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CONDOMINIUM LENDING (Fannie Mae/Freddie Mac)

Your Condominium Association/Housing Coop Eligibility Status



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CONDOMINIUM LENDING: Fannie Mae/Freddie Mac Your Condominium Association/Housing Coop Eligibility Status

Ensuring your condominium project is eligible for financing through Fannie Mae and Freddie Mac is critical for maintaining property values and facilitating smooth transactions for buyers and sellers. Both entities have specific criteria that projects must meet to qualify for their loan programs. Projects that do not meet these criteria may be deemed ineligible, affecting the ability of potential buyers to secure mortgage financing.

Understanding Ineligibility Criteria

Fannie Mae and Freddie Mac have outlined characteristics that can render a condominium project ineligible:

- **Fannie Mae:** Projects may be deemed ineligible due to factors such as operation as a hotel or motel, deferred maintenance, inadequate insurance coverage, or a high percentage of units being owned by a single entity. [Fannie Mae Guidelines may be found here.](#)
- **Freddie Mac:** Ineligibility can arise from issues like insufficient insurance coverage, structural problems, or other critical deficiencies.

Checking Your Condominium Association's Status

To determine if your condominium project is on the ineligible list:

1. **Fannie Mae:** Access to Fannie Mae's list of ineligible projects is typically restricted to lenders. However, condominium associations can work with their lenders to obtain this information. Additionally, Fannie Mae offers the Condo Project Manager™ (CPM™), a web-based tool enabling lenders to certify condominium projects. While direct access may be limited, associations can collaborate with their lenders to use this too.

Fannie Mae – Condo Project Manager™ (CPM™)

<https://singlefamily.fanniemae.com/applications-technology/condo-project-manager>

Fannie Mae – Ineligible Projects Guide <https://selling-guide.fanniemae.com/sel/b4-2.1-03/ineligible-projects>

2. **Freddie Mac:** Freddie Mac provides a process for condominium associations to inquire about their project's eligibility status. Authorized representatives, such as board members or property managers, can submit a request through Freddie Mac's Condo Project Advisor® using the Not Eligible Status Data Form. This form allows associations to determine if their project has been assigned a "Not Eligible" status and to initiate an appeal if necessary.

Freddie Mac – Condo Project Advisor® <https://sf.freddiemac.com/tools-learning/technology-tools/our-solutions/condo-project-advisor>

Common Reasons for Ineligibility and How to Resolve Them

Condominium projects can be designated as “Unavailable for Lending” by Fannie Mae and Freddie Mac due to issues that impact the health, safety, and financial integrity of the community. This designation severely restricts access to traditional mortgage financing. Below are specific issues that may trigger ineligibility and guidance on how to resolve them.

1. Insurance Non-Compliance (Most Common Cause)

- Issues:
 - Deductible exceeds 5% of the policy limit.
 - No guaranteed replacement cost.
 - Policy based on Actual Cash Value (ACV) rather than replacement cost.
- Resolution:
 - Work with your insurance broker to revise the policy to meet GSE standards
 - Submit updated policy declarations and endorsements to your lender or directly to the GSE if requested.

2. Critical Repairs and Deferred Maintenance

- Issues:
 - Outstanding structural or mechanical issues (e.g., foundation cracks, roof failures, aging HVAC or elevator systems)
 - Repairs identified as necessary to protect unit owner health and safety.
- Resolution:
 - Complete the critical repairs as soon as possible.
 - Provide contractor invoices, before/after photos, and engineer letters confirming work completion.
 - Submit a letter from a qualified inspector (e.g., Strategic Inspections) confirming all critical repairs were completed.

3. Insufficient Reserves or Outdated Reserve Study

- Issues:
 - No reserve study or one older than three years.
 - Inadequate funding of reserves for capital improvements.
- Resolution:
 - Commission a new reserve study by a professional engineer.
 - Ensure the study includes structural, mechanical, and financial condition analysis, a 30-year replacement schedule, and a capital analysis.
 - Align your reserve funding plan with recommendations in the report.
 - Submit the updated reserve study and board resolution adopting the funding plan.

4. Litigation

- Issues:
 - Pending litigation that is not covered by insurance.
 - Lawsuits that may result in significant financial liability for the association.
- Resolution:
 - Provide a legal summary or letter from the association’s attorney explaining the nature of the litigation and confirming coverage.

- Submit proof of insurance coverage for all claims, including defense costs.

5. Incomplete or Inaccurate Condo Questionnaire

- Issues:
 - Failure to disclose deferred maintenance, pending litigation, or repair projects.
 - Incorrect insurance or financial details.
- Resolution
 - Review the questionnaire for accuracy before submission.
 - Consult your management company or legal counsel for assistance in completing it properly.
 - Update and resubmit if any errors are identified post-submission.

Reinstating Eligibility: Steps for Condo Boards

1. Identify Specific Ineligibility Triggers
 - Contact the lender who flagged the issue or use tools like Freddie Mac's Condo Project Advisor® or work with Fannie Mae-approved lenders.
2. Align the Board
 - Educate the board about GSE requirements and the urgency of addressing issues.
3. Take Corrective Action
 - Resolve repair, reserve, litigation, or insurance deficiencies.
4. Submit Documentation
 - Send all relevant and updated documents to the lender or directly to the GSE to request reconsideration.

If your condominium is unable to reinstate eligibility with these steps, [contact your U.S. Senate and House of Representatives and ask for their assistance](#).

Helpful Tools and Contacts

- Fannie Mae – Condo Project Manager™ (CPM™) <https://singlefamily.fanniemae.com/applications-technology/condo-project-manager>
- Fannie Mae – Ineligible Projects Guide <https://selling-guide.fanniemae.com/sel/b4-2.1-03/ineligible-projects>
- Freddie Mac – Condo Project Advisor® <https://sf.freddiemac.com/tools-learning/technology-tools/our-solutions/condo-project-advisor>

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