



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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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"><li>• Minimum Dollar Balance:<ul style="list-style-type: none"><li>- Required option for a non-single-asset entity Borrower.</li><li>- PRF deposits accumulate until the balance is at least \$100,000.</li><li>- Bonds eligible for redemption are redeemed in \$100,000 increments.</li></ul></li><li>• Minimum Percentage Balance:<ul style="list-style-type: none"><li>- PRF deposits accumulate until the balance is at least \$100,000 greater than 20% of the original Bond principal amount.</li><li>- 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.</li></ul></li></ul> |
| 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"><li>• level P&amp;I payments throughout the Bond term, and</li><li>• amortization per <a href="#">Part III, Chapter 19: Bond Transactions and Credit Enhancement Mortgage Loans, Section 1907.01: Terms</a>.</li></ul>   |
| 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