Fannie Mae DUS®

Structured Adjustable-Rate Mortgage (SARM)

Arbor's DUS® Structured Adjustable-Rate Mortgage (SARM) product offers increased proceeds over the fixed-rate product with a lower initial interest rate. With an easy-to-use conversion feature, Arbor's DUS SARM product gives owners an attractive option in a higher interest rate environment.

Benefits	• Attractive low-cost financing • Convertible to fixed rate • Flexible loan terms and prepayment premium options • Ability to choose interest rate cap provider
Eligibility	• Existing, stabilized Conventional properties; Multifamily Affordable Housing properties; Seniors Housing properties; Student Housing properties; and Manufactured Housing Communities • Mortgage loans secured by properties undergoing Moderate Rehabilitation may be eligible on a case-by-case basis • Credit Enhancement Mortgage Loans and Substantial Rehabilitation are not eligible • Loans of $25 million or more
Term	Five to 10 years
Amortization	Up to 30 years
Interest Rate Adjustments	Interest rate adjusts monthly based on changes to the underlying Index and is equal to the Index plus the Margin. No limit on rate changes.
Maximum LTV	65%: Conventional Properties 70%: MAH Properties
Minimum DSCR	1.05x, using a DSCR calculated based on a maximum note rate; mortgage loan amount must not exceed that of a fixed-rate mortgage loan of similar terms
Rate Lock	Maximum 45-day commitment
Supplemental Financing	Supplemental Mortgage Loans are available
Prepayment Availability	After a required lock-out period (typically, the first Loan Year), a SARM Loan may be voluntarily prepaid. Lender selects the option of a declining prepayment premium or a 1% prepayment premium. No prepayment premium required during the "open period" (typically the last three months of the mortgage loan term).
Maximum Note Rate	Sum of (i) the investor spread, Guaranty Fee and Servicing Fee, plus (ii) the Minimum Cap Strike Rate set by Fannie Mae.
Index	30-Day Average SOFR
Interest Rate Cap	• SARM Loans 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 initial interest rate cap must be for at least 5 years. • If the mortgage loan term is longer than the interest rate cap term, the borrower must fund a cash reserve equal to at least 110% of the current replacement cap

cost at loan closing for the purchase of the next interest rate cap. Replacement cap escrows cannot be held for longer than three years.

- For Structured Transactions where the loan term is seven or 10 years, the cap term will be on a 3-3-1 or 3-3-3-1 schedule. Replacement cap escrows cannot be held for longer than three years.

Interest Rate Floor	The interest rate shall never be less than the Margin
Conversion to Fixed Rate	SARM Loans have a conversion feature whereby the interest rate may be converted to a 7- or 10-year fixed rate Mortgage Loan on any rate change date after the required Lockout Period (typically the first Loan Year) and before the start of the "open period" (typically the last day of the 4th month preceding the end of the Mortgage Loan term), provided the Mortgage Loan has not been delinquent during the previous 12 months and the Borrower is not in default under any Loan Document. • No prepayment premium charged at the time the SARM Loan converts to a fixed-rate mortgage loan • Minimal re-underwriting; Lender must determine that the current Net Cash Flow can support the new fixed-rate mortgage loan terms • No increase in the loan amount; mortgage loan may be eligible for a Supplemental Mortgage Loan
Accrual	Actual/360
Recourse	Non-recourse execution with standard carve-outs for “bad acts” such as fraud and bankruptcy
Escrows	Replacement reserve, tax, and insurance escrows are typically required
Third-Party Reports	Standard third-party reports required, including Appraisal, Phase I Environmental Site Assessment, and Property Condition Assessment
Assumption	Mortgage loans are typically assumable, subject to review and approval of the new borrower’s financial capacity and experience