

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	 1.00x, using the variable underwriting interest rate Mortgage loan amount shall not exceed that of a fixed-rate loan of similar terms
Rate Lock	 30- to 60-day commitments An early rate lock feature is available on a case-by-case basis
Interest Rate Adjustments	Occur every monthNo limit on number or size of rate changes
Interest Rate Cap	 The borrower must purchase an interest rate cap from an approved interest rate cap provider 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 Borrower must escrow monthly for the purchase of the next interest rate cap Fannie Mae counsel required to review rate cap documents at borrower's expense
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	 \$20,000 (nonrefundable) for third-party reports: engineering, phase 1 environmental, appraisal, zoning, insurance review and property inspection \$5,000 processing fee
Requirements	 Escrow accounts for insurance, real estate taxes, special assessments Replacement reserve account; minimum \$250/unit Immediate repairs escrow and must be completed within 12 months of loan closing Some escrow requirements may be waived if certain criteria are met

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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