

Announcement # 21-94

Date: November 16, 2021

Topic: Fannie Mae LL-2021-14 Temporary Requirements for Condo and Co-op Projects

Effective with loan deliveries on or after 12/1/2021, PennyMac is aligning with Fannie Mae Lender Letter 2021-14, with the exception of the updates for Co-op Projects, which remain an ineligible property type for PennyMac and to not allow condo reserve exception requests. Updates include but are not limited to the following:

Reserve Requirements

Fannie Mae is suspending their selling guide flexibility that allows a lender to obtain a reserve study in lieu of the condo project meeting their 10% budget reserve requirement.

PennyMac is unable to honor exception requests through the Project Eligibility Review Service (PERS) for projects that do not meet their minimal reserve requirements.

Special Assessments

Any current or planned special assessments, even if paid in full for the subject condo unit, must be reviewed to determine acceptability. Fannie Mae and PennyMac require documentation of the following:

- The reason for the special assessment;
- the total amount assessed and repayment terms;
- documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project; and
- borrower qualification with any outstanding special assessment payment.

The lender is expected to obtain the financial documents necessary to confirm the association has the ability to fund any repairs. If the special assessment is related to safety, soundness, structural integrity, or habitability, all related repairs must be fully completed or the project is *not* eligible. If unable to determine whether there is no adverse impact, the condo project is ineligible.

Significant Deferred Maintenance and Unsafe Conditions



Announcement

Loans secured by units in condo projects with significant deferred maintenance or in projects that have received a directive from a regulatory authority or inspection agency to make repairs due to unsafe conditions are *not* eligible for purchase by Fannie Mae.

These projects will remain ineligible until the required repairs have been made and documented. Acceptable documentation will show the repairs have been completed in a manner that resolves the building's safety, soundness, structural integrity, or habitability concerns e.g. engineering or inspection report.

Additionally, projects that have failed to obtain an acceptable certificate of occupancy or pass local regulatory inspections or re-certifications are also not eligible.

These policies do not apply to routine maintenance or repairs that a HOA undertakes to maintain or preserve the integrity and condition of its property.

Correspondents are encouraged to review the lender letter in its entirety for complete details.

Please contact your Sales Representative with any questions.