

Announcement

Announcement # 22-07

Date: January 18, 2022

Topic: Freddie Mac Bulletin 2021-38

Effective with loan deliveries on or after 1/31/2022, Pennymac is aligning with Freddie Mac Bulletin 2021-38, with the exception of the updates for Co-op Projects, which remain an ineligible property type for Pennymac. Updates include but are not limited to the following:

Temporary Condominium Project Requirements

Freddie Mac has issued temporary project requirements regarding projects in need of critical repairs and projects with special assessments.

The requirements apply to all mortgages secured by units in projects with five or more attached units regardless of the project review type or if the mortgage is eligible to be delivered as *Exempt From Review*. These new requirements are in addition to, and do not supersede, any of the applicable selling guide requirements.

Projects in need of Critical Repairs

Projects in need of repairs and replacements that significantly impact the safety, soundness, structural integrity or habitability of the project's building(s) and/or that impact unit values, financial viability or marketability of the project are *not* eligible for sale to Freddie Mac.

These repairs include violations of any federal, state or local law, ordinance or code related to zoning, subdivision and use, building, housing accessibility, health matters or fire safety.

These projects will remain ineligible until the required repairs and/or inspection report have been completed and documented. Acceptable documentation includes an engineer's report or substantially similar document that must be reviewed to determine that the repairs resolved the building's safety, soundness, structural integrity, or habitability concerns.

These requirements do not apply to routine repairs and maintenance and to damage or deferred maintenance to one or a few units in the project, as long as there is no impact to the overall soundness and structural integrity of the improvements.

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Special Assessments

Any current special assessment, even if paid in full for the subject unit, must be reviewed to determine eligibility. This includes any special assessment that the board approved and, if required, owners approved but the board has not initiated collection yet. Freddie Mac and Pennymac require documentation to address:

- The reason for the special assessment
- The total amount assessed
- For current special assessments, the total amount is an appropriate allocation or, for planned special assessments, there is adequate cash flow to fund the reason for the special assessment, and
- For current special assessments, the amount budgeted to be collected year-to-date (YTD) has been collected. Note: refer to the bulletin for specific documentation to be obtained in order for the determination to be made.

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

Please contact your Sales Representative with any questions.