

Structured ARM

Fannie Mae's Structured ARM execution offers long term financing with a very competitive variable interest rate that is convertible to a fixed rate.

Benefits:

- Low-cost financing: Attractive pricing due to characteristics that are appealing to investors, such as 1 day look back for rate changes and no caps
- Convertibility from Variable-Rate to Fixed-Rate: available after the first year up until the third month prior to maturity
- Improved cash flow

Eligibility:

- A Structured ARM may be used for standard Multifamily DUS MBS or Cash Mortgage Loans including Manufactured Housing Communities. Seniors Housing, Student Housing, and Moderate Rehabilitation Mortgage Loans may be eligible on a case-by-case basis.
- Multifamily Affordable Housing Mortgage Loans, Bond Credit Enhancements, New Construction, and Substantial Rehabilitation are not eligible for Structured ARM.

Mortgage Loan Amount	\$25 million or more
Mortgage Loan Term	Terms of 5, 7, or 10 years are available
Maximum Underwritten LTV	Up to 75% for Tier 2 Mortgage Loans; 65% for Tier 3; and 55% for Tier 4
Minimum Underwritten DSCR	Depends on the LTV and other risk characteristics of the Mortgage Loan and may be as low as 1.00 at the Variable Underwriting Rate (Tier 2)
Amortization	Up to 30 years, based on the property type; Interest-Only is available subject to certain restrictions.
Interest Rates	The interest rate on the Structured ARM adjusts based on changes to the underlying index and is equal to the index plus a margin.
Indices	Structured ARMs may be indexed to 1-month or 3-month LIBOR
Rate Change Dates	For Mortgage Loans indexed to 1-month LIBOR, the interest rate changes on the first day of every month. For Mortgage Loans indexed to 3-month LIBOR, the interest rate changes on the first day of every third month.
Look Back Period	One day prior to the applicable Rate Change Date
Interest Rate Floor	Interest rate floor is equal to the margin
Interest Rate Caps	Structured ARMs 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 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 Cap Strike Rate	The strike rate is computed based on Mortgage Loan amount, NOI, and the total add-ons to the base index
Remittance Dates	There is no grace period; payments must be received no later than the due date specified in the note
Execution Available	Cash and MBS
Accrual Basis	Actual/360
Rate Lock	30-day commitments are available
Underwriting	Standard DUS requirements apply
Supplemental Financing	Both Fixed-rate and Adjustable-rate Supplemental Mortgage Loans are permitted
Conversion to Fixed Rate	A Structured ARM may be converted to a 7- or 10-year Fixed-Rate cash or MBS Mortgage Loan on any Rate Change Date beginning with the first day of the second Loan Year and ending on the first day of the third month prior to maturity, provided the Mortgage Loan has not been delinquent during the previous 12 months and the Borrower is not in default under any Loan Document
Prepayment Provisions	Declining Prepayment Premium (1-year lockout, followed by 4%, 3%, 2%, 1% in consecutive years) 1% Prepayment Premium (1-year lockout, followed by 1% Prepayment thereafter)
Pricing	Tiered and based on risk attributes and Prepayment Provisions of the Mortgage Loan
Escrows	Replacement reserves, tax and insurance are typically required.