

DUS® ARM Program

A variable-rate financing option with embedded caps and an option to convert to a fixed-rate mortgage loan.

Benefits:

- Low-cost financing with initial interest rates lower than fixed rates
- Maximum interest rate is set at loan origination
- Ability to convert to fixed-rate financing

Eligibility:

- Mortgage Loans for the acquisition or refinance of Multifamily properties
- Up to 80% LTV

Description	Non-recourse, assumable adjustable rate financing for the acquisition or refinance of stabilized, market-rate multifamily rental or cooperative properties; Four programs are available: convertible 1-month ARM, convertible 3-month ARM, non-convertible 1-month ARM, and non-convertible 3-month ARM
Loan Amount	Minimum \$300,000
Loan Terms	5-, 7-, and 10-year loan terms are available
Amortization	25 or 30 years, based on property condition; interest-only financing is available
Loan to Value Maximum	Maximum 80% of appraised value, or if property has been purchased within the past 12 months, 80% or lower of: a) purchase price, plus value added renovation, plus 3% closing costs or b) appraisal
Coverage Minimum	1.00x minimum at maximum lifetime cap interest rate
Index	1-month LIBOR
Adjustment Period	One- or 3-month, depending on ARM program selected 45-day lookback when 3 months, 15 days when 1 month
Prepayment Terms	One year lockout with 1% of unpaid principal balance thereafter No prepayment premium during the last 3 months of the loan term
Conversion Option	Conversion option is available years 2-5 of either 7-year or 10-year loan; At the time of conversion, the loan can convert to either a 7- or 10-year fixed loan
Interest Rate	Pricing varies with LTV and DSC ratios, lower risk rewarded with lower pricing; Interest rates change monthly or quarterly, depending on ARM program selected; "Plus Plus" pricing is available only with Declining Prepayment Schedule
Borrower	Domestic single asset borrowing entity is required
Third Party Reports	MAI Appraisal, Physical Needs Assessment, and Environmental Phase 1 Assessment are required, plus Seismic Report may be required for properties in Seismic Zones 3 and 4
Reserves	Tax and insurance escrows are required; Repair and Replacement escrow funding is required, based on engineer's Physical Needs Assessment; For loans of less than 65% of value with no deferred maintenance, funding of repair and replacement reserve can be waived at lender's discretion
Supplemental Loans	Supplemental financing is allowed only if the mortgage has converted to a fixed rate
Application Fee	\$15,000; covers 3 rd party reports and underwriting costs
Origination Fee	Fannie Mae requires minimum origination fee equal to 1% of loan amount; can be reduced for loans over \$9 million
Legal Fees	\$8,000 to \$12,000 varying with characteristics of the deal
Timing	45-60 days from application to commitment; dependent on 3 rd party report timing and borrower's submission of due diligence
Rate Lock	30-day commitments available