



## Calculating Reserves for Additional Financed Properties

### Determining the Number of Financed Properties

The number of financed property is cumulative for all borrowers (jointly owned are only counted once). The count includes the actual number of properties that are financed (as defined below) not the number of mortgages on the property.

Included in the financed property determination:

- 1-4 unit residential properties where the borrower is personally obligated on the loan, and
- Includes the borrower's primary residence if it is financed.

The following are not included in the property count even when the borrower is personally obligated on the loan:

- Commercial real estate,
- Multifamily property consisting of 5 or more units,
- Timeshare property,
- Vacant lots (residential or commercial),
- Manufactured home on a leasehold estate that is not titled as real property (chattel lien on the home).

### Reserve Requirements for Additional Financed Properties

Reserves have been redefined as percentage of aggregate unpaid principal balance.

- 2% of the aggregate UPB if the borrower has one to four financed properties,
- 4% of the aggregate UPB if the borrower has five to six financed properties, or
- 6% of the aggregate UPB if the borrower has seven to ten financed properties.

The aggregate UPB calculation does not include the mortgages and HELOCs that are on

- The borrower's primary residence,
- The subject property,
- Property that are sold or pending sale, and
- Accounts that will be paid by closing (or omitted in Desktop Underwriter on the online loan application).



**Underwriter (DU) Reserve Requirement for Subject Property**

DU reserve requirement for the subject property remains unchanged and requirement is independent of the required reserve calculation for the additional financed properties.

- Subject is second home: 2 months PITIA reserves required
- Subject property is an investment property: 6 months PITIA reserves required

Note: Based on overall risk assessment of the loan file, Desktop Underwriter (DU) reserves requirement for subject property may vary.

Example – Calculating Reserves for Additional Financed Properties

- **Example 1: Borrower has a total of four financed properties (includes subject):** 2% of aggregate UPB on other financed properties required. Desktop Underwriter (DU) will determine any reserves that may be required on the subject second home property.

Occupancy	Outstanding UPB	Reserve Calculations	
Second Home (Subject)	\$78,750 with \$776 PITIA payment	2 Months PITIA =	\$1,552
Primary Residence	\$160,000 (not included in additional reserves calculation)	N/A	\$0
Investment Property	\$87,550 (included in additional reserve calculation)	\$230,050 x 2%*	\$4,601
Investment property	\$142,500 (included in additional reserve calculation)		
<b>Total UPB</b>	\$230,050		
<b>Total Reserves Required:</b> (includes subject reserves plus additional financed property reserves)			<b>\$6,153</b>



- **Example 2: Borrower has a total of eight financed properties (includes subject):** 6% of aggregate UPB on other financed properties required for additional reserves. Desktop Underwriter (DU) will determine any reserves that may be required on the subject Investment property.

Occupancy	Outstanding UPB	Reserve Calculations	
Investment Property (Subject)	\$78,750 with \$776 PITIA payment	6 Months PITIA =	\$4,656
Primary Residence	\$133,000 (not included in additional reserves calculation)	N/A	\$0
Investment Property	\$87,550 (included in additional reserve calculation)	\$629,530 x 6%* *(% required for 8 Financed properties)	\$37,772
Investment Property	\$142,500 (included in additional reserve calculation)		
Investment Property	\$84,950 (included in additional reserve calculation)		
Investment Property	\$30,030 (included in additional reserve calculation)		
Investment Property	\$160,000 (included in additional reserve calculation)		
Second Home	\$124,500 (included in additional reserve calculation)		
<b>Total UPB</b>	\$629,530.00		
<b>Total Reserves Required:</b> (includes subject reserves plus additional financed property reserves)			<b>\$42,428</b>