Hybrid ARM Loan is a Mortgage Loan with a total term of 30 years, comprised of an initial term where interest accrues at a fixed rate, after which it automatically converts to accrue interest at an adjustable rate for the remaining term. Three Hybrid ARM Loan options are available:

- 5 year initial fixed rate term, followed by a 25 year adjustable rate term;
- 7 year initial fixed rate term, followed by a 23 year adjustable rate term; and
- 10 year initial fixed rate term, followed by a 20 year adjustable rate term.

See the Multifamily Selling and Servicing Guide, Part IIIC, Chapter 12 for additional information.

Instructions for Submitting a Hybrid ARM Loan in C&D

I. Create a deal.

II. Create a Commitment.
   A. Cash and/or MBS execution
      1. Can be either a Pre-Review Mortgage Loan or a Delegated Mortgage Loan.
      2. If an MBS, select “Yes” for “Additional Disclosure”.
      3. Enter Additional Disclosure Comments to indicate a Hybrid ARM Loan. Enter Additional Disclosure contact name and contact email.

4. Indicate “Not a Supplemental – this is a first Lien”. A Supplemental Mortgage Loan may not be underwritten as a Hybrid ARM Loan, and any Property securing a Hybrid ARM Loan is not eligible for a subsequent Supplemental Mortgage Loan.
5. If the deal is underwritten as a Small Mortgage Loan under Part IIIB, Chapter 9 of the Guide, then Lender must select “Yes” to the “Underwritten to Standards Described in the Guide Pt. III B Chap. 9?” data field.

6. Check “Small Loan” check box in “Other Attributes” section.

7. Interest Type is “Variable”.

8. Interest Accrual Method must be “Actual/360”.

9. Original Term of Loan (months) must be “360”.

10. ARM Plan number is “04891”.

11. The index during the adjustable rate term is the 6-month LIBOR, using a 45-day look back period in accordance with the 04891 Hybrid ARM Loan Plan.

12. “Mortgage Margin (%)” is the sum of (i) 0.80%, plus (ii) the Guaranty Fee Rate in effect at Rate Lock, plus (ii) the Servicing Fee Rate in effect at Rate Lock.

13. “Lifetime Maximum Interest Rate (% )” is the maximum lifetime interest rate on the Hybrid ARM Loan during the adjustable rate period, which is capped at (i) the interest rate during the fixed rate period, plus (ii) 5.0%.
B. On a Hybrid ARM Loan, the entire adjustable rate loan term is Open, with no Prepayment Premium due.

Prepayment premium options include either standard yield maintenance or graduated prepayment premium (also known as declining prepayment). Examples of graduated options are below.

1. **5 Year Fixed Rate Term and 25 Year Variable Rate Term Example:**

(Note: Graduated Prepayment Premium (Declining Prepayment Premium) **IS** an allowable value in the drop down.)
Prepayment Schedule, Acquisition System and Disclosure

30 year loan term – 5 year fixed rate term, and 25 year adjustable rate term (see print screen below):

- Declining Premium:
  - From Month Field: 1;
  - To Month Field: 60;

- No Prepayment Premium (Open Period):
  - From Month Field: 61;
  - To Month Field: 360;

Lender will need to enter into the Acquisition System (see print screen below):
  - Select “5-4-3-2-1” from drop down box beside the “5 yr. Prepayment Protection Type/Declining Premium Schedule” field.

DUS Disclose (Annex A, UI, Download Data File) will display:

- UI: Prepayment Protection Box will display Prepayment Types, Terms, and End Dates.
- Annex A and Download Data files:
  - Prepayment Provision: 5%(12), 4%(12), 3%(12), 2%(12), 1%(12), Q(300)
  - Prepayment Provision End Date: 3%(End Date), 4%(End Date), 5%(End Date), 3%(End Date), 2%(End Date), 1%(End Date), Q(End Date)

<table>
<thead>
<tr>
<th>Prepayment Protection Types and Disclosures (Check all that apply; At least one Prepayment Protection Type is required)</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Prepayment Penalty □ Pre-Minor Change □ Pre-Refinance □ Pre-Eligibility Period</td>
</tr>
<tr>
<td>□ Prepayment Provision □ Pre-Non-Refinance □ Other Prepayment Type</td>
</tr>
<tr>
<td>□ Declining Premium □ No Prepayment Premium (Open Period)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prepayment Protection Type</th>
<th>From Month</th>
<th>To Month</th>
<th>Term (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declining Premium</td>
<td>1</td>
<td>60</td>
<td>3</td>
</tr>
<tr>
<td>No Prepayment Premium (Open Period)</td>
<td>61</td>
<td>360</td>
<td>NA</td>
</tr>
</tbody>
</table>
2. 10 Year Fixed Rate Term and 20 Year Variable Rate Term Example:

Graduated Prepayment Premium schedule IS NOT an allowable value in the drop down.

“Other prepayment Premium” should be selected from the drop down when Prepayment Schedules are not available as options in the drop down box in C&D. Lenders will need to enter in C&D: Select “prepayment Lockout” (if applicable); “other Prepayment Premium”; and “No Prepayment Premium (Open Period)” in the Prepayment Protection Type and Defeasance” section.
3. **10 Year Fixed Rate Term and 20 year Variable Rate Term Example:**

   ![Prepayment Schedule, Acquisition System and Disclosure](image)

   **30 year loan term – 120 Months of Declining Premium** (3-3-3-2-2-2-1-1-1-1), **240 Month Open Period** (see print screen below):
   - **Other Prepayment Premium:**
     - From Month Field: 1;
     - To Month Field: 120;
   - **No Prepayment Premium (Open Period):**
     - From Month Field: 121;
     - To Month Field: 360;
   - **Other, Description** – Enter the following text and see example below:
     - 3%(36), 2%(36), 1%(48), O(240)

   **DUS Disclose UI** (Amex A, Download Data File) will display:
   - UI: Prepayment Protection Box will display the text in Other Description in Prepayment Type, the total Prepayment Term and final Prepayment End Date.
   - **Amex A and Download Data file**: Prepayment Provision will display the text in Other, Description

4. **Other 5 Year, 7 Year, and 10 Year Fixed Term Examples**

   See chart below showing the scheduled for a Hybrid ARM Loan having an initial 5, 7, or 10 Year Loan Term with a Graduated prepayment Premium, and the text to be entered in “Other Prepayment Premium – Other, Description” field.

   ![Prepayment Protection Types and Definitions](image)

<table>
<thead>
<tr>
<th>Loan Year</th>
<th>Schedule</th>
<th>Enter text in Other Prepayment Premium under Other, Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Year</td>
<td>3-2-1-1-1</td>
<td>3%(12), 2%(12), 1%(36), O(300)</td>
</tr>
<tr>
<td>7 Year</td>
<td>3.3.4.4.3-2.1</td>
<td>3%(24), 4%(24), 3%(12), 2%(12), 1%(12), O(276)</td>
</tr>
<tr>
<td>7 Year</td>
<td>3-3.2.2-1-1-1</td>
<td>3%(24), 2%(24), 1%(36), O(276)</td>
</tr>
<tr>
<td>10 Year</td>
<td>3.3.3.2.2-2.1-1-1-1</td>
<td>3%(36), 2%(36), 1%(48), O(240)</td>
</tr>
</tbody>
</table>

IV. Submit the Commitment to Fannie Mae for confirmation.

V. Once the Commitment is confirmed, enter/upload the other data within C&D to deliver the Mortgage Loan.

   A. Mortgage Loan (associate Commitment to Mortgage Loan). Retrieve commitment data.
B. Complete ARM Loan Details section.

1. Confirm ARM Plan Number is 04891.
2. “Loan Recast?” is “Yes”, and “Recast Frequency (months)” is “6”.
3. “Interest Rate Change Index Look Back (days)” is “45”.
4. “Convertible?” is “No”.
5. “First Interest Rate Change Date” is one month greater than the “Prepayment End Date”. The “Next Interest Rate Change Date” is the same as the “First Interest Rate Change Date”. “First Interest Rate Change Date” is always the first day of the month.
6. The “First Payment Change Date” is one month greater than the “First Interest Rate Change Date”. The “Next Payment Change Date” is the same as the “First Payment Change Date”. The “Next Payment Change Date” is always the first day of the month.
7. Property (associate Property to Mortgage Loan).
8. Participant (associate participant(s) to Mortgage Loan).
9. Hedge, if applicable (associate to Mortgage Loan).
10. Financing Options (Cash Funding or MBS Pool). Each Mortgage Loan is associated to an individual pool.

<table>
<thead>
<tr>
<th>ARM Details</th>
<th>ARM Plan Number</th>
<th>ARM Plan Attributes</th>
<th>Rate Adjustment Index</th>
<th>ARM Plan Version</th>
<th>Rate Change Frequency (months)</th>
<th>Payment Change Frequency (months)</th>
<th>Rate Change Maximum Increase (%)</th>
<th>Rate Change Maximum Decrease (%)</th>
<th>Payment Change Maximum Increase (%)</th>
<th>Payment Change Maximum Decrease (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>04891</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Original Index Rate (%)</th>
<th>Required Net Margin (%)</th>
<th>Lifetime Maximum Interest Rate (%)</th>
<th>Negative Amortization?</th>
<th>Loan Recast?</th>
<th>Interest Rate Change Index Look Back (days)</th>
<th>Original P&amp;I Payment Per Note ($)</th>
<th>Convertible?</th>
<th>Next Interest Rate Change Date (mm/dd/yyyy)</th>
<th>Next Payment Change Date (mm/dd/yyyy)</th>
<th>Rate Rounding Factor (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.43000</td>
<td>1.57000</td>
<td>9.47000</td>
<td>+</td>
<td>No</td>
<td>45</td>
<td>18,504.74</td>
<td></td>
<td>01/01/2028</td>
<td>01/01/2028</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prepayment Protection Type and Delinquency</th>
<th>Prepayment Start Date</th>
<th>Term (months)</th>
<th>Prepayment End Date</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declining Premium</td>
<td>12/15/2017</td>
<td>120</td>
<td>12/31/2017</td>
<td></td>
</tr>
</tbody>
</table>

C. Submit the Mortgage Loan data to Fannie Mae for certification.

D. Submit the Loan Documents to Fannie Mae for certification.

E. Fannie Mae will certify the Loan Document. Contact MF Certification & Custody team for additional information (multifamcert_team@fanniemae.com).