

# Fannie Mae DUS Structured Adjustable Rate Mortgage (SARM) Loans



## STRUCTURED ADJUSTABLE RATE MORTGAGE (SARM) LOANS

<b>Borrower</b>	Domestic single asset, single purpose entity
<b>Occupancy Requirements</b>	85% physical occupancy for 90 days; 70% economic occupancy required
<b>Pricing</b>	Fees and interest rates are quoted daily
<b>Index</b>	30-day average SOFR
<b>Minimum Loan Amount</b>	\$25 million
<b>Term</b>	5, 7 or 10 years
<b>Amortization</b>	Up to 30 years: dependent on property condition and leverage; interest-only financing also available
<b>Accrual</b>	Actual/360
<b>Prepayment</b>	Loans may be voluntarily prepaid upon payment of graduated prepayment premium based on one of the following options selected prior to the loan commitment: a) 1-year lockout, then declining prepayment premium: 4% second year, 3% third year, 2% fourth year, 1% thereafter b) 1-year lockout followed by a 1% prepayment premium thereafter; no prepayment premium during the last 3 months of the loan term
<b>Maximum LTV</b>	75%
<b>Debt Coverage Ratio</b>	<ul style="list-style-type: none"> <li>• 1.00x, using the variable underwriting interest rate</li> <li>• Mortgage loan amount shall not exceed that of a fixed-rate loan of similar terms</li> </ul>
<b>Rate Lock</b>	<ul style="list-style-type: none"> <li>• 30- to 60-day commitments</li> <li>• An early rate lock feature is available on a case-by-case basis</li> </ul>
<b>Interest Rate Adjustments</b>	<ul style="list-style-type: none"> <li>• Occur every month</li> <li>• No limit on number or size of rate changes</li> </ul>
<b>Interest Rate Cap</b>	<ul style="list-style-type: none"> <li>• The borrower must purchase an interest rate cap from an approved interest rate cap provider</li> <li>• The term of the initial interest rate cap need not be equal to the term of the mortgage loan, but must be for at least 3 years</li> <li>• Borrower must escrow monthly for the purchase of the next interest rate cap</li> <li>• Fannie Mae counsel required to review rate cap documents at borrower's expense</li> </ul>
<b>Conversion to Fixed Rate</b>	Loans have a conversion feature whereby the interest rate may be converted to a 7- or 10-year fixed-rate loan
<b>Supplemental Mortgages</b>	Eligible after the first 12 months of the mortgage term
<b>Application Fee</b>	<ul style="list-style-type: none"> <li>• \$20,000 (nonrefundable) for third-party reports: engineering, phase 1 environmental, appraisal, zoning, insurance review and property inspection</li> <li>• \$5,000 processing fee</li> </ul>
<b>Requirements</b>	<ul style="list-style-type: none"> <li>• Escrow accounts for insurance, real estate taxes, special assessments</li> <li>• Replacement reserve account; minimum \$250/unit</li> <li>• Immediate repairs escrow and must be completed within 12 months of loan closing</li> <li>• Some escrow requirements may be waived if certain criteria are met</li> </ul>

### Program Highlights

- Attractive low-cost financing
- Convertible to fixed rate
- Flexible loan terms and prepayment premium options
- Ability to choose interest rate cap provider

### Eligible Properties

- Stabilized properties with at least five units (typically over 50)
- Acquisition or refinance
- Commercial income permitted, up to 20% of EGI

To learn more, visit

[www.regions.com/commercial-banking/real-estate-banking/real-estate-capital-markets](http://www.regions.com/commercial-banking/real-estate-banking/real-estate-capital-markets)

