



Fannie Mae®

Multifamily Selling and Servicing Guide

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707.02 Restabilization Reserve

Requirements

For all Tier 2 and Tier 3 Mortgage Loans, you must establish a Restabilization Reserve for an MAH Property that has a HAP contract if the HAP contract term (excluding any annual or incremental government appropriation conditions) expires before the Mortgage Loan Maturity Date.

The Restabilization Reserve must:

- equal the monthly Mortgage Loan P&I, multiplied by the greater of
 - 6 months, or
 - the lease-up period determined by the market study per [Part III, Chapter 7: Multifamily Affordable Housing Properties, Section 703.02B: Market Study](#); and
- remain in place until
 - the Property achieves underwritten occupancy for 90 days at market rate rents, or
 - the HAP contract is renewed with an expiration date after the Mortgage Loan Maturity Date.

You may eliminate the Restabilization Reserve if the:

- weighted average LIHTC unit rents are at least 10% below market;
- MAH Property is located in a market or submarket with 90% or greater economic occupancy, both for market rate and MAH Properties; and
- Sponsor has experience and success owning and operating properties with HAP contracts.



Glossary

H

HAP	HUD project-based Section 8 rental subsidy in the form of a Housing Assistance Payment contract.
	Synonyms <ul style="list-style-type: none">• Housing Assistance Payment

M

Maturity Date	Date all Mortgage Loan amounts become fully due and payable per the Loan Documents.
	Synonyms <ul style="list-style-type: none">• Maturity Dates
Mortgage Loan	Mortgage debt obligation evidenced, or when made will be evidenced, by <ul style="list-style-type: none">• the Loan Documents, or• a mortgage debt obligation with a Fannie Mae credit enhancement.
	Synonyms <ul style="list-style-type: none">• Mortgage Loans• Mortgage Loan's

P

P&I	Principal and interest
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Property

Multifamily residential real estate securing the Mortgage Loan, including the

- fee simple or Leasehold interest,
- Improvements, and
- personal property (per the Uniform Commercial Code).

Synonyms

- Properties
- Property's

S

Sponsor

Principal equity owner and/or primary decision maker of the Borrower (often the Key Principal or the Person Controlling the Key Principal).

Synonyms

- Sponsors
- Sponsor's