



Structured Adjustable Rate Mortgage Loans (SARM Loans)

Fannie Mae Multifamily offers long term financing with a very competitive variable interest rate that is convertible to a fixed-rate for the 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 must not exceed that of a fixed-rate Mortgage Loan of similar terms.
Rate Lock	Maximum 30-day commitment
Supplemental Financing	Supplemental Mortgage Loans are available.
Prepayment Availability	After a required lock-out period (typically, the first Loan Year), a SARM Loan may be voluntarily prepaid. Lender selects the option of a declining prepayment premium or a 1% prepayment premium. No prepayment premium required during the "open period" (typically the last 3 months of the Mortgage Loan term).

Benefits

- Attractive low-cost financing
- Convertible to fixed rate
- Flexible loan terms and prepayment premium options
- Ability to choose Interest Rate Cap provider

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.

multifamily.fanniemae.com



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	30-Day Average SOFR
Interest Rate Cap	<ul style="list-style-type: none"> • Structured ARM Loans 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>SARM Loans have a conversion feature whereby the interest rate may be converted to a 7- or 10-year fixed rate Mortgage Loan on any rate change date after the required Lockout Period (typically the first Loan Year) and before the start of the "open period" (typically the last day of the 4th month preceding the end of the Mortgage Loan term), provided the Mortgage 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 premium charged at the time the SARM Loan converts to a fixed rate Mortgage Loan. • Minimal re-underwriting; Lender must determine that the current Net Cash Flow can support the new fixed Rate Mortgage Loan terms. • No increase in the loan amount; Mortgage Loan may be eligible for a Supplemental Mortgage 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	Mortgage Loans are typically assumable, subject to review and approval of the new borrower’s financial capacity and experience.