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Fannie Mae and Freddie Mac new lender requirements in effect September 2023

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In July, Fannie Mae and Freddie Mac released updates to project eligibility standards for condominiums and housing cooperatives. A project refers to a condominium, housing cooperative, or any multi-family common interest ownership association with more than five attached units. Project standards are specific requirements outlined by Fannie Mae and Freddie Mac. The mortgage lender must verify each project is satisfactory. Fannie Mae and Freddie Mac purchase loans from mortgage lenders so lenders have access to capital, and can provide mortgages to more homebuyers.

Fannie Mae and Freddie Mac are the financial engine for home mortgages in the U.S. As of 2023, Fannie Mae and Freddie Mac support around 70% of the mortgage market, according to the National Association of Realtors. Most conventional loans offered by private lenders end up being backed or purchased by Fannie Mae or Freddie Mac.

It is critically important for condominium and housing cooperative buildings (projects) to have access to loans that will meet the Fannie Mae and Freddie Mac qualifications. CAI continues to provide specific feedback to Fannie Mae and Freddie Mac regarding the requirements to make sure they are achievable by most condominium and housing cooperative projects and ensure mortgage lending availability. These Fannie Mae and Freddie Mac requirements officially go into effect Sept. 18. However, mortgage lenders may implement the practices immediately.

Boards of directors and managers will likely see these changes arise in lender questionnaires and requests from lenders for additional documentation including:

- Insurance policies;
- Budgets;
- Financial reports;
- Reserve studies and funding schedules;
- Documentation regarding special assessments, if applicable;
- Documentation about litigation or ADR, if applicable; and
- Building inspection reports, if available.

When lenders ask community association boards and/or managers to complete questionnaires, they will also be asking for the documentation referenced above. If the community association does not provide this information to lenders as requested the project may be deemed ineligible, and Fannie Mae may put the condominium project on an ineligible list for lending. Because Fannie Mae and Freddie Mac back so many mortgages in the U.S., this could be devastating for a condominium or housing cooperative association.

A link to the full standards can be found online at:

Freddie Mac Lender Bulletin <https://guide.freddiemac.com/app/guide/bulletin/2023-15>

Fannie Mae Lender Bulletin <https://singlefamily.fanniemae.com/media/36376/display>

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