

Fannie Mae Interest Rate Cap Requirements

The following table lists Fannie Mae’s requirements for the basic characteristics of an Interest Rate Cap used to hedge interest rate risk for a variable rate Mortgage Loan purchased by Fannie Mae. For more information, please view the tutorial for Hedging Interest Rate Risk, available in the Multifamily Learning Center, and the Multifamily Selling and Servicing Guide.

Hedge Characteristic	Credit Enhancement Mortgage Loan	Structured ARM Loan (SARM Loan)
Notional Amount	Original principal amount of the Credit Enhancement Mortgage Loan	Original principal amount of the SARM Loan
Index	SIFMA Municipal Bond Index	LIBOR (or any successor index as required or permitted in the Loan Documents)
Cap Term	Lesser of (i) 5 years or, (ii) remaining term of the Credit Enhancement Mortgage Loan	Lesser of (i) 5 years, or (ii) the earlier of the: <ul style="list-style-type: none"> • Maturity Date of the SARM Loan; or • Effective date of any permitted conversion to a fixed rate Mortgage Loan
Maximum Cap Strike Rate	6.0%	Must not exceed the rate that produces the minimum Underwritten DSCR for the Pricing and Underwriting Tier of the SARM Loan
Cap Reserve	Equal monthly payments over the term of the initial Interest Rate Cap to cover the full replacement cost of the Interest Rate Cap, subject to annual repricing	Equal monthly payments over the term of the initial Interest Rate Cap to cover the full replacement cost of the Interest Rate Cap, subject to annual repricing
Provider	Approved providers only	Approved providers only
Delivery of Hedge Information	Upload the Hedge Delivery Information Form (Form 4643) into CESIR™	At origination, enter data under the “Hedges” tab in the Multifamily Committing and Delivery System (C&D™). At renewal, use the Hedge Delivery Information Form (Form 4643) available at: <p>https://www.fanniemae.com/multifamily/current-guide-forms</p> Credit Facilities and Bulk Deliveries: Enter data under “Hedges” in the Multifamily Structured Facilities Management System (MSFMS), and e-mail: Structured_AM@fanniemae.com