



MORTGAGE BANKERS ASSOCIATION

August 25, 2025

William Merrill
Associate Director
Federal Housing Finance Agency
400 7th St SW
Washington, DC 20219

RE: Request for Review and Revisions to Project Standards Guidelines

Dear Mr. Merrill,

The Mortgage Bankers Association (MBA)¹ appreciates the opportunity to provide input on the condominium loan eligibility standards established by Fannie Mae and Freddie Mac (the Enterprises) following our annual Condominium Summit in Washington, DC on July 23.

In support of our shared commitment to expanding access to safe, sustainable, and affordable housing, MBA urges the Federal Housing Finance Agency (FHFA) to consider targeted reforms to the Enterprises' *Critical Repairs* guidelines.² While these guidelines play a vital role in protecting GSE collateral and homeowner safety, their current application has evolved in ways that unintentionally restrict access to an essential component of the housing market, especially for first-time homebuyers. Accordingly, MBA encourages consideration of several recommendations below to increase homeownership opportunities while maintaining appropriate safeguards.

Market Impact and Unintended Consequences

Since the guidelines became permanent in 2023, the number of projects ineligible for delivery to Fannie Mae (marked as "Unavailable" in Fannie Mae's Condo Project Manager system) has soared, affecting 5,175 projects and seriously constraining financing options for

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 275,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

² Fannie Mae Selling Guide, Section B4-2.1-03, Ineligible Projects, Projects in Need of Critical Repairs; Freddie Mac Single-Family Seller/Servicer Guide, Section 5701.3, Critical Repairs & Evacuation Orders, (Effective 9/18/2023)

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prospective homeowners.³ While MBA applauds FHFA's swift action to enact policies to avoid tragedies similar to the Champlain Towers (Surfside) collapse, some of the reasons projects are deemed Unavailable include non-structural work such as minor deck or balcony repairs, tuckpointing, elevator modernization, or localized retaining wall work that do not compromise building integrity or homeowner safety.

The application of these guidelines by the GSEs has unintentionally extended beyond the original intent of the guidelines, creating unnecessary challenges for projects, homeowners, and lenders.

Challenges in Documentation and Interpretation

Lenders continue to encounter challenges in obtaining consistent, verifiable documentation from HOAs and property managers. Current rules often require third-party engineering or inspection reports, even for minor, non-structural repairs. While MBA supports reasonable documentation standards, the current framework has become overly rigid, impeding financing for sound projects.

Specific Recommendations to Modernize the Critical Repairs Policy

To better align the policy with its safety-focused mission while reducing unintended barriers to affordable homeownership, MBA offers the following recommendations:

1. **Narrow the Scope of Critical Repairs:** The definition of a critical repair should be limited to items that directly affect structural soundness, unit safety, and habitability. Ancillary elements, cosmetic deficiencies, or deferred maintenance items that do not pose an imminent risk to the actual units themselves should be excluded from classification. While Surfside highlighted the dangers of excessively deferred maintenance in areas tied to building stability, cosmetic or non-structural items should not be captured under the same "critical repair" framework.
2. **Differentiate Between Deferred Maintenance and Safety Hazards:** The GSEs should adopt a commercial standard to code violations and inspection findings. That is, there should be differences between cosmetic or routine maintenance code violations and those posing genuine habitability risks. A more nuanced policy is appropriate to account for the safety and structural integrity risk, especially when temporary safety mitigation measures have been implemented.⁴
3. **Expand and Standardize Acceptable Documentation Sources:** FHFA and the Enterprises should expand and standardize the criteria for documentation that lenders may rely upon to confirm both project eligibility and the completion of non-critical repairs. Acceptable sources should include municipal signoffs, final contractor invoices or receipts, dated photographs, or HOA communications that are accompanied by

³ The Wall Street Journal: A Secret Mortgage Blacklist Is Leaving Homeowners Stuck With Unsellable Condos (March 17, 2025)

⁴ For example, (e.g., Local Law 11 facade shedding requirements in New York City).

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supporting third-party documentation. Broadening and harmonizing these standards will reduce overreliance on engineering reports or subjective attestations, while preserving lender confidence in the review process and minimizing compliance risk from inconsistent disclosures.

4. **Clarify Treatment of In-Progress, Non-Critical Repairs:** Pathways for conditional loan approvals should be developed where repairs are underway and financing is in place, provided there is no imminent threat to life, safety, or structural integrity. This would support financing continuity for projects proactively addressing maintenance issues.
5. **Clarify Treatment of Weather-Related Repairs:** Repairs due to insured weather-related damage should not be deemed critical if they do not compromise structural integrity. FHFA should consider providing guidance on how such repairs are treated, including factors such as proof of insurance payout, work status, and safety conditions during remediation.

MBA strongly supports policies that safeguard homeowners and promote housing stability. We ask FHFA to take on a more calibrated, risk-based policy that would preserve safety while ensuring continued liquidity in this important segment of the affordable housing market.

Thank you for your continued commitment to supporting the housing industry and fostering affordability. We look forward to discussing these recommendations further and working together. Should you have questions or wish to discuss these comments, please contact John McMullen, AMP, at (202) 557-2706 and jmcmullen@mba.org.

Sincerely,



Pete Mills
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Residential Policy and Strategic Industry Engagement
Mortgage Bankers Association