

# Bulletin

TO: Freddie Mac Sellers

July 5, 2023 | 2023-15

## SUBJECT: SELLING UPDATES

This Guide Bulletin announces:

- **Condominium and Cooperative Projects**
  - A new status, “Project Certified,” in [Condo Project Advisor® Project Assessment Request \(PAR\)](#) – **September 4, 2023**
  - Updated project review requirements to address [projects in need of Critical Repairs](#) – **September 18, 2023**
- **American National Standards Institute (ANSI) Standard for certain 1-unit properties**
  - A new requirement to use the [ANSI Standard](#) for measuring finished and unfinished areas of certain 1-unit properties – **November 2, 2023**
- **Affordable Seconds®**
  - Updates related to community development financial institutions and credit unions when funding [Affordable Seconds](#)
- **Uniform Instruments**
  - An update related to a clarification for the [District of Columbia Security Instrument](#)

## EFFECTIVE DATE

All of the changes announced in this Bulletin are effective immediately unless otherwise noted.

## CONDOMINIUM AND COOPERATIVE PROJECTS

### Condo Project Advisor Project Assessment Request (PAR) enhancement

**Effective for Mortgages with Settlement Dates on or after September 4, 2023, but Sellers may implement for Mortgages with Settlement Dates on or after July 28, 2023, if they are operationally able to do so**

We are enhancing the Project Assessment Request (PAR) capability in Condo Project Advisor to add a new status called “Project Certified.” When Condo Project Advisor finds that a project complies with the requirements for Established Condominium Projects and is not an ineligible project, it will assign a “Project Certified” status. See Guide Section 5701.1(e) for all requirements for Project Certified status and details on what Condo Project Advisor assesses and does not assess for Project Certified status.

For Mortgages with a Project Certified status PAR finding, the Note Date must be within 120 days of the issue date of the Condo Project Advisor Feedback Certificate.

Guide impacts: Sections 5701.1 through 5701.3 and 5701.5



### ***Delivery requirements***

#### **Effective for Mortgages with Settlement Dates on or after September 4, 2023, but Sellers may implement for Mortgages with Settlement Dates on or after July 28, 2023, if they are operationally able to do so**

A Mortgage secured by a unit in a project that receives a Project Certified status PAR finding must be a Loan Product Advisor® Mortgage and must be delivered to Freddie Mac within 120 days after the Note Date.

Sellers must deliver “J97” for ULDD Data Point *Investor Feature Identifier* (Sort ID 368) and “Exempt From Review” as the valid value for ULDD Data Point *Project Classification Identifier* (Sort ID 42). If the Mortgage is not delivered within 120 days after the Note Date, the Seller must submit a new PAR and obtain a new Condo Project Advisor Feedback Certificate prior to delivery.

Guide impacts: Section 6302.20 and Exhibit 34

### ***Licensing framework***

#### **Effective July 28, 2023**

We are updating the licensing framework to reflect the addition of the PAR enhancement to the system-specific license for Freddie Mac Loan Advisor®.

Guide impact: Section 2402.2

### ***Additional resources***

Sellers should review our [updated FAQs](#) for more information.

### **Projects in need of Critical Repairs**

#### **Effective for Mortgages and Cooperative Share Loans with Application Dates on or after September 18, 2023, but Sellers may implement immediately**

In Bulletin 2021-38, we announced temporary requirements for Condominium and Cooperative Projects in need of Critical Repairs and with special assessments. Projects in need of Critical Repairs or that have significant deferred maintenance can result in unsafe living conditions, evacuations and uninhabitable homes. Special assessments for these types of issues can result in a substantial financial hardship for homeowners, which can put them at risk for Mortgage default and foreclosure. At the direction of the FHFA, Freddie Mac and Fannie Mae have worked together on project review requirements to assist Sellers in identifying projects that may have issues that result in unsafe conditions and to promote sustainable homeownership. Freddie Mac is updating its project review requirements to address projects in need of Critical Repairs and projects that have material deficiencies (such as significant deferred maintenance) or special assessments. These requirements apply to all Mortgages secured by units in Condominium Projects and all Cooperative Share Loans secured by Cooperative Interests in Cooperative Projects with five or more attached units, regardless of the project review type. The requirements also apply to Mortgages or Cooperative Share Loans eligible to be delivered as Exempt From Review.

These project review requirements:

- Define Critical Repairs, which includes material deficiencies and significant deferred maintenance,
- Define Routine Repairs that are not considered critical,
- Prohibit sale of Mortgages secured by units in Condominium Projects and Cooperative Share Loans secured by Cooperative Interests in Cooperative Projects that are in need of Critical Repairs,
- Prohibit sale of Mortgages secured by units in Condominium Projects and Cooperative Share Loans secured by Cooperative Interests in Cooperative Projects with current evacuation orders due to unsafe conditions,
- Require a review of any structural and/or mechanical inspection report that has been completed within three years of Seller’s project review date,
- Provide requirements for Condominium and Cooperative Projects with special assessments, and
- Prohibit sale of Mortgages secured by units in Condominium Projects and Cooperative Share Loans secured by Cooperative Interests in Cooperative Projects with unfunded repairs totaling more than \$10,000 per unit



These Guide changes will supersede and replace the guidance and requirements relating to Condominium and Cooperative Projects in Bulletin 2021-38. Please note that if a Seller has an unexpired project review completed prior to September 18, 2023, they must still confirm compliance with these Guide requirements for applications taken on or after that date.

Guide impacts: Sections 5701.1 through 5701.7, 5705.1, 5705.3, 5705.4, 5705.7 and Glossary

### **Feedback messages**

We are also updating some of the PAR feedback messages. As of July 29, 2023, one of the messages will include a notice that the project may be in need of Critical Repairs. Please see our [news article](#) for more information regarding this message.

## **AMERICAN NATIONAL STANDARDS INSTITUTE (ANSI) STANDARD FOR 1-UNIT PROPERTIES**

### **Effective for appraisals with effective dates on or after November 2, 2023**

Historically, Freddie Mac has not required compliance with a specific method or standard for the measurement, calculation and reporting of finished and unfinished areas for 1-unit properties. For Mortgages secured by certain 1-unit properties with appraisal effective dates on and after November 2, 2023, we will require appraisal assignments that include interior and exterior inspections of the subject property to be completed using the American National Standards Institute (ANSI) Standard, Square Footage - Method for Calculating: ANSI® Z765. The ANSI Standard must be used for 1-unit properties, whether attached or detached, and including Manufactured Homes, Condominium Units and Cooperative Units (unless the Condominium or Cooperative Unit is apartment style). Since the ANSI Standard does not use the term “gross living area” and the current appraisal forms do not use the terms “finished area,” “non-standard finished area” or “unfinished area,” we have added descriptions of these terms to Section 5604.2(a)(ii)(B). Additionally, appraisal reports must include an ANSI-compliant software-generated building sketch, as applicable.

Guide impacts: Sections 5601.2, 5604.2 and 5703.2

### **Additional resources**

Sellers should review our [FAQs](#) for more information.

## **AFFORDABLE SECONDS**

We have updated the Guide to allow community development financial institutions and credit unions that deliver First Lien Mortgages to Freddie Mac to also provide funding for Affordable Seconds when certain eligibility requirements are met.

Guide impact: Section 4204.2

### **Additional resources**

Sellers should visit our [Affordable Seconds webpage](#) for more information.

## **UNIFORM INSTRUMENTS**

We have updated Exhibit 4A, *Single-Family Uniform Instruments*, to reflect a new version date for the District of Columbia Security Instrument, which was revised to provide more clarity to Section 26(a).

Guide impact: Exhibit 4A

### **Additional resources**

The updated Security Instrument is available on our [2021 Uniform Instruments webpage](#).

## **GUIDE UPDATES SPREADSHEET**

For a detailed list of the Guide updates associated with this Bulletin and the topics with which they correspond, access the Bulletin 2023-15 (Selling) Guide Updates Spreadsheet via the Download drop-down available at

<https://guide.freddiemac.com/app/guide/bulletin/2023-15>.



## CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call the Customer Support Contact Center at 800-FREDDIE.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Kauffman", written in a cursive style.

Kevin Kauffman

Vice President, Single-Family Client Engagement