



# Fannie Mae

## Structured ARM

### DESCRIPTION

Deutsche Bank Berkshire Mortgage offers very competitive short-term interest rate and a simple execution under Fannie Mae's Structured ARM Product. A Structured ARM may be used for standard DUS loans including Manufactured Housing Communities, Seniors Housing, and Student Housing. Moderate Rehabilitation loans may be eligible on a case-by-case basis.

This product may not be used for MBS, Multifamily Affordable Housing loans, bond credit enhancements, new construction, and substantial rehabilitation.

### BENEFITS / FEATURES

- **Low-cost financing:** Significantly better pricing due to characteristics that are appealing to investors, such as a 1 day look back for rate changes, no delay in remittances, and no caps.
- **Simple, par-based execution:** Interest accruals and rate adjustments like any standard ARM; no need to estimate discounts or sell a security every 3 months.
- **Convertibility from variable-rate to fixed-rate:** Ability to convert to a fixed-rate loan at any rate change date after the first 3 months.
- **Improved cash flow:** Higher cash flow than standard ARMs in the early years due to amortization based on a fixed rate.

### LOAN STRUCTURE

LOAN AMOUNT ..... Single Assets: \$25 MM (minimum); Multiple Assets: 50 MM (minimum).

LOAN TO VALUE ..... 75% (maximum).

DEBT SERVICE COVERAGE ..... DSCR is calculated based on a Variable Underwriting Rate equal to the index, plus margin, plus interest rate cap escrow (if cap term shorter than loan term), plus 3%, converted to an amortizing constant. The minimum DSCR depends on the LTV and other risk characteristics of the loan and may be as low as 1.00 at the Variable Underwriting Rate (Tier 2).

LOAN TERMS ..... 5, 7, or 10 years are available.

AMORTIZATION ..... Up to 30 years. Interest Only options available.

RECOURSE ..... Non-recourse except for standard carve-out provisions.

RATES ..... Structured ARMs may be indexed to 1-month or 3-month LIBOR. Competitive rates priced daily. Call for quote.

INTEREST RATE CAP ..... Borrower must purchase an interest rate cap from an approved third-party cap provider. The term of the cap need not be equal to the term of the loan, but must be for at least 5 years. If the loan term is longer than the cap term, the borrower must escrow monthly for the purchase of the next cap at 125% of estimated cap costs.

### OPTIONAL FEATURES

SUPPLEMENTAL FINANCING ..... Both fixed- and adjustable-rate DUS Supplemental Loans are permitted.

ASSUMABILITY ..... Loans are assumable, subject to review and approval by Lender and Fannie Mae.

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- PREPAYMENT ..... **1% prepayment option:** 1-year lockout on prepayment of loan; 1% prepayment premium thereafter; no prepayment premium is charged if the loan is paid off during its last 3 months.
- ..... **5-4-3-2-1 option:** No lockout period; 5%, 4%, 3%, 2%, or 1% prepayment premium applies based on the year the loan prepays; no prepayment premium is charged if the loan is paid off during its last 3 months.
- EARLY RATE LOCK ..... Available for qualified transactions.

**CONVERSION REQUIREMENTS**

A Structured ARM may be converted to a 7- or 10-year fixed-rate cash or MBS loan on any Rate Change Date beginning with the first day of the fourth month of the loan and ending on the last day of the fourth month prior to maturity, provided the loan has not been delinquent during the previous 12 months and is not in default under any loan document.

- No prepayment penalty is charged at the time the Structured ARM converts to a fixed-rate loan.
- Conversion requires only minimal re-underwriting. The lender determines that the current NOI can support the new fixed rate on the loan. There is no increase in the loan amount, but the loan may be eligible for a DUS Supplemental Loan.
- Conversion is not allowed during the last 3 months prior to maturity.
- No change in guaranty or servicing fees if conversion occurs during the first 60 months of the loan.

The Structured ARM may convert to:

- 7-year loan with either a 5-year or a 6.5-year yield maintenance period
- 10-year loan with either a 7-year or a 9.5-year yield maintenance period
- 7- through 10-year Extended Maturity loan (cash only, no MBS).