Fannie Mae®

Multifamily Selling and Servicing Guide

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Section 505 Replacement Reserve

☑ Requirements

The minimum Replacement Reserve amount must equal the greatest of:

- the amount calculated per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve;
- $300 per unit per year for a Property with no Skilled Nursing units; or
- $450 per unit per year for a Property with any Skilled Nursing units.

Glossary

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

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
Replacements	Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required. **Synonyms** • Replacement

S

Skilled Nursing	Seniors Housing Property with units that are highly regulated and provide 24-hour resident supervision and registered nursing care services.