



Fannie Mae and Freddie Mac Rules Restrict Access to Credit in Condominium and Housing Coop Market

Following the tragic collapse of Champlain Towers South in Surfside, Florida, Fannie Mae and Freddie Mac adopted emergency underwriting guidelines for condominium unit mortgages and housing cooperative share loans at the direction of Federal Housing Finance Agency (FHFA). The Fannie Mae and Freddie Mac temporary condominium and housing cooperative guidelines became effective in 2022 and have caused significant problems; including delays and outright lender denials for homeowners looking to purchase in a condominium building.

Under FHFA requirements; Fannie Mae and Freddie Mac are set to release final guidelines soon and industry stakeholders fear the final guidelines will create even greater problems for condominium ownership. With condominiums and housing cooperatives offering an affordable housing option to many first time homebuyers, retirees, and low income families; restricting access to credit will further creating inequity in homeownership.

Under the temporary guidelines, mortgage originators must verify the structural integrity of any condominium or housing cooperative building with more than 5 units. Unless a lender verifies a condominium or cooperative building is structurally sound, no loans secured by a unit in the building may be sold to the GSEs. The process lenders use is a questionnaire they ask volunteer boards of directors of condominiums/housing cooperatives or their managing agent to complete. The questionnaires include questions from a uniform (but not mandatory) questionnaire created by Fannie Mae and Freddie Mac. Several of the questions pose problems and condominium/cooperative representatives are unable to provide answers.

Disrupting Access to Mortgage Credit

The FHFA condominium and cooperative policy directive is disrupting access to mortgage credit for homeowners in safe buildings. In a survey of the condominium industry, 72% of respondents were impacted by the new guidelines, 45% reported mortgage closing delays, and 28% indicated the guidelines caused loan denials in condominium projects with no identifiable structural or financial integrity issues.

Other stakeholders agree. In addition to Community Associations Institute (CAI), the National Association of Realtors, Mortgage Bankers Association, and the Community Home Lenders of America have requested that FHFA suspend and revise the new guidelines.

FHFA is set to release permanent guidelines and industry stakeholders fear the permanent guidelines will be create even greater challenges for homebuyers to access mortgage credit to purchase a condominium unit.

Policy Solutions



CAI and other stakeholders who understand the practical applications of this flawed policy have provided constructive feedback on policy to improve condominium and cooperative building safety and access to mortgage credit. However, it appears the feedback is not being considered.

Preserving the safety of condominium and cooperative housing is a key priority of CAI. CAI has submitted feedback on the temporary guidelines to FHFA.

Community Associations Institute (CAI) members stands ready to continue to work with FHFA, Fannie Mae, and Freddie to develop practical condo and coop lending requirements that will mitigate risk for Fannie Mae and Freddie Mac while ensuring access to capital and market liquidity for condominium and housing cooperative homebuyers. Condominiums and housing cooperatives are often an affordable housing option for low and middle income homebuyers; including seniors and people of color.

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