



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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## **203.08C** Required Annual Adjustment to Correct Principal Balance vs. Security Balance Difference

Other differences may arise in the reconciliation between the UPB of the Mortgage Loan in a Security Pool and the outstanding Security Balance. These differences cannot exceed more than \$0.25 for any Mortgage Loan in the Security Pool. At least once a year, the Servicer must make an adjustment to correct any differences.

### **1. If Security Balance is Greater than UPB**

If the Security Balance is higher than the UPB of the Mortgage Loan, the Servicer must immediately deposit the funds in the “scheduled/scheduled” P&I Custodial Account for Security Pools so that the funds can be passed through to Fannie Mae (as an “unscheduled” principal collection) with the Servicer’s next monthly remittance.

### **2. If Security Balance is Lower than UPB**

If the Security Balance is lower than the UPB of the Mortgage Loan, the Servicer may adjust a subsequent pass-through amount that includes an “unscheduled” principal collection to correct for this difference.



# Glossary

## M

Mortgage Loan	<p>Mortgage debt obligation evidenced, or when made will be evidenced, by</p> <ul style="list-style-type: none"><li>• the Loan Documents, or</li><li>• a mortgage debt obligation with a Fannie Mae credit enhancement.</li></ul> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Mortgage Loans</li><li>• Mortgage Loan's</li></ul>
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## P

P&I Custodial Account	<p>Custodial Account for principal and interest deposits.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• P&amp;I Custodial Accounts</li></ul>
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## S

Security	<p>MBS, PFP MBS, or REMIC.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Securities</li></ul>
Security Balance	<p>For an MBS Pool, the Issue Date Principal Balance minus any MBS principal distribution amounts included in previous MBS monthly remittances.</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Security Balances</li></ul>



Servicer	<p>Primary Person servicing the Mortgage Loan, including</p> <ul style="list-style-type: none"><li>• the originator,</li><li>• seller, or</li><li>• a third party.</li></ul> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• Servicers</li><li>• Servicer's</li></ul>
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## U

UPB	<p>Unpaid Principal Balance</p> <p><b>Synonyms</b></p> <ul style="list-style-type: none"><li>• UPBs</li></ul>
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