



Condominium Project Eligibility and Seller Warranties

With our [December 21 Single-Family Seller/Service Guide \(Guide\) Bulletin](#), we announced important changes to our purchase requirements for Condominium Unit Mortgages. With these changes, we are helping refine your project review process, and promoting condominium project operations that help preserve homeownership.

The following table outlines the key changes effective for Condominium Unit Mortgages **delivered on or after March 1, 2008**. **The text in italics indicates what requirements are new or have been revised.** We encourage you to review the future version of Guide Chapter 42 to become familiar with all the changes in eligibility requirements and warranties for Condominium Unit Mortgages.

STATUS CLASSIFICATION: We will no longer identify condominium projects as Class I, II, and III projects.		
	<i>Established Condominium Project</i>	<i>New Condominium Project</i>
<i>Definition</i>	<p><i>It is an Established Condominium Project if:</i></p> <ul style="list-style-type: none"> ▪ <i>All units and common elements are complete and not subject to any additional phasing or additions; and</i> ▪ <i>At least 90 percent of the total units have been conveyed to the unit purchasers other than the developer; and</i> ▪ <i>The unit owners control the homeowners association.</i> 	<p><i>It is a New Condominium Project if:</i></p> <ul style="list-style-type: none"> ▪ <i>All units and common elements are not fully completed, or are subject to additional phasing or annexation; or</i> ▪ <i>Fewer than 90 percent of the total number of units in the project have been conveyed to the unit purchasers other than the developer; or</i> ▪ <i>The developer has not turned control of the homeowners association over to the unit owners.</i>
<i>Owner occupancy requirements</i>	<ul style="list-style-type: none"> ▪ <i>If used as a primary residence or second home: No owner-occupancy requirement.</i> ▪ <i>If used as an investment property: At least 51 percent of the total number of condominium units must have been conveyed to purchasers other than the developer who occupy their units as a primary residence or second home.</i> 	<ul style="list-style-type: none"> ▪ <i>At least 51 percent of the units have been conveyed or are under contract to purchasers other than the developer who occupy or who will occupy their units as primary residences or second homes.</i> ▪ <i>See Section 42.6(b) for more information</i>
<i>Completion requirements</i>	<i>Not applicable</i>	<i>The subject legal phase and any prior legal phases in which units have been offered for sale are substantially complete.</i>
<i>Seller warranties</i>	<ul style="list-style-type: none"> ▪ <i>The project meets the definition of an Established Condominium Project.</i> ▪ <i>There are no manufactured homes in the project.</i> ▪ <i>General project warranties in Guide Section 42.2 are met.</i> ▪ <i>Additional seller warranties in Section 42.11 are met.</i> 	<ul style="list-style-type: none"> ▪ <i>The project meets the definition of a New Condominium Project.</i> ▪ <i>There are no manufactured homes in the project.</i> ▪ <i>General project warranties in Guide Section 42.2 are met.</i> ▪ <i>Additional seller warranties in Section 42.11 are met.</i>

REQUIREMENTS FOR STREAMLINED REVIEW FOR CONDOMINIUM UNITS (New Section 42.4)

- *The condominium unit must be in an Established Condominium Project.*
- *The condominium unit must secure a mortgage that is originated on a spot loan basis.*
- Maximum LTV/TLTV Ratios

Streamlined Review of Units in Established Condominium Projects		
	Maximum LTV/TLTV	
Occupancy Type	LP Accept Mortgages	All Other Mortgages
Primary Residence	<i>90%</i>	<i>80%</i>
Second Home	<i>75%</i>	<i>75%</i>
Investment Property	<i>Not eligible</i>	<i>Not eligible</i>
- *The condominium project in which the unit is located meets the definition of an Established Condominium Project*
- The condominium unit is not a manufactured home.
- The general project warranties of Section 42.2 are met; Additional seller warranties of Section 42.11 not required.

REQUIREMENTS FOR DETACHED CONDOMINIUM PROJECTS (New Section 42.8)

- Primary Residences and second homes**
- The condominium project meets the definition of a Detached Condominium Project.
 - There are no manufactured homes in the condominium project.
 - The general project warranties of Section 42.2 are met; Additional seller warranties of Section 42.11 not required.
- Investment Properties.*** *If the subject condominium unit is an investment property, the condominium project must meet the requirements and warranties for an Established or a New Condominium Project as appropriate for the project status.*

REQUIREMENTS FOR 2-4 UNIT CONDOMINIUM PROJECTS (New Section 42.7)

- Condominium units and common elements including amenities in any Master Association are complete.
- *All but one unit in the condominium project have been conveyed to purchasers other than the developer who occupy their condominium units as primary residences or second homes.*
- *No single entity owns more than one condominium unit in the project.*
- There are no manufactured homes in the condominium project.
- The general project warranties of Section 42.2 are met.
- *Additional seller condominium project warranties of Section 42.11 are met.*

REQUIREMENTS FOR RECIPROCAL CONDOMINIUM PROJECT REVIEW (New Section 42.9)

- Fannie Mae-Accepted Condo, Co-ops, and PUDs
- Expedited Condo Project Manager (CPM) Reviews
- FHA-Approved Project Review for condominiums

The text in italics indicates what requirements are new or have been revised.

INELIGIBLE PROJECTS (New Section 42.3)

- *A project subject to the rules and regulations of the U. S. Securities and Exchange Commission*
- Condominium Hotel
- Project with multi-dwelling units
- *Project with non-incident commercial space*
- *Project with non-incident commercial income*
- Common-interest apartment
- Project with fragmented- or segmented-ownership
- Timeshare project
- Houseboat project
- Attached condominium project that is legal nonconforming
- Project in litigation, arbitration, mediation, or other dispute

GENERAL CONDOMINIUM PROJECT REQUIREMENTS (New Section 42.1)

- For purposes of calculating the presale requirements, multiple purchases of units in a project by one owner are counted as one sale.
- All Condominium Unit Mortgages must be sold to us within six months of the determination that the project meets Freddie Mac requirements.
- *Mortgages secured by condominium units in projects comprised of manufactured homes are eligible for sale only when approved through a reciprocal review in accordance to Section 42.9(a).*

GENERAL PROJECT WARRANTIES (New Section 42.2)

- Compliance with laws
- Ineligible project
- Project insurance
- Title insurance
- Limitations on ability to sell/Right of first refusal
- Continuing project eligibility

ADDITIONAL SELLER WARRANTIES (New Section 42.11)

- | | | |
|--|---|---|
| <i>a. Project control</i> | g. Delinquencies in dues or assessments | m. Commercial space |
| <i>b. Project documents or applicable State law requirements</i> | <i>h. Project configuration</i> | n. Project management |
| <i>c. Rights of Condominium Mortgagees and Guarantors</i> | i. Project ownership | <i>o. Unit occupancy</i> |
| d. First Mortgagee's rights confirmed | j. Common elements | <i>p. Conversion: Reserve fund</i> |
| e. Unpaid dues | <i>k. Developer interest in project</i> | <i>q. Conversion: Partial rehabilitation</i> |
| <i>f. Project budget</i> | l. Single-investor concentration | <i>r. Conversion: Soundness & Condition</i> |
| | | <i>s. Conversion: Work quality</i> |

The text in italics indicates what requirements are new or have been revised.

GUIDE CHAPTER 42: Special Warranties for Condominiums. We're restructuring Guide Chapter 42 so that you'll have access to complete eligibility requirements and warranties for Condominium Unit Mortgages delivered to us on or after March 1, 2008. For details of the changes announced in our December 21 Guide Bulletin, it is important that you refer to the future versions of sections within Chapter 42, as many of the requirements have been revised or relocated as identified below.

Topic	Current Guide location	<i>Future Guide location</i>
General Condominium Project requirements	42.1	Same
General Condominium Project warranties	42.2	Same
Ineligible Projects	42.3	Same
Streamlined Reviews	42.4	Same
Detached Condominium Projects	42.5	42.8
Class III Condominium Projects, eligibility requirements and warranties	42.6, 42.6.1 and 42.6.2	No longer available in the Guide
Class II Condominium Projects, eligibility requirements and warranties	42.7, 42.7.1 and 42.7.2	No longer available in the Guide
Class I Condominium Projects, eligibility requirements and warranties	42.9, 42.9.1 and 42.9.2	No longer available in the Guide
2- to 4-unit Condominium Projects, eligibility requirements and warranties	42.8, 42.8.1 and 42.8.2	42.7
Condominium Hotels	42.10	Same
Reciprocal Review	42.11	42.9
Postsettlement delivery fees for California Condominium Unit Mortgages	42.12	Same
<i>NEW Established Condominium Projects</i>		42.5
<i>NEW New Condominium Projects</i>		42.6
<i>NEW Additional Seller Condominium Project warranties</i>		42.11

Read our December 21 *Single-Family Seller/Service Guide* Bulletin at <http://www.freddiemac.com/sell/guide/bulletins/index.html>.

DELIVERY INSTRUCTIONS. We're revising our delivery instructions to correspond to the new way we're identifying condominium projects. The values for the Condo/PUD Class data field on Form 11, Mortgage Submission Schedule and Form 13F, Mortgage Submission Voucher are not changing and will still be used to identify project and review types for Condominium Unit Mortgages delivered on and after March 1, 2008. Please refer to the following table for guidance found in the revised Guide Section 17.22.

Field Title	Completion Instructions	
Property Type	Insert "1"	
Condo/PUD Name	Insert the name of the condominium	
Condo/ PUD Class	Project or Review Type	Insert value
	<ul style="list-style-type: none"> ▪ <i>New Project</i> ▪ <i>Established Project</i> ▪ <i>Streamlined review</i> ▪ <i>Detached project</i> ▪ <i>2- to 4-unit project</i> ▪ <i>Reciprocal review</i> <ul style="list-style-type: none"> ○ <i>New Project</i> ○ <i>Established Project</i> 	<ul style="list-style-type: none"> 1 2 3 3 2 2 1 2