# Interest-Rate Cap Options for Floating-Rate Cash Loans with a 7-Year Term

<table>
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<tr>
<th>Term of Initial Cap*</th>
<th>Cap Termination Date(s)</th>
<th>Uncapped</th>
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| 3 years (minimum)    | Borrower may select any term length for the initial cap so long as the initial term is not less than 3 years | No caps, but:  
  • Requires loan-to-value (LTV) ratio less than 60%  
  • Must achieve a minimum 1.05x debt service coverage ratio (DCR) at 7% interest rate |

| Term(s) of Replacement Cap(s)* | As each cap ends, borrower may select any term for the replacement cap so long as the term of the replacement caps is not less than 1 year | None |

| Escrow Sizing | Calculated and maintained at 125% of the cost of a single replacement cap that has a term equal to the number of years from the end of the current cap to the maturity of the loan  
  • 125% escrow is maintained until borrower obtains a cap with a term equal to the maturity of the loan | None |

| Escrow Analysis Frequency | Semi-annual | Escrow cannot be recalculated less frequently than semi-annually unless policy-compliant loan-to-value (LTV) ratio is reduced by 5% at the time of underwriting | None |

* All caps must have terms in annual increments.
Example: Initial 3-year cap with replacement caps for 7-year cash loans

**At origination:** The borrower purchases 3-year cap and escrows 125% the cost of a cap with a term of 4 years.

**Start of Year 4:** At the end of the initial 3-year cap, the borrower purchases a 1-year cap to follow, and escrows 125% of the cost of a cap for the remaining 3-year term of the loan.

**Start of Year 5:** At the end of the 1-year cap, the borrower purchases a 2-year cap to follow, and escrows 125% of the cost of a cap for the remaining 1-year term of the loan.

**Start of Year 7:** At the end of the 2-year cap, the borrower purchases a 1-year cap to follow. No escrow is necessary as this cap provides coverage until the maturity of the loan.