



Fannie Mae®

Multifamily Selling and Servicing Guide

Effective as of March 11, 2025

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1907.02 Principal Reserve Fund

Operating Procedures

Topics	Principal Reserve Fund Process
Borrower Election	<p>Before Commitment, the Borrower must select 1 of the following options to redeem Bonds:</p> <ul style="list-style-type: none">• Minimum Dollar Balance:<ul style="list-style-type: none">- Required option for a non-single-asset entity Borrower.- PRF deposits accumulate until the balance is at least \$100,000.- Bonds eligible for redemption are redeemed in \$100,000 increments.• Minimum Percentage Balance:<ul style="list-style-type: none">- PRF deposits accumulate until the balance is at least \$100,000 greater than 20% of the original Bond principal amount.- Bonds eligible for redemption are redeemed in \$100,000 increments, but the redemption payments may not reduce the PRF balance below 20% of the original Bond principal amount.
PRF Deposit Amount	<p>PRF deposits represent the principal amortization amount of the Credit Enhancement Mortgage Loan based on</p> <ul style="list-style-type: none">• level P&I payments throughout the Bond term, and• amortization per Part III, Chapter 19: Bond Transactions and Credit Enhancement Mortgage Loans, Section 1907.01: Terms.
PRF Deposit Schedule	<p>On the Mortgage Loan Origination Date, you must calculate and attach the Schedule of Deposits to the Principal Reserve Fund to the Reimbursement Agreement.</p>



Glossary

B

Bonds Tax-exempt or taxable multifamily revenue bonds, or other tax-exempt or taxable bonds, issued to finance 1 or more Credit Enhancement Mortgage Loan Properties.

Synonyms

- Bond

Borrower Person who is the obligor per the Note.

Synonyms

- Borrowers
- Borrower's

C

Commitment Contractual agreement between you and Fannie Mae where Fannie Mae agrees to buy a Mortgage Loan at a future date in exchange for an MBS, or at a specific price for a Cash Mortgage Loan, and you agree to Deliver that Mortgage Loan.

Synonyms

- Committed
- Commitments

Credit Enhancement Mortgage Loan Mortgage Loan financed by a Bond issuance where Fannie Mae provides credit enhancement by

- a Credit Enhancement Instrument, or
- an MBS for Bonds.

Synonyms

- Credit Enhancement Mortgage Loans

M



Mortgage Loan
Origination Date

Date you fund a Mortgage Loan to the Borrower.

Synonyms

- Mortgage Loan's Origination Date
- Origination Date

P

P&I

Principal and interest

PRF

Account you hold accumulating principal amortization payments for variable rate Bond credit enhancements.

Synonyms

- Principal Reserve Fund

Principal

Person who owns or controls specified interests in the Borrower per [Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals](#), [Section 303: Key Principals, Principals, and Guarantors](#).

Synonyms

- Principals