

Multifamily Selling and Servicing Guide

Effective as of September 8, 2025

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Section 406 Replacement Reserve

406.01 Determining Replacement Reserve

Requirements

You must ensure that the Borrower has sufficient reserves to cover anticipated capital replacement and major maintenance costs. The total amount in the Replacement Reserve should equal or exceed the anticipated costs (adjusted for inflation) of all necessary capital item replacements and major maintenance needs and repairs for the period from the Mortgage Loan Origination Date to whichever is sooner:

- 2 years after the Maturity Date of the Mortgage Loan; or
- 12 years after the Mortgage Loan Origination Date.

To determine the minimum amount of the Replacement Reserve, you must:

- obtain a PCA (Form 4099); and
- complete the schedule of items to be included in the Replacement Reserve Schedule
 - using the cost estimates in the PCA, and
 - taking into account any items not already included on the Completion/Repair Schedule.

406.02 Replacement Reserve Funding

Requirements

You must ensure that the costs of all items included in the Replacement Reserve Schedule have been fully funded for

- any Tier 2 Mortgage Loan, and
- any Mortgage Loan, regardless of Tier, that requires Completion/Repairs costing more than
 - 4% of the Property's Underwriting Value for refinances, or
 - 6% of the Property's Underwriting Value for Acquisitions.

If you choose to modify the Loan Documents to not fund a Replacement Reserve for a Tier 3 or Tier 4 Mortgage Loan, you must use the appropriate Replacement Reserve Schedule.



Guidance

You may choose not to fund a Replacement Reserve for any Tier 3 or Tier 4 Mortgage Loan if

- the required Completion/Repairs do not exceed the levels specified in this Section, and
- you determine that the Borrower has the financial capacity to fully address future capital expenditures as outlined in the PCA.

406.03 Alternative Replacement Reserve Funding

Guidance

Instead of full funding, you may choose this alternative method for funding the Replacement Reserve.

Requirements

If you choose this alternative funding, you must have the Borrower deposit the following amounts on the Mortgage Loan Origination Date:

- Monthly deposits for at least 2 years.
- For any significant capital item replacement or major maintenance need that you deem appropriate, an amount sufficient to cover anticipated costs for the period from the Mortgage Loan Origination Date to whichever is sooner:
 - 2 years after the Maturity Date of the Mortgage Loan; or
 - 12 years after the Mortgage Loan Origination Date.

You must hold these amounts in the Replacement Reserve for the entire term of the Mortgage Loan, and may not make them available for refund to the Borrower until the Mortgage Loan has been paid in full.



Person who is the obligor per the Note.

Glossary

B

L

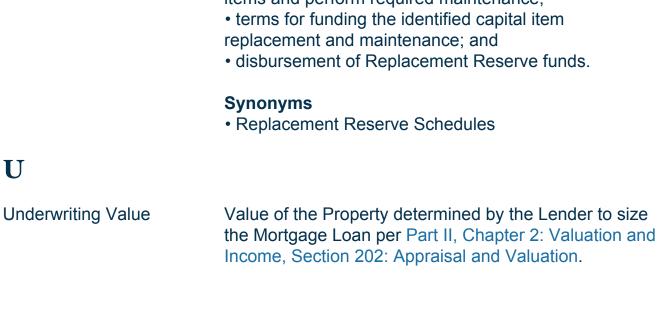
	Synonyms • Borrowers • Borrower's
С	
Completion/Repair Schedule	 The Required Repair Schedule to the Multifamily Loan Agreement (Form 6001 series) and the applicable parts of the Multifamily Loan Agreement, or other Fannie Mae- approved agreement, evidencing: the Borrower's agreement to fund the Completion/Repair Escrow, and perform Completion/Repairs; and Completion/Repair Escrow disbursement terms. Synonyms Completion/Repair Schedules
Completion/Repairs	Repairs or capital item replacements and deferred maintenance: • identified per the Property Condition Assessment; and • required per the • Completion/Repair Schedule, or • Completion/Repair Agreement.

Borrower

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Loan Documents	All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.
	Synonyms • Loan Document • Mortgage Loan Document • Mortgage Loan Documents
Μ	
Maturity Date	Date all Mortgage Loan amounts become fully due and payable per the Loan Documents.
	Synonyms Maturity Dates
Mortgage Loan	Mortgage debt obligation evidenced, or when made will be evidenced, by • the Loan Documents, or • a mortgage debt obligation with a Fannie Mae credit enhancement.
	Synonyms • Mortgage Loans • Mortgage Loan's
Mortgage Loan Origination Date	Date you fund a Mortgage Loan to the Borrower. Synonyms
D	 Mortgage Loan's Origination Date Origination Date



R	
Replacement Reserve	Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.
	Synonyms • Replacement Reserves
Replacement Reserve Schedule	The Required Replacement Schedule to the Multifamily Loan Agreement (Form 6001 series) and the applicable parts of the Multifamily Loan Agreement (or other agreement approved by Fannie Mae), that evidence the: • Borrower's agreement to replace identified capital items and perform required maintenance; • terms for funding the identified capital item replacement and maintenance; and • disbursement of Replacement Reserve funds.
	Synonyms Replacement Reserve Schedules
U	

Loan, including the

• Improvements, and

Synonyms Properties • Property's

• fee simple or Leasehold interest,

Property

Multifamily residential real estate securing the Mortgage

• personal property (per the Uniform Commercial Code).