

Lender Letter LL-2010-01**January 07, 2010****To: All Fannie Mae Single-Family Sellers****Special Approval Designation for Established Florida Condominium Projects****Introduction**

Fannie Mae is committed to providing liquidity and stability to the condominium market. The deterioration in the market for individual units in condominium projects in many parts of the country has been especially pronounced in Florida.

Many established Florida condominium projects that initially met Fannie Mae's eligibility requirements may no longer be eligible, potentially limiting access to mortgage financing. Reasons why these projects may not currently meet Fannie Mae's project eligibility standards include:

- significantly weakened homeowners' association (HOA) budgets - association fees are not being paid by delinquent homeowners;
- unpaid common expenses including pest control, property insurance, water, pool service, and garbage collection; or
- increased vacancies and REOs, exacerbated by the length of time it takes to complete the foreclosure process.

In order to provide liquidity and help stabilize the market for individual units located in certain established condominium projects that are experiencing difficulty, Fannie Mae is implementing a new "Special Approval" designation for condominium projects located in Florida. Fannie Mae will conduct the review of projects and assign Special Approval designations.

Special Approval Designation

The Special Approval designation is an additional project delivery option for projects located in Florida. Fannie Mae will continue to accept deliveries of mortgage loans secured by units in condominiums that have met the eligibility requirements under Fannie Mae's other project review options including: Project Eligibility Review Service (PERS), Lender Full Review, Condo Project Manager™ (CPM™) Expedited Review, and Limited Review. Lenders may not submit projects for the Special Approval designation; however, lenders may suggest projects for the Special Approval designation. Fannie Mae, in its sole discretion, will determine which projects will be reviewed and the order in which the reviews will be conducted.

This Special Approval designation is being provided for newly originated purchase transactions and refinances of existing Fannie Mae-owned or -securitized mortgage loans under Fannie Mae's standard mortgage eligibility requirements. Lenders are relieved of standard

condominium project eligibility representations and warranties for condominium projects identified under the Special Approval designation.

Special Approval designations will be effective for periods between 9 and 18 months. Lenders must confirm the project's Special Approval designation on the date of loan application for the loan to be eligible for delivery to Fannie Mae. All mortgage loans secured by units in projects with the Special Approval designation must be delivered no later than three months following the expiration date of the project's Special Approval designation.

A list of projects with the Special Approval designation can be found on eFannieMae.com. Projects with the Special Approval designation will also be available within CPM. Lenders are encouraged to check frequently for updates. The Special Approval process may be discontinued by Fannie Mae at any time. However projects on the Special Approval list will remain on the list through the expiration date.

Any Fannie Mae approval designation of a condominium project means only that loans secured by individual units within the project are eligible for delivery to Fannie Mae. A Fannie Mae approval designation should not be viewed as an indication of the physical or financial condition of a project.

Individual mortgage loans must meet all standard Fannie Mae eligibility and underwriting requirements per the *Selling Guide*. With the exception of B4-2.1-04, Project Identification and Document Retention, the provisions of Chapter B4-2, Project Standards, are not applicable to projects with the Special Approval designation. Furthermore, Fannie Mae is verifying that all project level insurance is in place but lenders must comply with any insurance requirements for the individual unit as required by law. Lenders are not responsible for the project insurance and master policy requirements in B7-3-05, Hazard Coverage for Units in Project Developments, and B7-3-07, Evidence of Hazard Insurance.

Delivery Data Requirements

A new Special Feature Code 156 is required at delivery for mortgage loans that are secured by individual units in condominium projects with a Special Approval designation. In addition, lenders must deliver project type code T – Fannie Mae Review. All other applicable special feature codes must also be provided.

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Lenders who have questions about this Lender Letter should contact the Fannie Mae Project Standards Team at (202)752-2916.

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