



March 6, 2009

Cynthia C. Shelton
President
Florida Association of Realtors
7025 Augusta National Drive
Orlando, FL 32872-5025

Dear Cynthia,

Thank you very much for meeting with us on February 4, 2009, to discuss Fannie Mae's condo guidelines. We welcomed the opportunity to meet with you and the staff of the FAR to address the concerns raised by FAR members.

In our meeting we discussed two changes to our condominium eligibility guidelines – the presale requirement for new condominium developments and the permitted delinquency rate for HOA dues. We also discussed the changes we made to the process by which condominium developments are reviewed by Fannie Mae and/or lenders to determine whether the developments meet our eligibility guidelines.

Fannie Mae's eligibility guidelines for condominium developments have always sought to provide the most affordable financing available for this important homeownership option, recognizing the additional risks associated with a legal ownership structure and homeowner dependencies not present in fee simple detached homeownership. The condo project eligibility changes Fannie Mae recently adopted (i.e., Announcements 08-34 and 08-38) are intended to protect consumers and assist lenders, while at the same time allowing Fannie Mae to provide the broadest availability of financing and liquidity for new and established condominiums under terms that appropriately align with risks. Many of the recent changes to our condominium guidelines reflect a return to guidelines that were loosened between 2005 and 2007, a period of rapid real estate development.

With respect to the presale requirement, until 2005 Fannie Mae required that 70% of the units in a new or newly converted condominium project be under contract before individual loans could be delivered to Fannie Mae. We relaxed this requirement in 2005, down to 51 percent. We reinstated the 70 percent rule in December because new projects that are not sold out present a greater risk that they won't be completed because of an inadequately funded budget. As with all our project guidelines, we will consider exceptions after a review of the overall risks of the project.

With respect to our guidelines on delinquent HOA dues, Fannie Mae in 2007 began requiring that at least 85 percent of condo units in established projects be current on their condo fees. We expanded this requirement to include new condo projects because of the increasing incidence of early-payment defaults before a project is fully completed. Again, we will consider exceptions to this requirement after a review of a new project's financial condition.

The changes to the guidelines governing presale and delinquent HOA dues are applicable nationwide, and are not specific to Florida.

Fannie Mae did make one condo-related guideline change that was specific to Florida. This related to our reintroduction of a project prior approval service. Before 2008, Fannie Mae, at the option of the lender, would review whether condominium projects complied with our guidelines, and Fannie Mae would post projects that were eligible for financing on our website (efanniemae.com). This service was discontinued for 2008 and, at that time, the review of projects was fully delegated to lenders.

Under our recent announcement, we have reintroduced our prior approval service and require that new condo projects in Florida be reviewed by Fannie Mae to determine eligibility. In other states, the lender may either conduct the review or request that Fannie Mae provide prior approval. With respect to established condo projects in Florida, lenders must conduct a full project review or Fannie Mae must have reviewed the project in order for borrowers to be eligible for standard mortgage eligibility terms.

The changes to our approval process were made to protect both Fannie Mae and condo borrowers against the rising number of new and newly converted projects that have failed due to excess supply and declining condo sales in Florida. The project review will provide lenders the ability to obtain Fannie Mae's approval on any condo project where they are either not comfortable determining project eligibility or where a project does not meet our stated guidelines and exceptions to our policies are needed.

To support our efforts in Florida, we hired two employees early in January who reside in Florida and whose full-time jobs involve reviewing and assessing new and existing condominium projects. In addition to posting newly approved projects on our website we will also be posting approved established projects where we have made exceptions to our guidelines to ensure that purchasers, lenders and real estate agents can easily access the projects in which Fannie Mae will purchase mortgages. The steps will enable us to be on the ground actively supporting the condo market by ensuring the availability of mortgage funding in condo projects where we can assess and understand the risks.

Please be assured that Fannie Mae is committed to providing mortgage loan financing in Florida in all eligible condominium projects where we can manage the project risks and ensure that borrowers will be successful homeowners.

Again, thank you very much for the opportunity to discuss our new guidelines. If you have any questions or we can be of further assistance, please feel free to contact us.

Sincerely,



Deborah Tretler
Vice President
Single- Family Risk Management