



Fannie Mae®

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# Multifamily Selling and Servicing Guide

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**TABLE OF CONTENTS**

---

Part III Section 1804.07 Replacement Reserve ..... 3

GLOSSARY ..... 4



## 1804.07 Replacement Reserve

### Requirements

You must ensure the Replacement Reserve is funded as follows:

If...	Then...
The Property <ul style="list-style-type: none"><li>• is located in a Pre-Review Market that is not eligible for delegation at any Tier per Section II of Form 4660 , and</li><li>• the market was a Pre-Review Market when the Portfolio Mortgage Loan was originated.</li></ul>	The Borrower must fully fund the Replacement Reserve.
The Property <ul style="list-style-type: none"><li>• is located in a Pre-Review Market that is not eligible for delegation at any Tier per Section II of Form 4660 , and</li><li>• the market was not a Pre-Review Market when the Portfolio Mortgage Loan was originated.</li></ul>	You must determine the Replacement Reserve funding per <a href="#">Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve</a> .
The Property is located in <ul style="list-style-type: none"><li>• a Strong Market,</li><li>• a Nationwide Market, or</li><li>• 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 .</li></ul>	You must determine the Replacement Reserve funding per <a href="#">Part II, Chapter 4: Lease Audits, Inspections, and Reserves, Section 406: Replacement Reserve</a> .



# 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.

### 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).

### **Synonyms**

- Properties
- Property's

# R

## Replacement Reserve

Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.

### **Synonyms**

- Replacement Reserves