

# Multifamily Selling and Servicing Guide

Effective as of December 1, 2025

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## 1704.07 Replacement Reserve

### ☑ Requirements

You must ensure the Replacement Reserve is funded as follows:

If	Then
The Property  • is located in a Pre-Review Market that is not eligible for delegation at any Tier per Section II of Form 4660, and • the market was a Pre-Review Market when the Portfolio Mortgage Loan was originated.	The Borrower must fully fund the Replacement Reserve.
The Property  • is located in a Pre-Review Market that is not eligible for delegation at any Tier per Section II of Form 4660, and • the market was not a Pre-Review Market when the Portfolio Mortgage Loan was originated.	You must determine the Replacement Reserve funding per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve.
The Property is located in  • a Strong Market,  • a Nationwide Market, or  • a Pre-Review Market that is eligible for Tier 3 and Tier 4 Mortgage Loans on a delegated basis per Section II of Form 4660.	You must determine the Replacement Reserve funding per Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve.

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## **Glossary**

#### B

Borrower

Person who is the obligor per the Note.

#### **Synonyms**

- Borrowers
- · Borrower's

#### F

Form 4660

Multifamily Underwriting Standards identifying Pre-Review Mortgage Loans and containing the underwriting requirements (e.g., debt service coverage ratio, loan to value ratio, interest only, underwriting floors, etc.) for all Mortgage Loans.

#### **Synonyms**

Multifamily Underwriting Standards

#### 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

Portfolio Mortgage Loan Mortgage Loan purchased by Fannie Mae and held as of a certain date regardless of whether it is a Cash Mortgage Loan or an MBS Mortgage Loan.

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#### **Synonyms**

- Portfolio Mortgage Loans
- Portfolio Mortgage Loan's



Pre-Review Requirement that you obtain Fannie Mae's approval

before you Rate Lock a Mortgage Loan.

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).

Effective: 12/01/2025

**Synonyms** 

Properties

Property's

R

Replacement Reserve Custodial Account the Borrower funds during the

Mortgage Loan term for Replacements.

**Synonyms** 

• Replacement Reserves