

Announcement #23-61

Date: September 13, 2023

GSE Updated Condo Project Review Requirements

Pennymac is aligning with the FHFA based updated project review and eligibility requirements announced in Fannie Mae SEL 2023-06 and Freddie Mac Bulletin 2023-15, with the exception of any reference to co-op projects.

The updates help to identify and address projects in need of critical repairs and projects that have material deficiencies or special assessments. These requirements apply to all loans secured by units in condominium projects with five or more attached units, regardless of the project review type.

The following project review requirements are effective with new loan applications on or after 9/18/2023:

- **Define Critical Repairs**
 - Repairs or replacements that significantly impact the safety, soundness, structural integrity or habitability of the project's building, or the financial viability or marketability of the project. Critical repairs include conditions such as:
 - Material deficiencies, which if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year;
 - Any mold, water intrusions or potentially damaging leaks to the project's building, advanced physical deterioration; any project that failed to pass state, county, or other jurisdictional mandatory inspections.
- **Define Routine Repairs**
 - Repairs that are preventative in nature or part of normal capital replacements
 - For example, focused on keeping the project fully functioning and serviceable; and
 - Accomplished within the project's normal operating budget or through special assessments that are within guidelines.
- **Prohibit loans secured by units in condominium projects:**
 - That are in need of critical repairs until the required repairs and/or inspection report have been completed and documented.
 - With current evacuation orders due to unsafe conditions until the unsafe condition has been remediated and the building is deemed safe for occupancy
 - This applies for either a partial or total evacuation of the project's buildings.
 - With unfunded repairs totaling more than \$10,000 per unit that should be undertaken within the next 12 months.
- **Require a review of any structural and/or mechanical inspection report(s) that have been completed within three years of the project review date:**
 - The report(s) cannot indicate that any critical repairs are needed, no evacuation orders are in effect, and no regulatory actions are required.
 - If the inspection report(s) indicates there are unaddressed critical repairs, the project is ineligible until the repairs have been completed and documented accordingly.

- **Review any special assessments (current or planned) to determine if it addresses a critical repair:**
 - If the special assessment is associated with a critical repair, the project is ineligible until all issues are remediated.
- **No more than 15% of the total number of units in a project are allowed to be 60 or more days delinquent in the payment of each special assessment.**

Note: a loan with an unexpired project review completed prior to 9/18/23 must still validate the above new requirements have been met for loan applications dated on or after that date. This applies to all review types.

Please contact your Sales Representative with any questions.