

Announcement 2018 - 29

Planet Home Lending Recent Policy Changes

Planet Home Lending is aligning with the recent Agency announcements. The announcements are summarized below with a link to the Agency's full announcement.

Agency	Summary	Effective Date	Agency Announcement
Freddie Mac	Automated Collateral Evaluation (ACE) is now available for Condominium Units.	7/16/18	BUL2018-10
Freddie Mac	Freddie Mac is updating comparable sales selection requirements for properties located in new subdivisions, units in new Planned Unit Developments (PUDs) or units in recently converted or New Condominium Projects to provide flexibility when the new subdivision or project has no contract sales. The appraiser may now develop an appraisal report with all comparable sales from outside the new subdivision or project, but must comment and justify the use of those comparable sales.	Immediately	BUL2018-10
Freddie Mac	Lenders may use the Detached Condominium Projects review type for projects that are comprised solely of detached units; and now may also use this project review type for Mortgages secured by Detached Condominium Units in projects with a mix of attached, detached and/or semi-detached units.	Immediately	BUL2018-10
Freddie Mac	Lenders are not required to determine the existence or adequacy of the project liability insurance and/or the fidelity or employee dishonesty insurance when utilizing the Detached Condominium Unit review type.	Immediately	BUL2018-10
Freddie Mac	Freddie Mac has eliminated the 2- to 4-Unit Condominium Projects review type. Lenders may choose from the following review types for a Mortgage secured by a Condominium Unit in a 2- to 4-Unit Condominium Project: <ul style="list-style-type: none"> • Streamlined reviews • Established Condominium Projects review • New Condominium Projects review • Reciprocal project reviews • Detached Condo Project Review 	Immediately	BUL2018-10

Freddie Mac	<p><u>New Condo Projects:</u></p> <p><u>Conversions:</u> Previously, Lenders were required to review an engineer’s report to determine project eligibility for a Condominium Project that was created by a conversion involving a Non-Gut Rehabilitation of a prior use of a building that was legally created within the past five years. The Selling Guide has been updated to allow documentation that is functionally equivalent to an engineer’s report (instead of an engineer’s report), provided that certain conditions are met. Please refer to Section 5701.6 of the Selling Guide for details.</p> <p><u>Right of First Refusal:</u> Freddie Mac has eliminated the requirement relating to how the right of first refusal could be exercised when the project documents allow the homeowners association (HOA) to retain that right.</p> <p><u>Project Budget and Working Capital Fund:</u> Previously, if a Condominium Project’s budget did not provide a replacement reserve of at least 10% of the budget for capital expenditures and deferred maintenance, Lenders could use a reserve study as long as the requirements in Section 5701.6(l) were met. To provide an additional option, Lenders may now rely on a working capital fund as long as the requirements in Section 5701.6(m) are met. This is in consideration that not all budgets will meet the minimum reserve allocation requirement and not all projects will have a reserve study.</p>	Immediately	BUL2018-10
Freddie Mac	<p><u>Eligibility of Condo Projects:</u></p> <p><u>Commercial Space:</u> Previously, a project was considered ineligible if more than 25% of the total above and below grade square footage of the project or building in which the project is located was used as commercial or non-residential space.</p> <p>The new Guidance from Freddie Mac is, a project (or building in which the project is located) will be considered ineligible only if it includes more than 35% of the total above and below grade square footage as commercial or non-residential space.</p> <p><u>Litigation:</u> Previously, when the litigation amount was unknown, the attorney letter was required to include the upper and lower limits of any potential monetary judgment against the HOA.</p> <p>The new guidance from Freddie Mac is, when the litigation amount is unknown, the attorney letter must indicate that the potential monetary judgement or settlement, including punitive damages, will likely be covered by the HOA’s insurance policy, rather than the upper and lower limits as previously required.</p> <p>Additionally, the Selling Guide was updated to specify that a project is eligible if the Lender determines that the reason for the pending</p>	Immediately	BUL2018-10

	<p>litigation is that the HOA is the plaintiff in a foreclosure action or action for past due HOA assessments.</p> <p><u>Single Investor Concentration:</u> Previously, for projects with 21 or more units, a Housing Finance Agency (HFA) (or similar entity based on State or local law or regulation) could own no more than 15% of the total number of units in a project without the ownership being considered as excessive single investor concentration.</p> <p>The new guidance from Freddie Mac is an increase to the maximum single investor concentration requirement to 25%. Freddie Mac is also allowing this maximum 25% single-investor concentration to be applicable to developer leased units used for low- or moderate-income rental purposes (in accordance with State or local law or regulation). The same requirements that apply to the HFA-owned units apply to the developer leased units.</p>		
Freddie Mac	<p><u>Maximum Number of Financed Properties:</u> For second home and Investment Property Mortgages, Freddie Mac is increasing the maximum number of financed properties permitted to 10. When the number of financed properties exceeds 6 but is less than 10, the following apply:</p> <ul style="list-style-type: none"> • LPA feedback must reflect a Risk Class of Accept • FICO score must be at least 720 • Borrower must document reserves of eight months of the monthly payment on each additional second home and/or 1 to 4-unit Investment Property that is financed and on which the Borrower is obligated. 	8/20/18	BUL2018-10
Freddie Mac	<p><u>Transient Housing:</u> Freddie Mac issued a statement to clarify that transient housing that includes hotel type services and characteristics is an ineligible property.</p>	Immediately	BUL2018-10

All Planet Home Lending documentation will be updated to reflect those changes as applicable.

If you have any questions, please contact your Sales Service Representative.