

Selling Guide Announcement SEL-2014-02

January 14, 2014
(*With Update)

Priority of Common Expense Assessments

Fannie Mae is revising its policy concerning priority of common expense assessments for mortgages secured by units in condo and planned unit development (PUD) projects to permit no more than six months of regular common expense assessments to have priority over Fannie Mae's mortgage lien. In jurisdictions that enacted a law on or before January 14, 2014 that provides for such lien priority for a period greater than six months (for example, Connecticut and Florida), ***this policy grandfathers the existing law as of January 14, 2014**. If applicable state law allows for greater than six months of lien priority for assessments, but provides an exception for Fannie Mae's requirements, then the six-month maximum applies (such as Nevada).

Fannie Mae supports maintaining the maximum six-month limited priority lien for common expense assessments (typically known as homeowner association or HOA fees) that currently applies in most jurisdictions. The six-month period is clear and provides discrete and measureable risk exposure for mortgage lending on units located in condo and PUD projects. The six-month period sufficiently balances the rights and needs of lenders (including mortgage servicers and secondary market investors), HOAs, and borrowers.

This policy change will be included in a future version of the *Selling Guide*. Until that time, the updated version of the applicable *Selling Guide* topic is as follows:

B4-2.1-06, Priority of Common Expenses

Fannie Mae allows a limited amount of regular common expense assessments (typically known as homeowner association or HOA fees) to have priority over Fannie Mae's mortgage lien for mortgage loans secured by units in a condo project or planned unit development (PUD). This applies if the condo or PUD project is located in a jurisdiction that has enacted

- the Uniform Condominium Act,
- the Uniform Common Interest Ownership Act, or
- a similar statute that provides for unpaid assessments to have priority over first mortgage liens.

The table below describes the permitted priority of common expense assessments for purposes of determining eligibility of a mortgage loan secured by a unit in a condo or PUD project for purchase by Fannie Mae.

If ...	Then ...
<p>The condo or PUD project is located in a jurisdiction that enacted a law on or before January 14, 2014, that provides that regular common expense assessments will have priority over Fannie Mae's mortgage lien for a maximum amount greater than six months,</p>	<p>The maximum number of months of regular common expense assessments permitted under the applicable jurisdiction's law as of January 14, 2014, may have priority over Fannie Mae's mortgage lien, provided that if the applicable jurisdiction's law as of that date referenced an exception for Fannie Mae's requirements, then no more than six months of regular common expense assessments may have priority over Fannie Mae's mortgage lien.</p>
<p>The condo or PUD project is located in any other jurisdiction,</p>	<p>No more than six months of regular common expense assessments may have priority over Fannie Mae's mortgage lien, even if applicable law provides for a longer priority period.</p>

Notwithstanding any provisions to the contrary in the Guide, which do not require the lender to represent or warrant compliance with Fannie Mae project legal document requirements, the condo or PUD project legal documents must evidence compliance with the above requirements.

Effective Date

This change is effective for all mortgage applications dated after January 14, 2014.

Lenders who have questions about this Announcement should contact their Account Team.

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