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Condominium lending: CAI guide assists in navigating eligibility issues

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In an evolving regulatory landscape, condominium boards and managers across New England face challenges that impact property values and home sales. Community Associations Institute (CAI) has recently released a guidance document addressing lending eligibility with Fannie Mae and Freddie Mac.

Mortgage Financing Eligibility: Fannie Mae and Freddie Mac Guidelines

The tragic collapse of Champlain Towers South in Surfside, Florida, in 2021 prompted Fannie Mae and Freddie Mac to implement stringent underwriting requirements for condominiums and housing cooperatives. These measures, while aimed at enhancing safety, have created hurdles for many associations. Properties flagged as “ineligible” are unable to secure mortgages backed by Fannie Mae and Freddie Mac, thereby affecting home sales, property values, and the financial stability of entire communities.

To address these concerns, CAI has introduced the guidance document titled Condominium Lending: Fannie Mae/Freddie Mac Your Condominium Association/Housing Coop Eligibility Status. This resource assists community associations in understanding and navigating lending eligibility issues that may impact property values and home sales. The guidance outlines common reasons for ineligibility, such as deferred maintenance, insufficient reserves, or pending litigation and provides actionable steps to resolve them. It also offers instructions to reinstate lending eligibility.

A survey conducted by the Foundation for Community Association Research highlights the urgency of this issue:

- 42% of respondents were unsure about their association's eligibility for Fannie Mae or Freddie Mac financing.
- 37% took steps to determine eligibility only after experiencing a denied mortgage loan.
- 40% acknowledged characteristics in their communities that could trigger ineligibility.
- Among those deemed ineligible, 64% reported negative impacts on home sales or property values.

Given the high concentration of condominiums in urban centers like Boston and Providence, New

England associations must proactively assess their eligibility status. Engaging with this guidance can prevent unforeseen financing obstacles and maintain the economic vitality of communities.

Proactive Measures for New England Condominium Associations

Condominium boards and managers in New England should take the following steps to align with CAI's guidance:

- **Assess Lending Eligibility:** Utilize CAI's tools to determine your association's status with Fannie Mae and Freddie Mac.
- **Review Maintenance and Reserve Policies:** Ensure that deferred maintenance is addressed and reserve funds meet required thresholds.

By proactively engaging with guidance documents, New England condominium associations can navigate the complexities of federal compliance, protect their communities, and maintain the financial well-being of their residents.

For further information and to access guidance documents, visit CAI's Advocacy Blog at www.caionline.org/advocacy/

Dawn Bauman, CAE, is CAI's senior vice president of government and public affairs and the executive director of the Foundation for Community Association Research, Wellesley, Mass.

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