



Fannie Mae®

Multifamily Selling and Servicing Guide

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TABLE OF CONTENTS

Part III Section 1804.07 Replacement Reserve 3

GLOSSARY 4



1804.07 Replacement Reserve

Requirements

You must ensure the Replacement Reserve is funded as follows:

If...	Then...
The Property <ul style="list-style-type: none">• is located in a Pre-Review Market that is not eligible for delegation at any Tier per Section II of Form 4660 , and• the market was a Pre-Review Market when the Portfolio Mortgage Loan was originated.	The Borrower must fully fund the Replacement Reserve.
The Property <ul style="list-style-type: none">• is located in a Pre-Review Market that is not eligible for delegation at any Tier per Section II of Form 4660 , and• the market was not a Pre-Review Market when the Portfolio Mortgage Loan was originated.	You must determine the Replacement Reserve funding per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve .
The Property is located in <ul style="list-style-type: none">• a Strong Market,• a Nationwide Market, or• a Pre-Review Market that is eligible for Tier 3 and Tier 4 Mortgage Loans on a delegated basis per Section II of Form 4660 .	You must determine the Replacement Reserve funding per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve .



Glossary

B

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

F

Form 4660 Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans.

Synonyms

- Multifamily Underwriting Standards

L

Lease Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent.

Synonyms

- Leases

P

Portfolio Mortgage Loan Mortgage Loan purchased by Fannie Mae and held as of a certain date regardless of whether it is a Cash Mortgage Loan or an MBS Mortgage Loan.

Synonyms

- Portfolio Mortgage Loans
- Portfolio Mortgage Loan's



Pre-Review

Requirement that you obtain Fannie Mae's approval before you Rate Lock a Mortgage Loan.

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

R

Replacement Reserve

Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.

Synonyms

- Replacement Reserves