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Freddie Mac revisions: Association lien priority states take note

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CAI is working to ensure that residents of community associations have access to fair and affordable mortgages through our engagement with federal agencies on reform of Government Sponsored Enterprises (GSEs). Government sponsored entities such as Fannie Mae and Freddie Mac have been important actors in ensuring the flow of capital into the mortgage finance system, ensuring the availability of affordable financing for homebuyers for over a generation.

The federal government's decision to end the role of Fannie Mae and Freddie Mac in the housing finance system will impact the availability of mortgage financing and the cost of obtaining a mortgage as the functions of Fannie Mae and Freddie Mac are turned over to private sector entities. GSE reform will impact the ability of the market place to attract financing for Americans to purchase homes. CAI is closely monitoring these changes as they affect community associations across the country and associations should take note of the most recent Freddie Mac policy revisions.

Assessment Delinquencies in Super Lien States

On August 15th, Freddie Mac announced a new policy for payment of association assessments in States with association lien priority.

Under the new policy, Freddie Mac is setting aside its prior 6 month limit on payment of association assessments, pre-foreclosure sale, in favor of a new reimbursement schedule. Mortgage servicers paying association assessments in priority lien States to protect the position of the first mortgage may be reimbursed the lesser of:

- * The actual amount in regular assessments advanced by the servicer to the association;
- * The maximum amount in regular assessments, per the declaration or bylaws, that take priority over the first mortgage; and
- * The maximum amount in regular assessments that, under State law, take priority over the first mortgage.

Associations should be aware of this new reimbursement schedule that may permit recovery of additional assessments, particularly in States that have recently amended association priority lien statutes.

Concurrently, Freddie Mac also announced new property inspection guidelines, including a new requirement that servicers order monthly interior inspections for properties that are confirmed to be abandoned. Servicers are also granted additional flexibility to inspect properties pursuant to State requirements or local ordinance.

To read Freddie Mac Bulletin 2013-15 visit www.caionline.org.

CAI's Mortgage Matters initiative is a comprehensive response to critical challenges at the federal

level. The common thread to each of these challenges is to ensure that potential homebuyers have access to affordable mortgage products and that the criteria used to determine loans in community associations are realistic measures of an association's financial health. As the rules being developed today will likely govern mortgages and thus the financial health of associations for the next several decades, the stakes could not be higher.

Paul Garrett, CMCA, AMS, PCAM, is 2013 CAI-NE chapter president, and president and CEO of Maine Properties, Inc., Scarborough, Me.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540