



Fannie Mae®

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# 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.
	<b>Synonyms</b> <ul style="list-style-type: none"><li>• Housing Assistance Payment</li></ul>

## M

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

## 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