

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





### STRUCTURED ADJUSTABLE RATE MORTGAGE (SARM) LOANS

Borrower	Domestic single asset, single purpose entity
Occupancy Requirements	85% physical occupancy for 90 days; 70% economic occupancy required
Pricing	Fees and interest rates are quoted daily
Index	30-day average SOFR
Minimum Loan Amount	\$25 million
Term	5, 7 or 10 years
Amortization	Up to 30 years: dependent on property condition and leverage; interest-only financing also available
Accrual	Actual/360
Prepayment	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
Maximum LTV	75%
Debt Coverage Ratio	<ul> <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>
Rate Lock	<ul> <li>30- to 60-day commitments</li> <li>An early rate lock feature is available on a case-by-case basis</li> </ul>
Interest Rate Adjustments	<ul><li>Occur every month</li><li>No limit on number or size of rate changes</li></ul>
Interest Rate Cap	<ul> <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>
Conversion to Fixed Rate	Loans have a conversion feature whereby the interest rate may be converted to a 7- or 10-year fixed-rate loan
Supplemental Mortgages	Eligible after the first 12 months of the mortgage term
Application Fee	<ul> <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>
Requirements	<ul> <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>

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#### 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