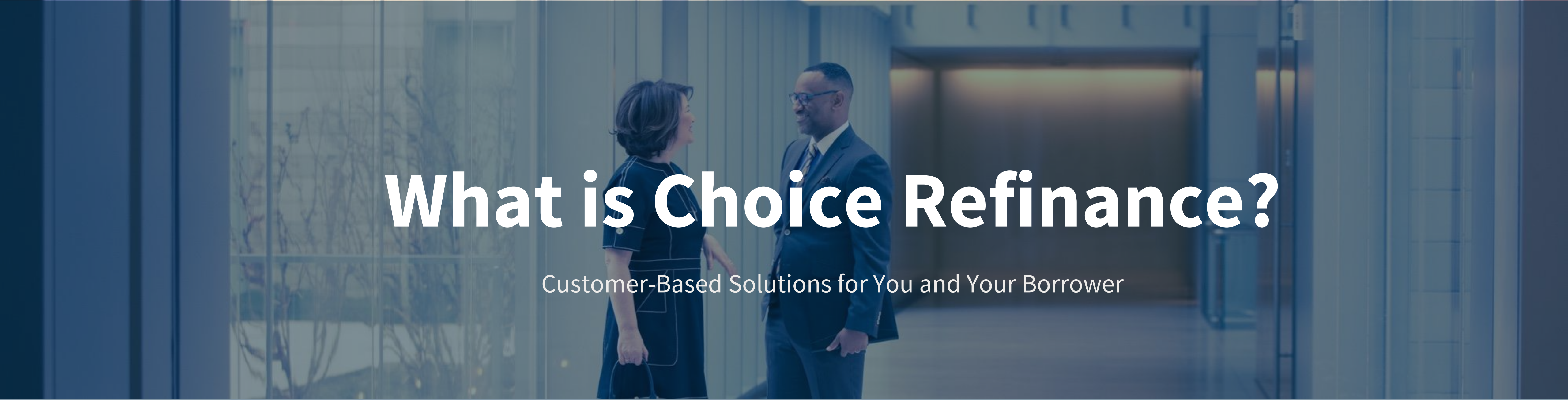
Product Refresh Training – Choice Refi, Variable Rate Conversion & Supplementals

Fannie Mae Multifamily

August 2026

Agenda

- Choice Refi
- Variable Rate Conversions
- Supplementals



What is Choice Refinance?

Customer-Based Solutions for You and Your Borrower

Flexible, Streamlined Execution

Increased Delegation

Faster Underwriting and Reduced Documentation Requirements

Book Retention

No Minimum Loan Amount

Fixed and Variable-Rate

Who Can Use Choice Refinance?

Choice Refinance Eligibility

- Existing Fannie Mae Mortgage
- Well-Maintained, Stabilized Property in Good Standing
- No Changes to Borrower Organizational Structure
- Lender Must Be Servicing Original Loan For At Least 12 Months

Why Use Choice Refinance?

Advantages to Using Choice Refinance

What Could Be Waived?

- Property management documentation review
- 1% prepayment premium
- Replacement Reserve escrows
- Tax and Insurance escrows

When Can I Use Choice Refinance?

Best Practices When Using Choice Refinance

Yield Maintenance

Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10

6 month open prepayment period and 1% waiver eligibility

How Do I Use Choice Refinance?

Fewer Documents, More Delegation

Streamlined:

- Phase 1 Environmental Site Assessment
- Survey

Deal Example

Property built in 1979, 99% occupied

Southern California submarket

$11,000,000, Tier 4, 10/9.5 fixed

Rated 1, or “Excellent”

Delegated

Deferred funding of Replacement Reserves, Real Estate Taxes, Insurance Escrows

Retained

Choice Refinance means savings for your sponsor, book retention for you

1% Prepayment Premium Waived

Refinanced in open prepayment period

Questions?

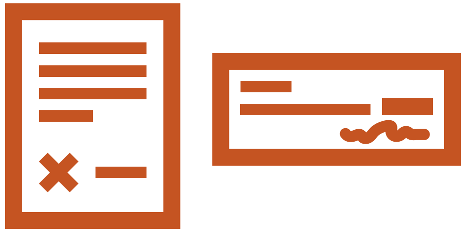
Variable Rate Conversions

Conversions 101

Variable Converts to Fixed

Conversion occurs

Variable Rate Loan and MBS



Fixed Rate Loan and MBS

ARM Payment | ARM Payment | ARM Payment | Fixed Payment | Fixed Payment | Fixed Payment

✓ No gap in interest

✓ Original ARM Loan Documents govern the conversion process to fixed rate, along with the conversion agreement*

*Amendment to Multifamily Loan and Security Agreement (Conversion to Fixed Rate) (6614)

Conversion Benefits

Inexpensive

- No origination fees
- No third-party reports
- No prepayment premiums

Seamless

- Smooth process for borrower
- Carry over IO

Predictable

- Fixed interest rate is locked for remaining loan term

Guaranty & Servicing Fees

Conversion Agreement G&S fees

Current Grid

- G&S fees change to current fixed-rate grid level

Original G&S

- G&S fees from ARM loan apply
- Option to submit a waiver to use current grid

When Can The Borrower Convert

What Are Their Options?

Conversion Period

5-Year Loan: Year 1 | Year 2 | Year 3 | Year 4 | Year 5

Conversion Period

7- or 10-Year Loan: Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10

Fixed-rate loan term options available after conversion:

7/5

7/6.5

10/7

10/9.5

***a 5-year conversion option may be granted on a Pre-Review basis**

Borrower View

1. Work with closer to rate lock fixed rate
2. Execute conversion agreement *
3. Pay conversion fee

ARM Payment | ARM Payment | ARM Payment | Fixed Payment | Fixed Payment | Fixed Payment

Loan payments (ARM then Fixed)

*Amendment to Multifamily Loan and Security Agreement (Conversion to Fixed Rate) (6614)

Conversion Underwriting & Determination

Conversions must use **fixed rate DSCR** at underwriting.

For some specialty products (e.g., Student housing) the minimum DSCR is at least 1.30

Conversion Determination Notice must be provided within **15 business days** of the conversion request

Conversion Timeline

- Variable Rate
- Fixed Rate
- Investor

Conversion process begins

	Closer works with deal team to determine conversion eligibility and sizing
2/24	Closer submits rate lock in DUS Gateway™
3/1	Borrower ARM payment. Int(Feb)+ Prin(March)
(Derived date) 3/18	Servicer submits payoff quote with payoff date of 3/31
4/1	• Fixed loan issuance • New MBS • Borrower pays servicer Int (March)+ • Prin(April)
4/2	• Lender reports $0 ARM security balance by 5:00 PM • ARM payoff event reporting
4/7	Final ARM Gfee drafted
4/18	Fannie Mae drafts servicer for payoff payment
4/25	Investor receives payoff
5/1	Borrower Fixed payment. int(April)+ principle(May)
5/18	Draft servicer for fixed rate payment

Book-Entry period: 4/1 – 4/17: funds transfer from fixed-rate investor to lender

Delivery package due in C&D 7 business days prior to Book Entry Date

Conversion Process Begins

Weeks 1- 4	Weeks 5 - 6	Weeks 7 - 8	Weeks 9 - 10	Weeks 11 - 12

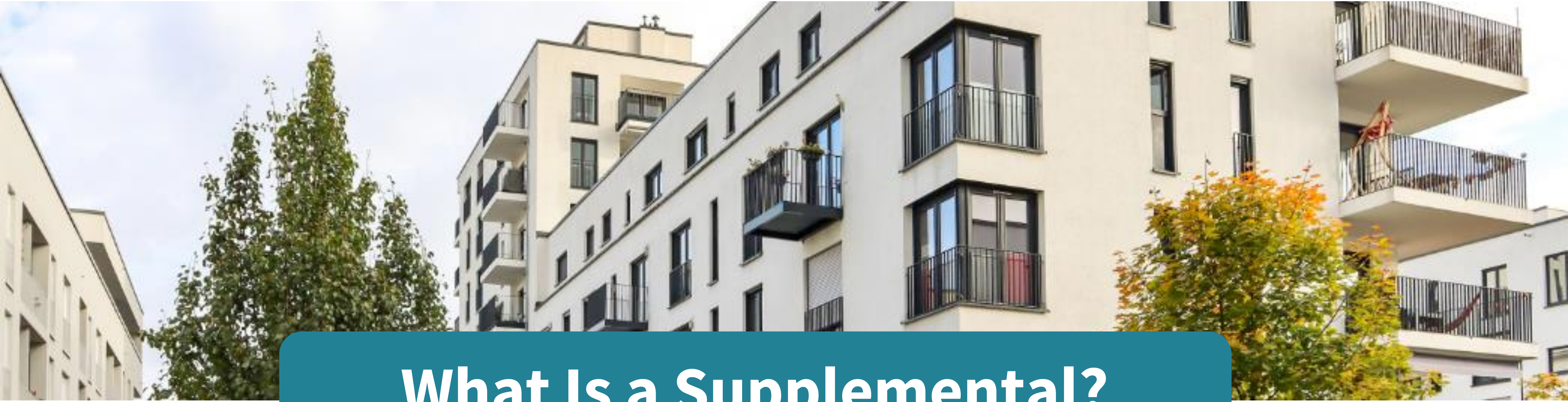
Conversion Process begins after conversion fee paid	Lender must provide Conversion Determination Notice within 15 business days of Conversion Request	Closer submits **rate lock** in DUS Gateway™ and notifies FM acquisitions team	Last day to exercise conversion agreement for 4/1 conversion effective date
Prior to Rate Lock	Prior to Rate Lock	2/24	3/10
Conversion Request	**Conversion Determination Notice**	**Conversion Exercise Date**	**Closing/Execution & Delivery of Form 6614 (Conversion Amendment)**
Standard pre-rate lock process using original loan documents to govern terms	Conversions require underwriting to fixed rate DSCR	There is no origination fee for the fixed rate loan	Conversion execution date affects the conversion effective date (*always the first of the month)

Questions?

Supplemental Mortgage Loans

Part III Chapter 14

Fannie Mae®



What Is a Supplemental?

A Supplemental is a Mortgage Loan purchased by Fannie Mae that is subordinated to and has a Mortgage Loan Origination Date after the Senior Mortgage Loan that is also owned by Fannie Mae.

This is requested when a property has experienced an increase in cash flow and/or value and the borrower is seeking a second loan when they already have a Fannie Mae loan on the property.

The first mortgage has priority – subordinated means that payments are paid to the investor on the first lien before the investor on the second lien. Investors are paid more for this risk on the second lien.

Benefits

Access Additional Capital

- Lower cost than refinancing
- No prepayment penalty

Streamlined Execution

- Some third-party reports may be waived
- Speed in processing and underwriting

Flexible

- Flexible Loan Terms

Eligibility

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- Pre-Existing Fannie Mae Mortgage Loan in good standing
- Both liens are serviced by the same lender
- Fannie Mae must be the only lien holder on the Property

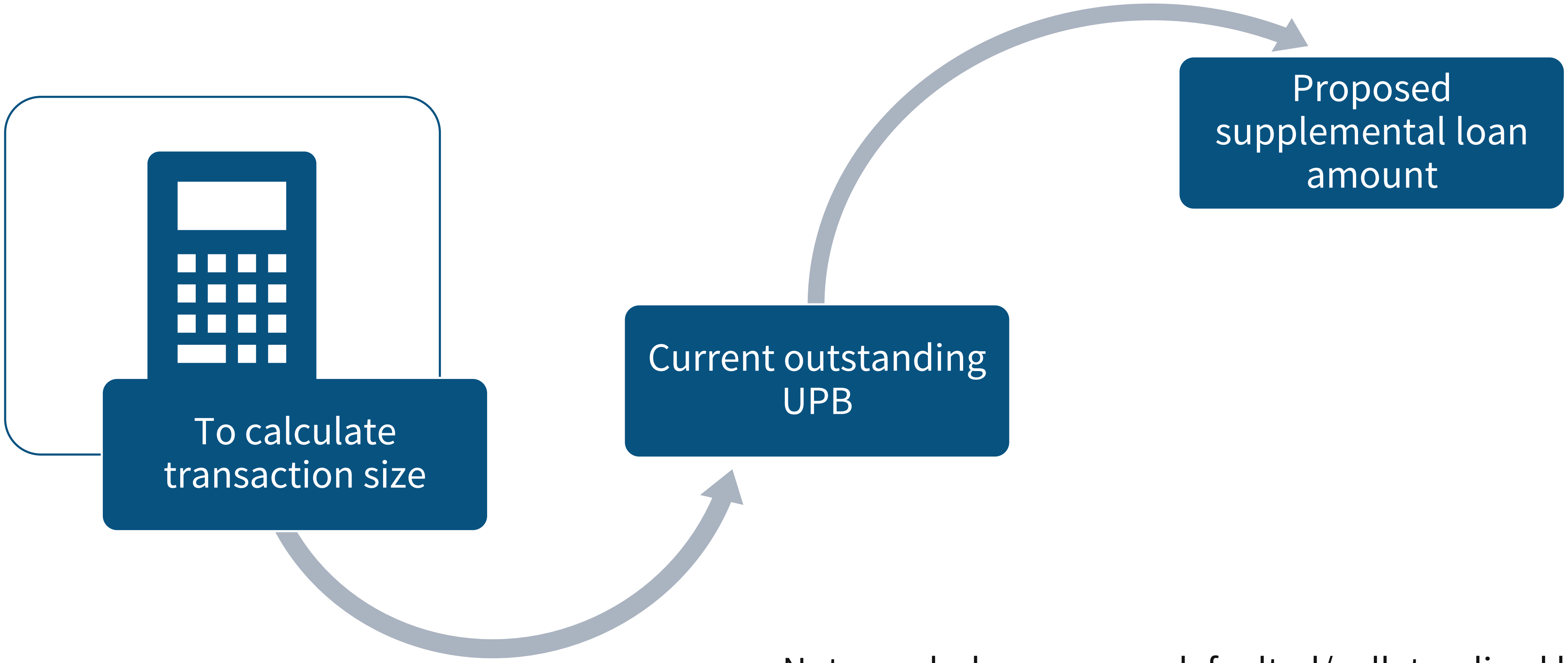
Available Asset Classes

- Stabilized Conventional
- Manufactured Housing Communities
- Multifamily Affordable Housing
- Seniors Housing
- Student Housing

Product Terms

Term	• Minimum 5 years • The Supplemental can either mature at the same time as the Senior Loan (coterminous) or mature after the Senior Loan (non-coterminous). • The Supplemental cannot mature before the Senior Loan.
Amortization	• Up to 30 years, should match first lien
Interest Rate	• Fixed rate, if the Pre-Existing Mortgage Loan has a fixed rate • Fixed or variable rate, if the Pre-Existing Mortgage loan has a variable rate
Maximum LTV	• Coterminous – 70% • Non-coterminous – 65%
Minimum DSCR	• Coterminous - 1.30x • Non-coterminous – 1.35x
Cross-Default	• Must be cross-defaulted with all Pre-Existing Mortgage Loans
Supplemental Loan Timing	• Available 12 months after the closing of the senior FNMA Mortgage Loan • Minimum 5-year term and must not mature before Pre-Existing Mortgage Loan

Supplemental Guidance



Note: exclude any cross-defaulted/collateralized loans

Supplemental Requirements

1 Supplemental allowed during loan term

Except...

- Moderate Rehabilitation Supplemental Mortgage Loan
- Green Rewards Supplemental Mortgage Loan
- Assumptions

Supplemental Requirements

Maximum supplemental mortgage loan amount equals the lowest mortgage loan amount calculated per Sections 1402.03.B - 1402.03.D per the Guide

You must calculate the *Supplemental Mortgage Loan* amount based on the combined debt service amounts of all *Pre-Existing Mortgage Loans* plus the *Supplemental Mortgage Loan*, as outlined in the following tables.

Pre-Existing Mortgage Loans	
If the Interest Rate Type is…	Use an amortizing Debt Service Amount based on the…
Fixed Rate	*Gross Note Rate*.
Adjustable Rate	■ origination loan amount; ■ amortization term; and ■ *Variable Underwriting Rate* per the applicable Part III Chapters.

Supplemental Mortgage Loan	
If the Interest Rate Type is…	Use an amortizing Debt Service Amount based on the greater of the Gross Note Rate or the…
Fixed Rate	applicable Underwriting Interest Rate Floor per *Form 4660*.
Adjustable Rate	*Variable Underwriting Rate* per the applicable Part III Chapters.

Section 1402.03B

Supplemental Requirements (DSCR & LTV)

To determine the *Supplemental Mortgage Loan* amount, you must apply the *Form 4660 DSCR* and *LTV* requirements as follows:

Supplemental Mortgage Loan	
DSCR	The combined debt service of ▪ all *Pre-Existing Mortgage Loans*, plus ▪ the *Supplemental Mortgage Loan*.
LTV	The combined ▪ aggregate *UPB* of all *Pre-Existing Mortgage Loans*, plus ▪ the principal amount of the *Supplemental Mortgage Loan*.

Section 1402.03C

$3.5M Supplemental Example

RELATED ORIGINAL LOAN INFORMATION (REQUIRED FOR SUPPLEMENTALS)	
1st Lien Interest Type	Fixed Rate
1st Lien Original Loan Amount	$13,132,000.00
1st Lien Actual Fixed / Fixed Equiv...	3.690%
1st Lien Loan Term (months)	120
1st Lien Interest Only Period (mon...	60
1st Lien Amortization Term (mont...	360
1st Lien Variable UW Interest Rate	0.000%
1st Lien Purchased Cap Strike Rate	0.000%
1st Lien Interest Basis	Actual/360
1st Lien Loan Maturity Date	Jun 1, 2031
1st Lien Current UPB Amount	$13,132,000.00
1st Lien Required Min DSCR for Lo...	1.25

COMBINED ANALYTICS (SUPPLEMENTAL + OTHER EXISTING LIENS)	
Combined Loan Amount	$16,645,000.00
Combined Loan Amount per Unit	$71,745.69
Blended Interest Rate	4.465%
Combined Actual Coop DSCR (no ...	
Combined UW DSCR per Guide Re...	1.30
Combined Amortizing UW NCF DS...	1.30
Combined UW NCF DSCR (IO)	1.78
Estimated Combined Balloon Pay...	$15,195,338.91
Combined Debt Yield	7.93%
All-In UW Debt Service per Guide ...	1.30
Combined Actual LTV	69.35%

New Loan Test

Requirements

For a *Tier* 2 *Supplemental Mortgage Loan*, if the *Senior Mortgage Loan Maturity Date* is 5 years or less after the *Supplemental Mortgage Loan Origination Date*, you must perform a **New Loan Test** to confirm the combined *UPB* of all *Pre-Existing Mortgage Loans* plus the *Supplemental Mortgage Loan* does not exceed the maximum **loan** amount for a **new** fixed rate, first *Lien*, cash-out *Mortgage Loan*.

Term	New Loan Test Requirement
Underwriting Tier	*Tier* 2
Minimum DSCR	Per *Form 4660*
Maximum LTV	Per *Form 4660*
Maturity	10 years
Market Classification	Based on *Property's* Location
Interest Rate	Higher of: ▪ an interest rate using the highest Total Credit Fees Range in the current "Indicative Pricing" table in *DUS Gateway*; or ▪ the Underwriting Interest Rate Floor per *Form 4660*, if applicable.

Section 1402.03C

Deal Example

- Property built in 1991, 94% occupied
- Southern Florida submarket (Nationwide Market)
- $3.5M Supplemental
- The Borrower has spent $2.7M in property improvements (~$7,000/unit) since 2021.
- The property has grown NCF by ~15%.
- Rated PCR 2

Loan Terms

- Cash-out refinance
- 78 months Coterminous
- Fixed Rate 1st and 2nd
- Tier 2 - 1.30x / 70% LTV

Loan Metrics

- 7.50% Interest Rate
- 4.60% Blended Rate
- 7.93% DY
- 7.30% Exit Refi Rate

Questions?

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Appendix

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Timeline of Variable Rate Conversions Process

Conversion Process Begins

Weeks 1- 4	Weeks 5 - 6	Weeks 7 - 8	Weeks 9 - 10	Weeks 11 - 12

Conversion Request	Conversion Determination Notice	Conversion Exercise Date	Closing/Execution & Delivery of Form 6614 (Conversion Amendment)
Conversion Process begins after conversion fee paid	Lender must provide Conversion Determination Notice within 15 business days of Conversion Request	Closer submits **rate lock** in DUS Gateway™ and notifies FM acquisitions team	Last day to exercise conversion agreement for 4/1 conversion effective date
Prior to Rate Lock	Prior to Rate Lock	2/24	3/10
Standard pre-rate lock process using original loan documents to govern terms	Conversions require underwriting to fixed rate DSCR	There is no origination fee for the fixed rate loan	Conversion execution date affects the conversion effective date (*always the first of the month)

ARM Payoff

Weeks 1- 4 | **Weeks 5 - 6** | Weeks 7 - 8 | Weeks 9 - 10 | Weeks 11 - 12

3/18

Servicer submits request for payoff verification in Payoff Calculator at least 10 business days before scheduled payoff

3/31

Payoff Date

4/2

Servicer completes monthly & ARM Payoff reporting in eServicing

Fixed Rate Loan Delivery & New Security Issuance

Weeks 1- 4 | Weeks 5 - 6 | **Weeks 7 - 8** | Weeks 9 - 10 | Weeks 11 - 12

Conversion date is always the first of the month

4/1
- Fixed loan issuance
- New MBS

4/2
Lender reports ARM payoff and security balance by 5:00 PM

4/7
Final ARM Guaranty Fee drafted

4/17
Last day for Book-Entry date

Security must have a Book-Entry date within the first 17 days of the conversion month

Delivery package due in C&D 7 business days prior to Book Entry Date

ARM Security

Weeks 1- 4 | Weeks 5 - 6 | Weeks 7 - 8 | **Weeks 9 - 10** | Weeks 11 - 12

4/18

- Last ARM payment drafted
- Principal, interest, and payoff funds drafted from servicer on the 18th of the month

4/25

- Investor receives ARM payoff
- ARM security closed out

Fixed Rate Loan Reporting and Payments

Weeks 1- 4 | Weeks 5 - 6 | Weeks 7 - 8 | Weeks 9 - 10 | **Weeks 11 - 12**

5/1
- First fixed rate payment date
- Servicer starts regular reporting and servicing on fixed rate loan

5/7
Fixed rate Gfee drafted

5/18
- First fixed rate payment drafted from servicer
- Conversion completed

5/25
Fixed rate investor payment

Conversion Stakeholders

Closer

Reviews Loan Docs

- Systems Used
  - DUS Gateway™
  - C&D and MSFMS

Servicers

Payments & Reporting

- Systems Used
  - eServicing
  - Payoff Calculator

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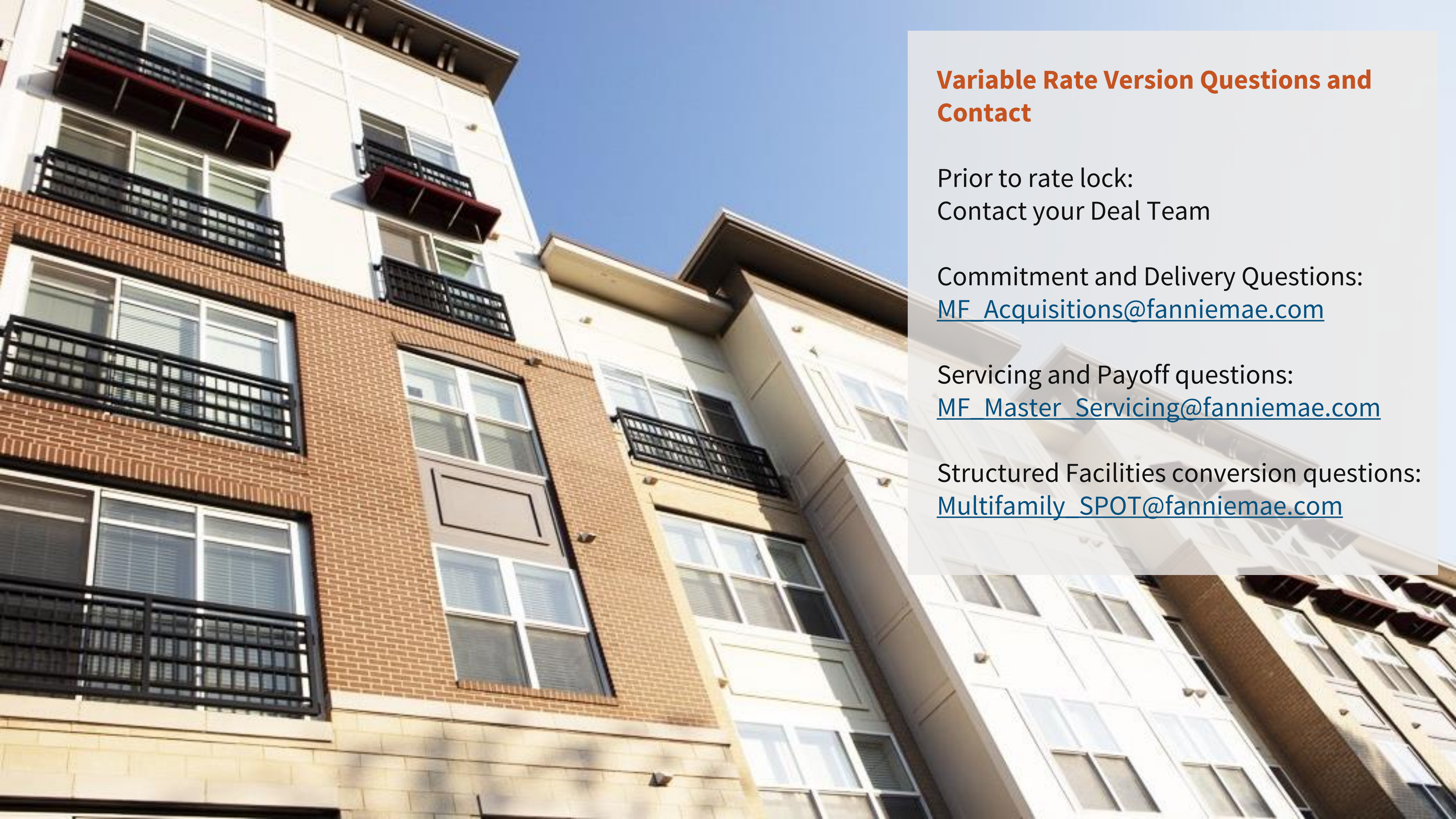
- Master Servicer
- Deal Teams
- Investor (Potential)

Borrower

- Initiates Conversion
- Pays Conversion Fee

Investors	
Variable Rate Investor receives payoff funds	New Security Issued for Fixed Rate Investor



Variable Rate Version Questions and Contact

Prior to rate lock:
Contact your Deal Team

Commitment and Delivery Questions:
MF_Acquisitions@fanniemae.com

Servicing and Payoff questions:
MF_Master_Servicing@fanniemae.com

Structured Facilities conversion questions:
Multifamily_SPOT@fanniemae.com