



Variable Rate Conversions

External Lender Training

Fannie Mae Multifamily

April 2023



Agenda

Introduction

Conversions Overview

Borrower View

Stakeholders

Conversion Timeline/Process

Question and Answer



Presenters



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Conversions 101

Variable Converts to Fixed

Conversion occurs

Variable Rate Loan
and MBS



Fixed Rate Loan
and MBS



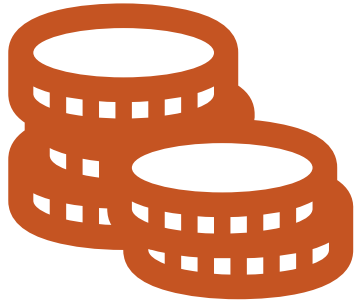
✓ No gap in interest

✓ 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

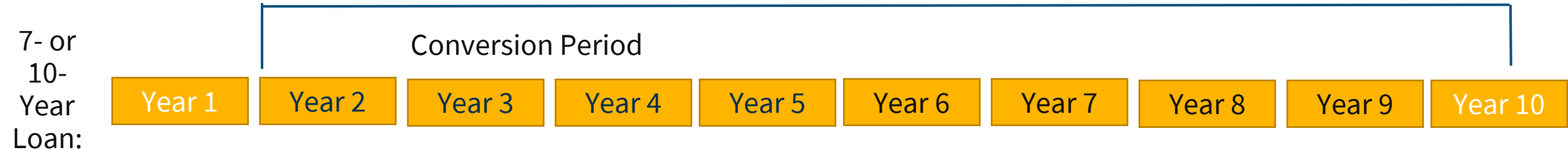
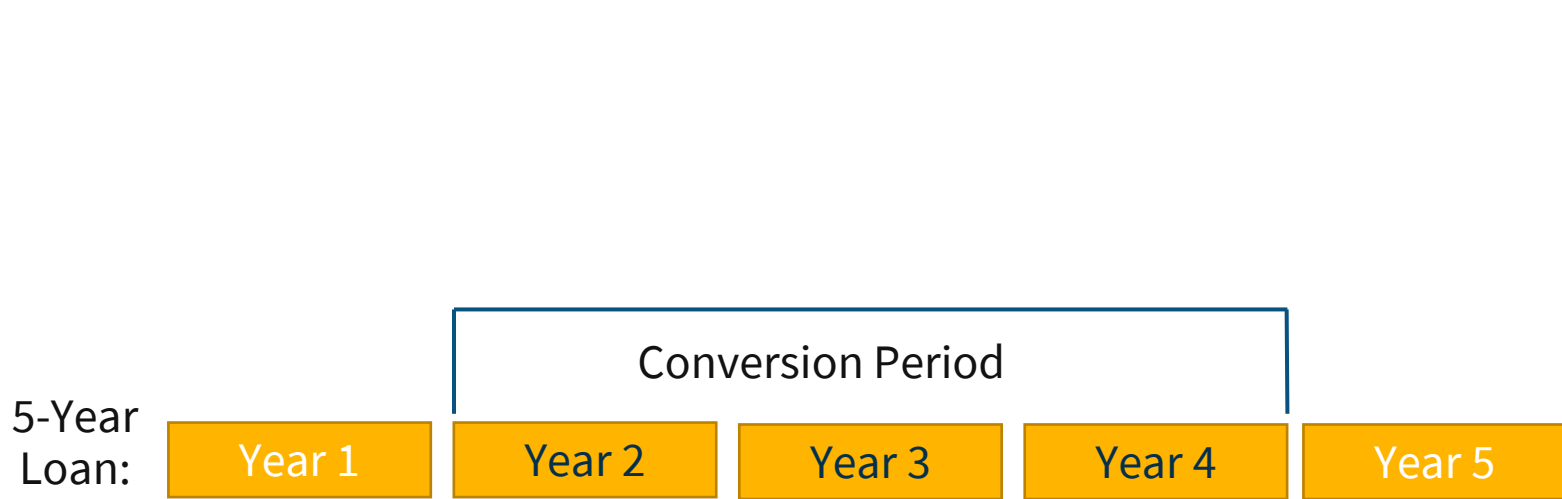
Original G&S

- 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?



Fixed-rate loan term options available after conversion:

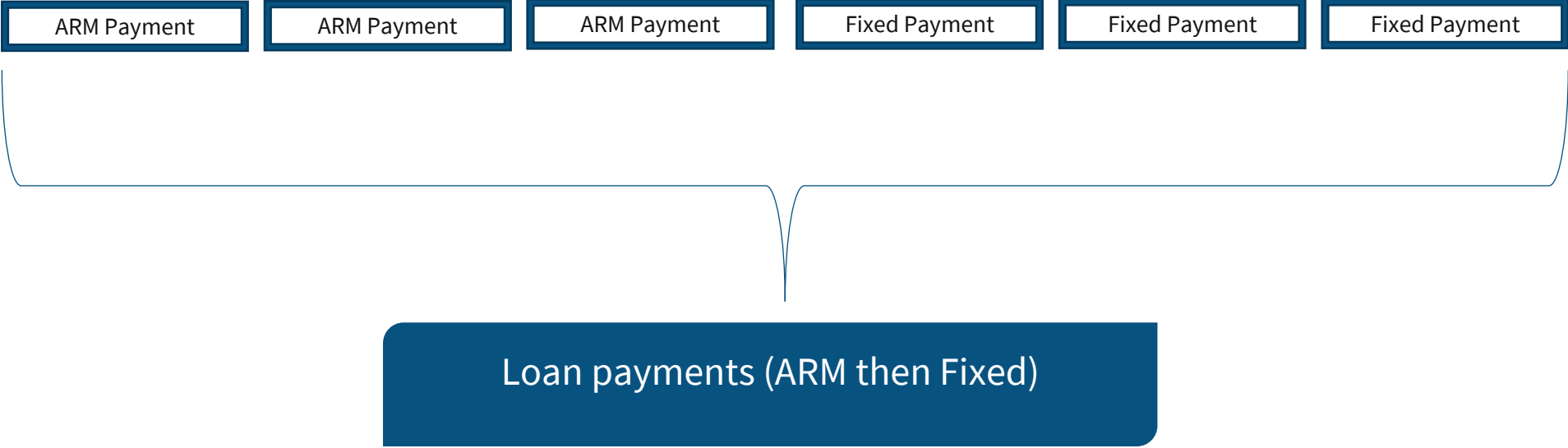
- 7/5
- 7/6.5
- 10/7
- 10/9.5

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



Borrower View

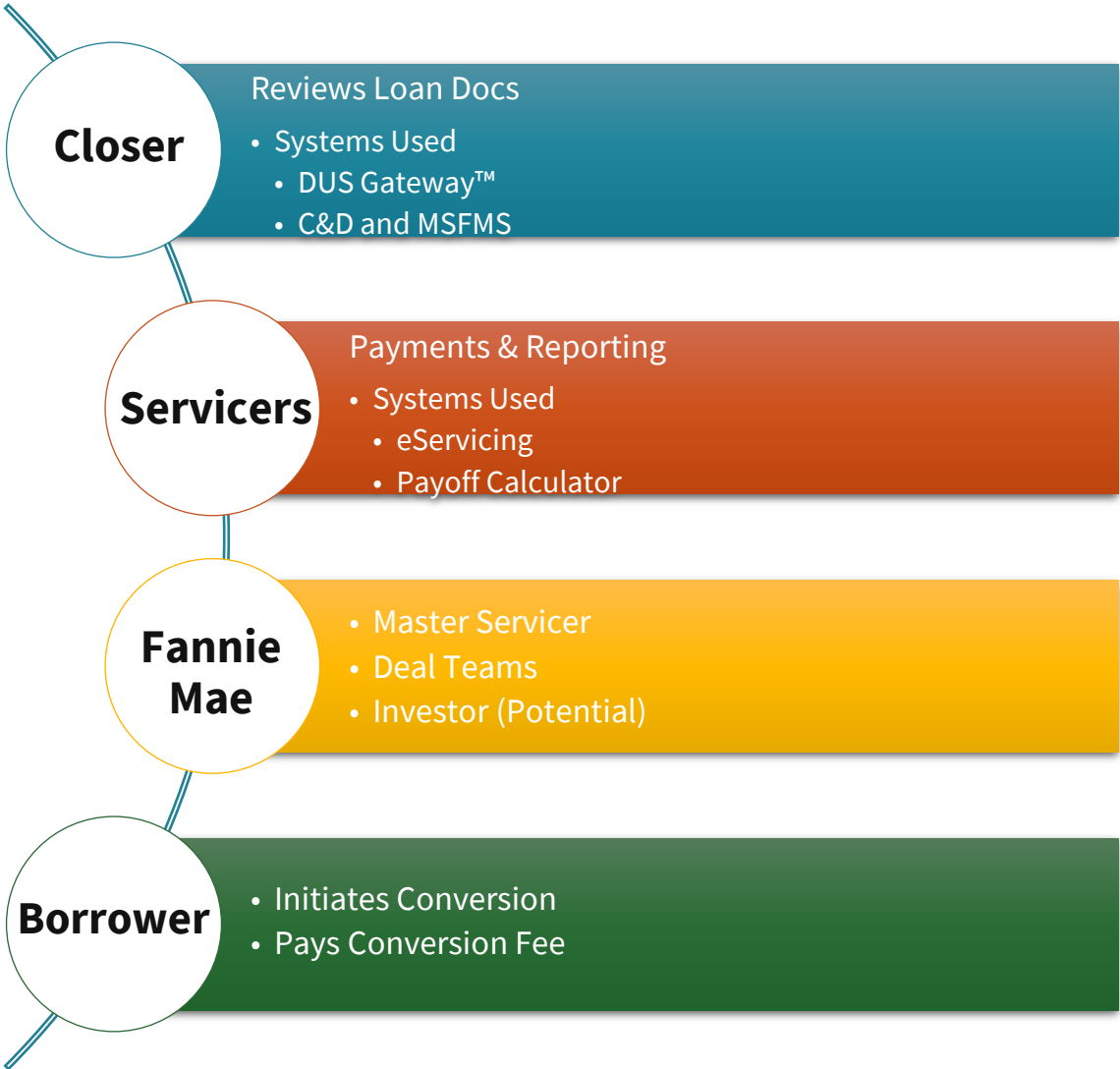
- 1. Work with closer to rate lock fixed rate
- 2. Execute conversion agreement *
- 3. Pay conversion fee



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



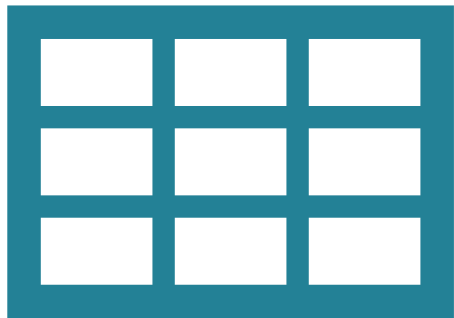
Conversion Stakeholders



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



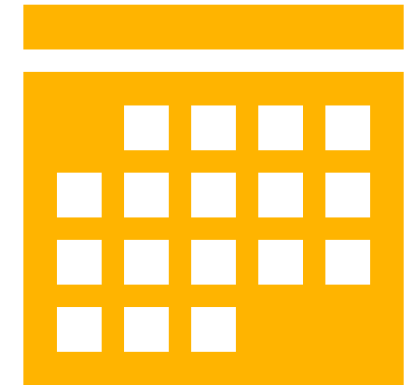
Conversion Underwriting & Determination



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



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



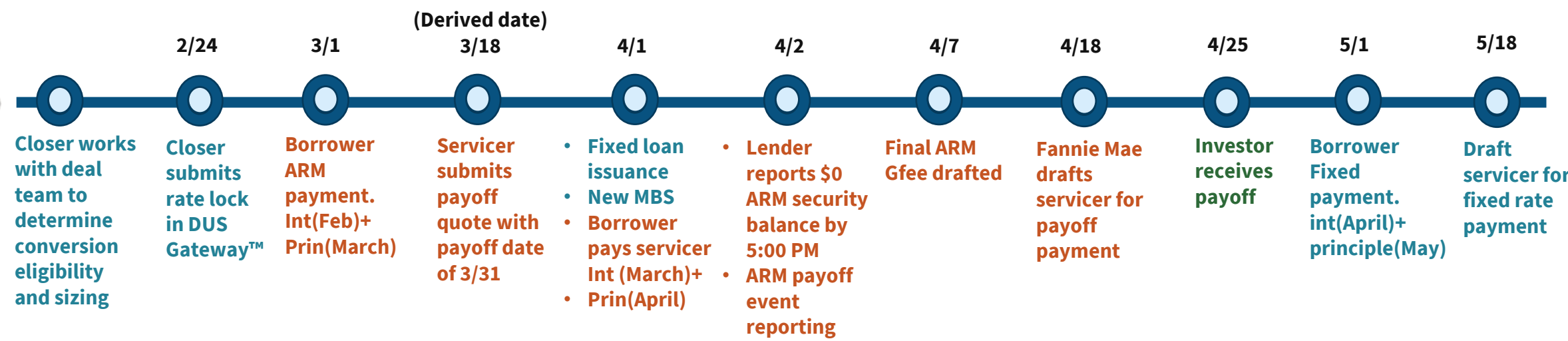
Conversion Determination Notice must be provided within **15 business days** of the conversion request



Conversion Timeline

■	Variable Rate
■	Fixed Rate
■	Investor

Conversion process begins



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

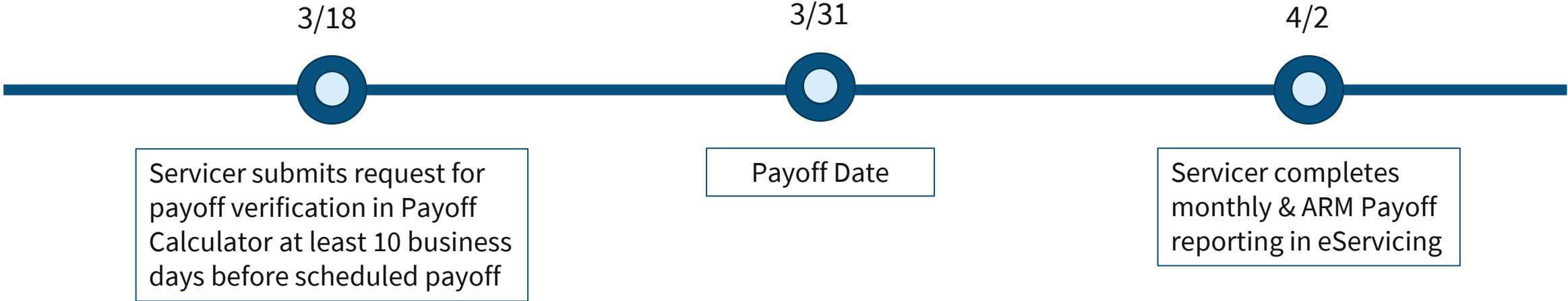
Conversions require underwriting to fixed rate DSCR

There is no origination fee for the fixed rate loan

Conversion execution date affects the conversion effective date (*always the first of the month)



ARM Payoff



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

4/2

4/7

4/17

- Fixed loan issuance
- New MBS

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

Final ARM Guaranty Fee drafted

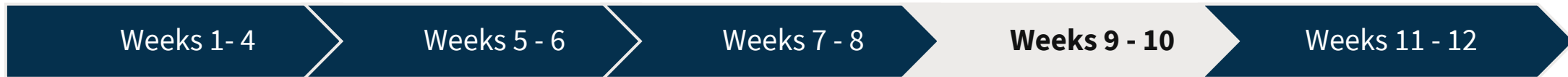
Last day for Book-Entry date

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

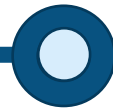
Delivery package due in C&D 7 business days prior to Book Entry Date



ARM Security



4/18



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

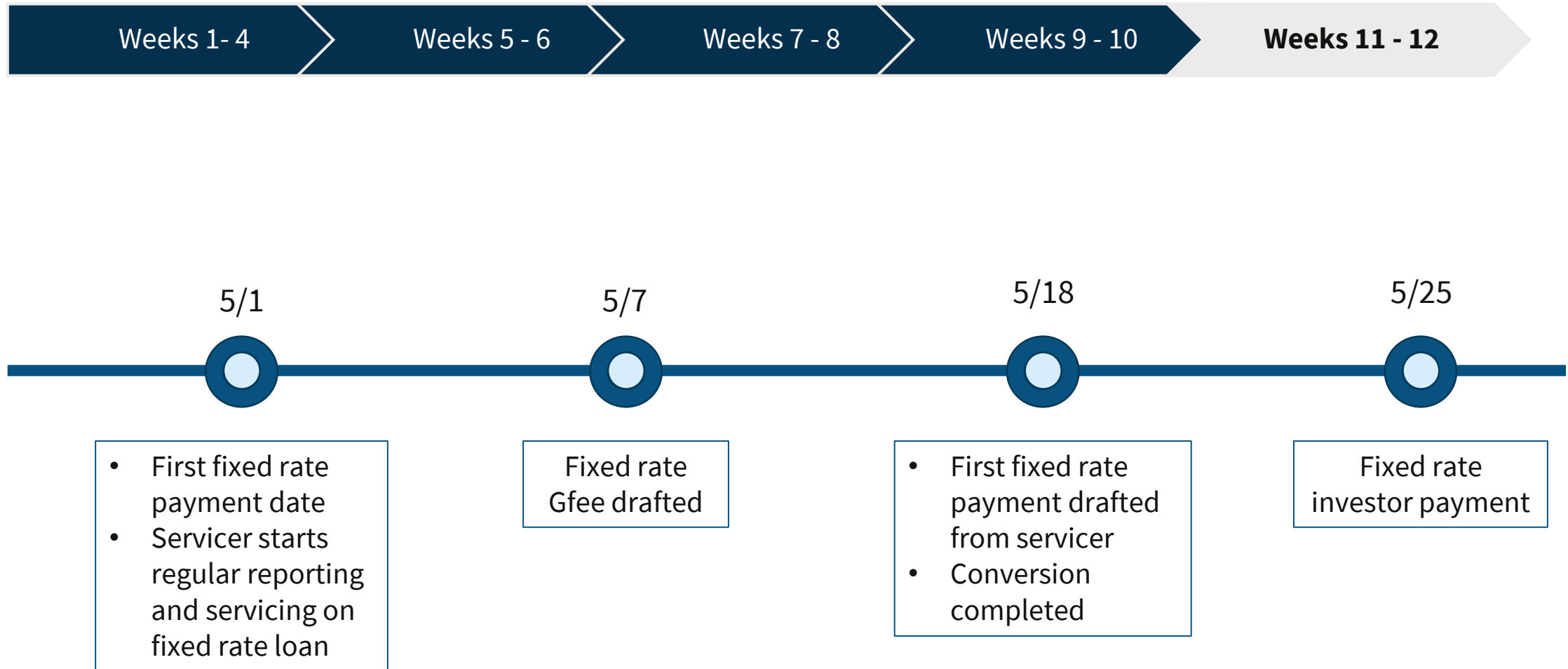
4/25



- Investor receives ARM payoff
- ARM security closed out



Fixed Rate Loan Reporting and Payments



Things to Remember



Timelines and Deadlines

There are strict date and time requirements for conversions!



Ask For Help

Reach out for help throughout the process



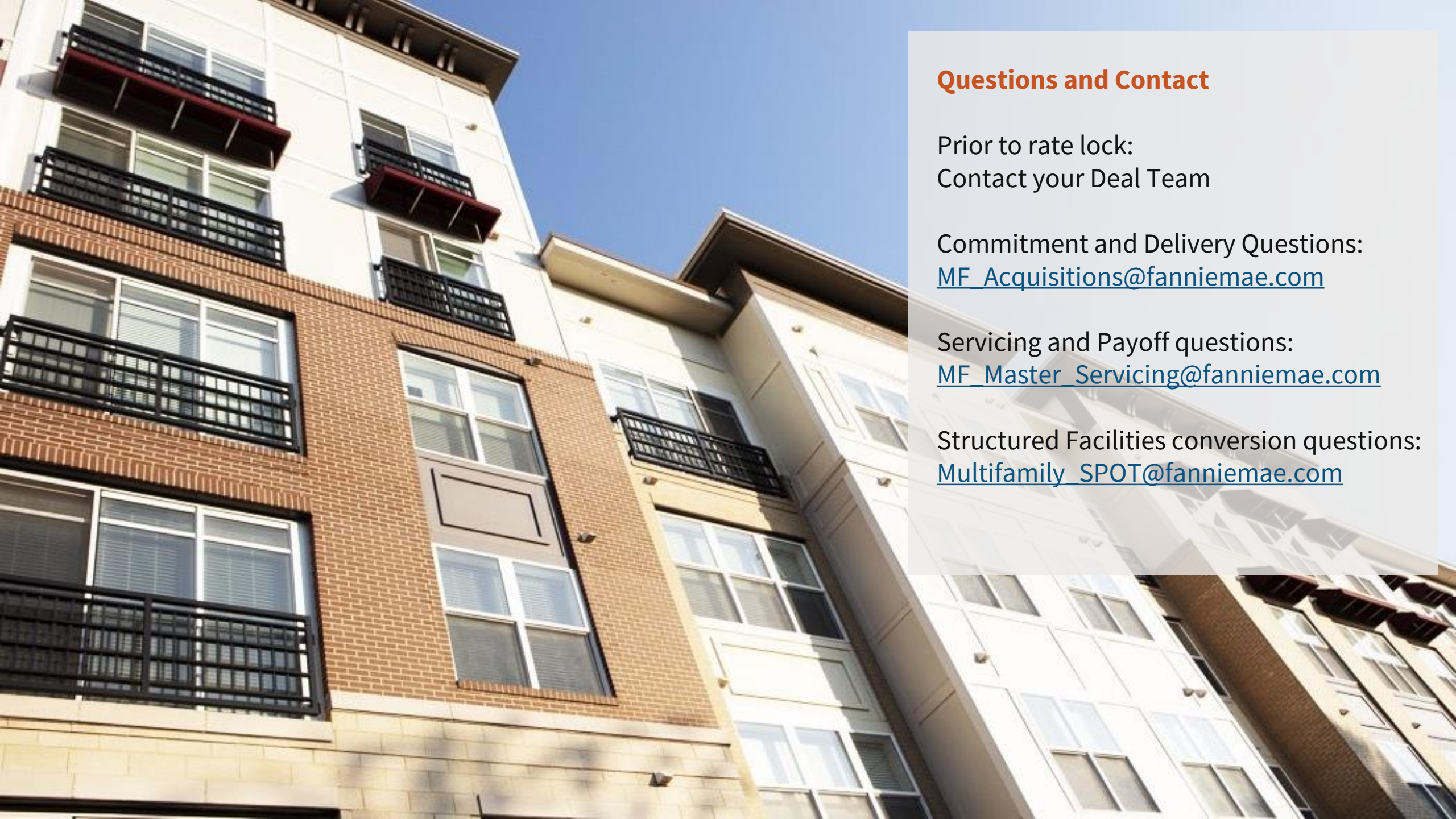
Loan Document Terms

The original loan document terms don't change*

Contact the Product Management team if you have questions at:
MF_product_management@fanniemae.com

*The new fixed rate terms are incorporated by the Amendment to Multifamily Loan and Security Agreement (Conversion to Fixed Rate) (6614)





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