

Fannie Mae and Freddie Mac Transparency Regarding Lending Eligibility for Associations



CAI REQUESTS TRANSPARENCY REGARDING FANNIE MAE AND FREDDIE MAC LENDING ELIGIBILITY FOR COMMUNITY ASSOCIATIONS.

COMMUNITY ASSOCIATION HOUSING MODEL:

Community associations include homeowners associations, condominiums, and housing cooperatives. While community associations come in many forms and sizes, all associations share three basic characteristics: (1) membership in the association is mandatory and automatic for all property owners; (2) the community association governing documents bind all owners to defined land-use requirements administered by the community association; and (3) all property owners pay mandatory lien-based assessments that fund association operations.

BACKGROUND: Following the tragic partial collapse of the Champlain Towers South condominium in Surfside, Fla., on June 24, 2021, Fannie Mae and Freddie Mac implemented new underwriting guidelines for condo unit mortgages and housing cooperative share loans under FHFA direction. These temporary rules, active since 2022, have caused issues for condo buyers and Fannie Mae and Freddie Mac continue to make it harder to buy and sell a condo unit.

DISRUPTING ACCESS TO MORTGAGE CREDIT: 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.

INELIGIBLE CONDOMINIUM PROJECTS: Funding through Fannie and Freddie is vital to the financial health and physical safety of communities. A major obstacle is the list of ineligible condo projects that both groups maintain and refuse to share with homeowners and associations.

For Fannie Mae, projects may be ineligible due to operating as a hotel or motel, deferred maintenance, inadequate insurance coverage, or a high percentage of units being owned by a single entity. For Freddie Mac, a lack of eligibility can arise from insufficient insurance coverage, structural problems, or other critical deficiencies. Condo projects can be designated as “unavailable for lending” by both entities due to effects on the community’s health, safety, and financial integrity, severely restricting access to traditional mortgage financing.

TAKE ACTION

Encourage modifications to lending requirements related to insurance and urge the Federal Housing Finance Agency to require Fannie Mae and Freddie Mac to disclose their ineligible lists.

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