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Bulletin 2012-14: Condominium Project Requirements (07/11/12)

TO: Freddie Mac Sellers and Servicers

SUBJECT: CONDOMINIUM PROJECT REQUIREMENTS

With this *Single-Family Seller/Servicer Guide* ("Guide") Bulletin, Freddie Mac is providing the following updates and revisions to its Condominium Project review and eligibility requirements:

- Reorganizing and simplifying Guide Chapter 42, *Special Requirements for Condominiums*, to streamline our condominium requirements, revising our requirements for reviewing condominium projects to reflect many industry practices and to communicate them in a sequential manner
- Simplifying our requirements by converting certain warranties for Condominium Projects into specific project eligibility requirements for each project review type
- Streamlining our project eligibility criteria for reciprocal project reviews
- Streamlining our requirements for Detached Condominium Projects and Mixed-Use Condominium Projects
- Eliminating our requirements for Newly-converted Condominium Projects and updating requirements related to Condominium Project conversions

Seller/Servicers should review updated Chapter 42 in its entirety to ensure they are aware of all changes to Freddie Mac requirements for Condominium Projects.

We are also revising certain flood insurance **selling and Servicing** requirements for Condominiums Units when the condominium owners association's building coverage does not meet certain requirements.

EFFECTIVE DATE

All of the changes announced in this Bulletin are effective for Mortgages with Delivery Dates on or after **December 1, 2012**, unless otherwise noted. However, Sellers may implement the revisions immediately.

GENERAL CONDOMINIUM REVIEW AND ELIGIBILITY REQUIREMENTS

Restructuring of Chapter 42, *Special Requirements for Condominiums*

We have reorganized and simplified Chapter 42 and revised our requirements for reviewing Condominium Projects to reflect many industry practices. All Condominium Unit Mortgages must meet the general eligibility requirements of Guide Section 42.2, *General Condominium Project Eligibility Requirements*, and Condominium Units must not be in ineligible projects as described in Section 42.3, *Ineligible Projects*.

The Condominium Unit Mortgage must also meet the following requirements, as applicable, based on the project type or project review type:

- Section 42.4, *Streamlined Reviews*
- Section 42.5, *Established Condominium Reviews*
- Section 42.6, *New Condominium Projects*
- Section 42.7, *Other Condominium Projects*
- Section 42.8, *Other Condominium Project Requirements*

- *Section 42.9, Reciprocal Project Reviews*

All project review type requirements as well as Glossary defined terms have been incorporated into one of the above-referenced sections, resulting in self-contained project review sections.

Section 42.11, *Additional Seller Condominium Project Warranties*, has been deleted. Certain key warranties of this section have been incorporated into Sections 42.4, 42.5 and 42.6.

An additional component of the Chapter 42 restructuring is the conversion of certain warranties into eligibility requirements. This provides greater detail with respect to project eligibility and review requirements. Chapter 42 has been renamed "Special Requirements for Condominiums" to reflect these changes.

Reciprocal project review eligibility criteria

Freddie Mac has simplified its project review requirements for reciprocal project reviews by:

- Streamlining its eligibility criteria for reciprocal project reviews
- Reducing the number of project review eligibility criteria and warranties

Section 42.9 has been updated to reflect these changes.

Detached Condominium Projects

In addition to the general requirements in Section 42.2, revised project review requirements for Detached Condominium Projects will only include the following:

- The Condominium Project must be comprised solely of detached 1-unit dwellings
- The Condominium Project must not include Manufactured Homes

Sections 42.7 and 42.8 have been updated to reflect these changes.

Mixed-Use Condominium Projects

We have removed several requirements for Mixed-Use Condominium Projects.

Sections 42.1, *Overview*, 42.3 and 42.7 have been updated to reflect these changes.

Newly-converted Condominium Projects

We have revised Chapter 42 and the Glossary to eliminate the term "Newly-converted Condominium Projects." Freddie Mac has updated its requirements related to condominium conversions to apply only to New Condominium Projects.

FLOOD INSURANCE

Effective immediately, we have revised Section 58.3, *Flood Insurance*, to require that to the extent a condominium owners association's building coverage does not meet the requirements specified in Section 58.3, the Borrower must maintain supplemental coverage on the Condominium Unit in an amount at least equal to the difference between the condominium association's building coverage allocated to that unit and the amount required on a 1- to 4-unit property with a deductible not exceeding the maximum deductible allowed for a 1- to 4-unit property.

We have also updated Section 58.3 to remove outdated information.

Effective **December 1, 2012**, if the condominium owners association's building coverage is not at least equal to the lower of 80% of the building's replacement cost or \$250,000 multiplied by the number of units in the building, the Mortgage is not eligible for sale to Freddie Mac, with the exception of Freddie Mac Relief Refinance MortgagesSM.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact:

- Chapters L33, 42, 44 and 58
- Glossary

TRAINING

Updated training and resource materials are available on Freddie Mac's Learning Center and in our webinar, *Condominium Projects Eligibility Requirements*.

Visit <http://www.freddiemac.com/learn/uw/collateral.html> for additional information.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select "Loan Origination."

Sincerely,

Laurie A. Redmond
Vice President
Offerings Effectiveness