

Chapter 5705: Cooperative Projects and Cooperative Share Loans

5705.1: Cooperative Share Loans (03/05/25)

Freddie Mac purchases Cooperative Share Loans secured by an ownership interest in Cooperative Projects that meet Freddie Mac's eligibility requirements. This section contains requirements related to:

- [Seller's assessment of Cooperative Project risks](#)
- [Seller approval for Cooperative Share Loans](#)
- [Glossary definitions and other terms used in this chapter](#)

Sellers must obtain written approval to be eligible to deliver Cooperative Share Loans to Freddie Mac. A Seller should contact its Freddie Mac representative or Customer Service at 800-FREDDIE to discuss how to obtain the applicable term of business. Freddie Mac reserves the right to cease approving Sellers or accepting deliveries of Cooperative Share Loans from any or all Sellers.

The term "Mortgage" as used in the Guide includes, as the context requires, the term "Cooperative Share Loan." Requirements pertaining to Mortgages apply to Cooperative Share Loans.

(a) Seller's assessment of Cooperative Project risks

Freddie Mac requires a Cooperative Project review to address certain project risks, including, but not limited to:

- The marketability and condition of the project
- The marketability of the units within the project
- The financial stability and viability of the project
- Project-level litigation
- Restrictions on Shareholders' rights to occupy the unit; and
- The adequacy of insurance coverage to protect the project from damage and loss

Freddie Mac expects the Seller to have staff that is experienced and knowledgeable about Cooperative Project risks and to place as much emphasis on the adequacy of the Cooperative

Interest as collateral as it does on underwriting the Borrower's creditworthiness. The quality of a Cooperative Share Loan can be impacted by the financial stability and viability of the particular project, among other project characteristics.

The conclusion that a Cooperative Share Loan is acceptable to Freddie Mac must be based on the determination that the Borrower is creditworthy and the Cooperative Interest in the Cooperative Corporation is adequate collateral for the Cooperative Share Loan transaction.

(b) Seller approval for Cooperative Share Loans

To be approved to sell Cooperative Share Loans, Sellers/Servicers must meet minimum requirements to be considered for approval to sell Cooperative Share Loans, including:

1. Possess sufficient expertise with Cooperative Projects and Cooperative Share Loans, along with the capacity and resources to ensure that the Cooperative Project is likely to be successful does not expose Freddie Mac to material credit risk and meets eligibility requirements
2. Possess substantial experience in the geographic market in which Cooperative Share Loans are being originated
3. Demonstrate volume of Cooperative Share Loans correlates to years of experience
4. Engage dedicated project review staff with experience in underwriting Cooperative Projects, and retain legal counsel (or have access to legal counsel) familiar with Cooperative Projects and Cooperative Project eligibility requirements
5. Maintain written policies and procedures consistent with Freddie Mac's project eligibility requirements. The policies and procedures must address pre-sale and owner-occupancy requirements, declining market trends, project completion and any other issues that layer additional risk for Cooperative Share Loans. The policies and procedures for identifying the Cooperative Share Loans to be sold to Freddie Mac may be no less stringent than the policies and procedures for the Seller's investment decisions.
6. Maintain controls for monitoring performance of Cooperative Share Loans it originates (e.g., a 60-day Delinquency within the first three months or any 90 or more day Delinquency ever). Sellers must also maintain policies and procedures to implement default management corrective actions that also evaluate and monitor the performance of the Cooperative Share Loans following implementation of such corrective action. Seller/Servicer must not be aware of any quality or servicing issues related to the Cooperative Share Loans it originates.
7. Provide project-related reporting and any project underwriting documentation or Cooperative Project Documents upon request from Freddie Mac or request the documentation from the Cooperative Corporation on Freddie Mac's behalf, if applicable

(c) Glossary definitions and other terms used in this chapter

(i) Glossary definitions

The Seller should be familiar with Freddie Mac's Glossary definitions of the following terms:

Glossary definitions for Critical Repairs and Routine Repairs	
C	
Critical Repairs (includes material deficiencies and significant deferred maintenance)	<p>Repairs and replacements that significantly impact the safety, soundness, structural integrity or habitability of the project's building(s) and/or that impact unit values, financial viability or marketability of the project.</p> <p>These include:</p> <ul style="list-style-type: none">■ Material deficiencies which, if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year■ Any mold, water intrusions or potentially damaging leaks to the project's building(s) that have not been repaired■ Advanced physical deterioration■ Any project that failed to pass state, county, or other jurisdictional mandatory inspections and/or certifications specific to structural soundness, safety, and habitability; or■ Any unfunded repairs costing more than \$10,000 per unit that should be undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through a special assessment) <p>Examples of some items to consider include, but are not limited to, sea walls, elevators, waterproofing, stairwells, balconies, foundation, electrical systems, parking structures or other load-bearing structures.</p>
R	
Routine Repairs	<p>These repairs are not considered to be critical and include work that is:</p> <ul style="list-style-type: none">■ Preventative in nature or part of normal capital replacements (e.g., focused on keeping the project fully functioning and serviceable); and

	<ul style="list-style-type: none"> ■ Accomplished within the project’s normal operating budget or through special assessments that are within guidelines
--	---

(ii) Other terms used in this chapter

The following additional terms are used in this chapter:

Additional defined terms	
B	
Blanket Mortgage	A Mortgage secured by a Cooperative Project; is also referred to as an “underlying mortgage.”
E	
Established Cooperative Project	<p>An Established Cooperative Project is a Cooperative Project in which:</p> <ul style="list-style-type: none"> ■ The Cooperative Project is complete, and is not subject to additional phasing, and ■ The sponsor/developer (or Holder of Unsold Shares) has turned control of the Cooperative Corporation over to the Cooperative Unit owners
H	

Holder of Unsold Shares	<p>Any of the following persons or Entities that (a) hold Cooperative Shares in Cooperative Units, (b) except as described below, do not intend to cause the Cooperative Units to be occupied and (c) intend to lease the Cooperative Units or keep the Cooperative Units vacant:</p> <ul style="list-style-type: none"> ■ Sponsor/developer ■ Persons/entities that the sponsor/developer designates as holders of unsold Cooperative Shares; and ■ Subsequent transferees of such unsold Cooperative Shares which retain their character as unsold Cooperative Shares until one of the occupancy events described below occurs <p>For purposes of this definition, intending to cause the Cooperative Unit to be occupied means occupancy by the persons holding the Cooperative Shares in the Cooperative Unit (i.e., subsequent transferees) the principals of an Entity holding such Cooperative Shares or any family members of the persons holding the Cooperative Shares, employees or persons affiliated with such Entities holding the Cooperative Shares.</p>
N	
New Cooperative Project	<p>A New Cooperative Project is a Cooperative Project in which:</p> <ul style="list-style-type: none"> ■ The Cooperative Project is not complete, or is subject to additional phasing, or ■ The sponsor/developer (or Holder of Unsold Shares) has not turned control of the Cooperative Corporation over to the unit owners

5705.2: Cooperative Project review and general Cooperative Project eligibility requirements (03/05/25)

The Seller must determine compliance with Freddie Mac's Cooperative Project review and eligibility requirements in this section. This section contains the following subsections:

- [Cooperative Project review requirements](#)
- [General Cooperative Project eligibility requirements](#)
- [Freddie Mac right to review Cooperative Projects](#)

(a) Cooperative Project review requirements

Except for Freddie Mac-owned “no cash-out” refinance Cooperative Share Loans delivered in accordance with the requirements in Section 5705.7 relating to Exempt from Review, the Seller must ensure that:

1. The Cooperative Project, the Cooperative Unit and Cooperative Share Loan comply with the following sections in this chapter:
 - Cooperative Project eligibility (see Section 5705.4)
 - Legal requirements for New Cooperative Projects (see Section 5705.6)
2. The project must not be an ineligible Cooperative Project (see Section 5705.3)
3. The Seller must review and determine that a Cooperative Project complies with Freddie Mac’s requirements as follows:

Cooperative Project review expiration	
Type of Cooperative Project	Expiration of project review
Established Cooperative Project	Within one year prior to the Note Date
New and Newly Converted Cooperative Projects	Within 180 days prior to the Note Date

If the Cooperative Project does not meet Freddie Mac’s project eligibility requirements on the Note Date, the Seller may deliver the Cooperative Share Loan at the time the Cooperative Project complies with all of the project eligibility requirements as long as all other applicable requirements have been met.

4. The Cooperative Project, Cooperative Project Documents and Cooperative Share Loan documents must comply with all applicable laws, ordinances and regulations for the State and local jurisdiction in which the project is located, and all documents must be enforceable under the laws, ordinances and regulations of the applicable jurisdiction.

(b) General Cooperative Project eligibility requirements

The Seller must also review and determine compliance with the following requirements:

1. The project must have insurance that complies with the applicable requirements of Chapter 4703
2. The Cooperative Unit and the Cooperative Project must be covered by a title insurance policy that complies with requirements of Chapter 4702

3. The Cooperative Project and Cooperative Unit must comply with all applicable requirements of Topic 5600
4. The Cooperative Project must be designed primarily for residential use
5. The Cooperative Share Loan must comply with all applicable requirements in Section 5705.5
6. A Cooperative Share Loan must be delivered to Freddie Mac within 120 days after the Note Date. If the Cooperative Share Loan is not delivered within 120 days after the Note Date, Seller must update the project review and eligibility determination prior to delivery.
7. The Seller must have policies and procedures in place and take appropriate steps to ensure that the Cooperative Unit, Cooperative Share Loan and Cooperative Project comply with applicable requirements
8. The Seller must retain all documentation related to the review of the Cooperative Project. Upon request, the Seller must provide the project information and documentation to Freddie Mac.

(c) Freddie Mac right to review Cooperative Projects

Freddie Mac reserves the right to conduct its own review of the Cooperative Project for Cooperative Share Loans delivered to Freddie Mac.

5705.3: Ineligible Cooperative Projects (03/05/25)

This section contains requirements related to:

- [Ownership of Cooperative Project land and Cooperative Units](#)
- [Cooperative hotel](#)
- [Cooperative Project with multi-dwelling units](#)
- [Cooperative Project with excessive commercial or non-residential space](#)
- [Tenancy-in-Common Cooperative Project](#)
- [Timeshare Cooperative Project with segmented ownership](#)
- [Houseboat Cooperative Project](#)
- [Ownership and use of Common Elements in Cooperative Project](#)

- [Cooperative Project in litigation](#)
- [Cooperative Project with excessive single-investor concentration](#)
- [Continuing Care Retirement Community \(CCRC\)](#)
- [Cooperative Projects composed of Manufactured Homes](#)
- [Cooperative Project with mandatory dues or similar membership fees for use of Amenities such as clubhouses or recreational facilities](#)
- [Limited equity Cooperative Project](#)
- [Leasing Cooperative](#)
- [Sponsor/developer interest in Cooperative Project](#)
- [Project in need of Critical Repairs](#)
- [Project with an evacuation order](#)

Except for Freddie Mac-owned “no cash-out” refinance Cooperative Share Loans delivered in accordance with the requirements in Section 5705.7 relating to Exempt from Review, Cooperative Share Loans in any of the following types of Cooperative Projects are ineligible for sale to Freddie Mac:

(a) Ownership of Cooperative Project land and Cooperative Units

Any Cooperative Corporation that does not own:

- The land on which the Cooperative Project is located in fee simple; and
- The Cooperative Units in the Cooperative Project

(b) Cooperative hotel

Any project that is a cooperative hotel or similar type of transient housing.

Projects that have one or more of the following characteristics are considered a cooperative hotel, or similar type of transient housing, and are ineligible projects:

- Projects that include hotel type services and characteristics, such as registration services, rentals of Cooperative Units on a daily basis and restrictions on interior decorating
- Cooperative Projects that are conversions of a hotel (or a conversion of a similar type of transient housing) unless the Cooperative Project was a Gut Rehabilitation and the

resulting Cooperative Units no longer have the characteristics of a hotel or similar type of transient housing

- Projects with mandatory or voluntary rental-pooling and revenue-sharing agreements (or similar agreements that restrict the Shareholder's ability to occupy the Cooperative Unit such as blackout dates and occupancy limits) to assure an inventory of Cooperative Units for rent on a frequent basis, such as daily, weekly, monthly or seasonally
- Cooperative Projects that are licensed as a hotel, motel or similar type of transient housing

The following are examples of personalized services and centralized systems that are common red flags of a Condominium Hotel or similar type of transient housing:

- Personalized services
 - ☐ Daily cleaning services
 - ☐ Porters/luggage service
 - ☐ Room service
- Centralized systems
 - ☐ Any central telephone service
 - ☐ Central key systems

If Shareholders of Cooperative Corporations in Cooperative Projects in resort locations rent their units (either individually or through a rental management company) on a short-term basis, the project has personalized services and/or the project has centralized systems, this alone does not indicate that the project is to be considered a cooperative hotel. Sellers must fully analyze all the characteristics of the project and related information to determine if the project is a cooperative hotel. Related informational resources may include, but are not limited to, Cooperative Project Documents (e.g., by-laws, project budgets and financial statements), offering statements (or their equivalent) and marketing materials, websites, contracts for sale and appraisal reports.

(c) Cooperative Project with multi-dwelling units

A Cooperative Project that permits a Cooperative Interest in more than one dwelling unit, with ownership of all owned Cooperative Units or Cooperative Shares financed by a single Cooperative Share Loan.

(d) Cooperative Project with excessive commercial or non-residential space

A Cooperative Project in which more than 35% of its total above and below grade square footage (or more than 35% of the total above and below grade square footage of the building in which the Cooperative Project is located) is used as commercial or non-residential space.

In calculating the amount of commercial or non-residential space, Sellers must determine:

- The total square footage of the project (or the building in which the project is located)
- The square footage of the commercial or non-residential space; and
- The residential space square footage

The Seller will then divide the total commercial or non-residential square footage by the total square footage of the project or building to determine the total amount of commercial or non-residential space. Below is a table illustrating what must be included or may be excluded from the calculation of commercial or non-residential space.

Excessive commercial or non-residential space	
Type of commercial or non-residential space	Include in the calculation?
Retail and other commercial or non-residential space (for example, restaurants and stores)	Yes
Residential rental apartments, hotels, motels and other similar types of space, although such space may have residential characteristics	Yes
Non-residential space that the Cooperative Corporation does not own but that is owned by a private individual or entity outside of the Cooperative Corporation (for example, private fitness facilities that are membership-based rather than owned by the Cooperative Corporation for the sole use of the Shareholders)	Yes
The total square footage of commercial or non-residential space even when the Cooperative Corporation representing the Shareholders is different from the association representing the commercial owners	Yes
Commercial parking facilities	No
Project Amenities and facilities that are residential in nature, owned by the Cooperative Corporation and allocated for the sole use of the Shareholders	No

(e) Tenancy-in-Common Cooperative Project

A Cooperative Project owned by several owners as tenants-in-common. Individuals have an undivided interest in the Cooperative Project (including the Cooperative Units) and land on which the Cooperative Project is located and may or may not have the right of exclusive occupancy of a specific Cooperative Unit.

(f) Timeshare Cooperative Project with segmented ownership

A Cooperative Project in which there is an arrangement under which a Shareholder receives an interest in real estate and the right to use a Cooperative Unit, Amenities or both for a specified period and on a recurring basis (such as the 15th week of the year) or ownership that is for a limited period (such as for the subsequent five years).

(g) Houseboat Cooperative Project

A Cooperative Project composed of boats that have been designed or modified to be used primarily as dwelling units.

(h) Ownership and use of Common Elements in Cooperative Project

Except as stated below, a Cooperative Corporation must be the sole owner of and the Shareholders must have the sole right to the use of the Common Elements, including all buildings, roads, parking, facilities and Amenities. The sponsor/developer must not retain any ownership interest in the Common Elements, facilities and Amenities, except as a Holder of Unsold Shares.

A Cooperative Project that shares Amenities with one or more other residential projects is eligible if the projects share the Amenities (e.g., recreational or fitness facilities, swimming pools and clubhouses) for the sole use of the Shareholders and unit owners, if applicable. The term “residential projects” includes only residential Condominium Projects, Cooperative Projects and Planned Unit Developments (PUDs). The residential projects must have an agreement specifying:

1. A description of the shared Amenities and the terms of Shareholders’ and unit owners’ permitted use of the shared Amenities
2. How the shared Amenities will be funded, managed and maintained; and
3. The method for resolving disputes between the projects regarding the shared Amenities

The Common Elements, including Amenities such as parking and recreational facilities, must not be subject to a lease between the Cooperative Corporation (as lessee) and the sponsor/developer or any affiliate of the sponsor/developer (as lessor).

Parking provided under commercial leases or permit arrangements with parties unrelated to the developer are acceptable.

(i) Cooperative Project in litigation

A Cooperative Project in which: (i) the Cooperative Corporation is named as a party to pending litigation or the Seller discovers that the Cooperative Corporation is a party to an Alternative Dispute Resolution (ADR) proceeding, such as arbitration or mediation, or (ii) the project sponsor or developer is named as a party to pending litigation or the Seller discovers that the project sponsor or developer is a party in an ADR proceeding and, in either case, the dispute relates to the safety, structural soundness, functional use or habitability of the Cooperative Project.

If the Seller determines that the pending litigation or ADR proceeding involves only minor matters that do not affect the safety, structural soundness, functional use or habitability of the Cooperative Project, the Cooperative Project is eligible if the litigation or ADR proceeding is limited to one of the following:

1. The litigation amount is known, the insurance company has committed to provide the defense and the litigation amount is covered by the insurance policy;
2. The litigation amount is unknown, the Seller has documented the Mortgage file with a copy of the complaint, or the most recent amended complaint, and with an attorney letter that supports the Seller's determination that the litigation involves minor matters. The attorney letter must state all of the following:
 - i. The reason for the litigation;
 - ii. That the insurance company has committed to provide the defense; and
 - iii. That any potential monetary judgment against the Cooperative Corporation or settlement with the Cooperative Corporation, including punitive damages, will likely be covered by the Cooperative Corporation's insurance policy.

If the attorney letter indicates that the matter will not likely be fully covered by the Cooperative Corporation's insurance policy, then the Cooperative Project is ineligible.
3. The matter involves any of the following:
 - i. A non-monetary neighbor dispute or right of quiet enjoyment, whether litigated or in an ADR proceeding;
 - ii. A dispute in which the Cooperative Corporation is the plaintiff in a foreclosure action;

- iii. A dispute in which the Cooperative Corporation is the plaintiff in the litigation or a party to an ADR proceeding and is seeking reimbursement for expenditures made to repair the Cooperative Project's component(s). The expenditures may have included items that related to the safety, structural soundness, functional use or habitability of the project, provided that the repair permanently resolved the defect or issue, and the expenditures did not significantly impact the financial stability or future solvency of the Cooperative Corporation.
4. The estimated or known amount in the dispute in the litigation or ADR proceeding is known and is not covered by the insurance policy but is not expected to exceed 10% of the Cooperative Project's funded reserves, provided that use of the project's funded reserves to pay for project litigation or dispute resolution does not violate the applicable jurisdiction's laws and regulations.

The Seller must retain documentation to support its analysis that the reason for the dispute meets Freddie Mac's requirements for minor matters as described above.

(j) Cooperative Project with excessive single-investor concentration

Any Cooperative Project in which a single entity owns Cooperative Shares that represent more than the following:

Excessive single investor concentration	
Number of units in the project	Total number of units owned by individual or single entity
Two to four	One
Five to 20	Two
21 or more	20%

1. The following may be excluded from the single investor concentration calculation:
 - i. Vacant Cooperative Units being actively marketed by the sponsor/developer (or Holder of Unsold Shares). Any units leased by the sponsor/developer must be included in the calculation of the developer's percentage of ownership.
 - ii. Cooperative Units that a non-profit entity controls or owns for the purpose of providing affordable housing
 - iii. Cooperative Units held in affordable housing programs (including units subject to non-eviction rent regulation codes), and
 - iv. Cooperative Units retained for workforce housing by higher-education institutions

Exceptions:

2. For purchase transactions, a project with single investor concentration greater than specified above will be eligible provided:
 - i. The purchase transaction will result in a reduction of the single investor concentration
 - ii. The single investor must not own more than 49% of the units in the project
 - iii. The Seller obtains evidence that the single investor is marketing units for sale with the goal to decrease the single investor concentration to 20% or less of the units in the project
 - iv. The single investor is current on all Maintenance Fees and assessments; and
 - v. There are no planned or current special assessments in the project
3. When a sponsor/developer (or Holder of Unsold Shares) has been prevented from selling Cooperative Interests due to the need to comply with rent control or tenant-protection laws, the 20% single entity ownership limitation may be increased to 49% if all of the following requirements are met:
 - i. The Cooperative Interests owned by the sponsor/developer in excess of 20% must be subject to rent control or tenant-protection laws
 - ii. The Seller must retain documentation, such as a regulation agreement, evidencing that the Cooperative Units retained by the sponsor/developer (or Holder of Unsold Shares) are subject to rent control or tenant-protection laws; and
 - iii. The Seller meets one of the following:
 - A. Seller must document that the rental income from the tenant-protected and/or leased Cooperative Units owned by the sponsor/developer is sufficient to cover the Pro Rata Share of the Cooperative Project's financial obligations that are applicable to the tenant-protected, leased, and vacant Cooperative Units; or
 - B. If the rental income from the tenant-protected and/or leased Cooperative Units owned by the sponsor/developer is not sufficient to cover the Pro Rata Share of the Cooperative Project's financial obligations that are applicable to the tenant protected, leased, and vacant units, the sponsor/developer (or Holder of Unsold Shares) must have demonstrated the ability and willingness to meet any shortfall in the payment of the Pro Rata Share of the Cooperative Project's financial obligations that are applicable to these units. In such cases, the sponsor/developer (or Holder of Unsold Shares) must:

- Be current on all financial obligations for the subject Cooperative Project and on all financial obligations relating to any other project in which they own or hold more than 10% of the Cooperative Shares
- Have sufficient funds to meet any shortfall in the payment of the Pro Rata Share of the Cooperative Project's financial obligations that are applicable to the tenant-protected, leased and vacant Cooperative Units; and
- Provide financial statements of the Cooperative Corporation that indicate financial stability for the Cooperative Project with no negative impact to the Cooperative Project due to sponsor/developer (or Holder of Unsold Shares) ownership

(k) Continuing Care Retirement Community (CCRC)

A CCRC is a residential Cooperative Project specifically designed to meet the evolving health and housing needs of seniors. Unlike age-restricted communities, residents in CCRCs sign a contract in advance for a lifetime commitment of care from the facility, regardless of future health or housing needs. CCRCs may also be known as Life-Care Facilities.

(l) Cooperative Projects composed of Manufactured Homes

A Cooperative Project composed of one or more Manufactured Homes.

(m) Cooperative Project with mandatory dues or similar membership fees for use of Amenities such as clubhouses or recreational facilities

A Cooperative Project with mandatory dues or similar membership fees, including initiation or joining fees, that allows for the use of Amenities, such as clubhouses or recreational facilities, unless both of the following are met:

- The Cooperative Corporation solely owns the Amenities; and
- Only Shareholders are members, with full rights and privileges to the use of these Amenities being the primary benefit of membership

(n) Limited equity Cooperative Project

A Cooperative Project that limits gain from appreciation upon resale of the Cooperative Shares associated with the Cooperative Unit, except as permitted for Cooperative Share Loans subject to stock transfer fees under Section 5705.5(f). Cooperative Projects located on land owned by Community Land Trusts are also ineligible Cooperative Projects.

(o) Leasing Cooperative

A Cooperative Project that involves the leasing of both the land and the improvements to the Cooperative Project including the Common Elements, even if the Cooperative Corporation owns part of the building.

(p) Sponsor/developer interest in Cooperative Project

The sponsor/developer (or any Holder of Unsold Shares) cannot retain any ownership interest in the Cooperative Project except for its interest in any unsold Cooperative Units.

(q) Project in need of Critical Repairs

Cooperative Share Loans secured by Cooperative Interests in Cooperative Projects in need of Critical Repairs, as defined in the Glossary, are not eligible for sale to Freddie Mac.

For both current and planned (i.e., Shareholders approved but the board has not initiated collection yet) special assessments, Seller must obtain and review the following information for each special assessment to determine if the funds are for a Critical Repair:

- The purpose of the special assessment,
- When the special assessment was approved,
- The original amount of the special assessment,
- The amount remaining to be collected, and
- The expected date the special assessment will be paid in full

If a structural and/or mechanical inspection has been completed within 3 years of Seller's project review date, Seller must review that inspection report. There must not be any Critical Repairs needed, as well as no current evacuation orders or similar regulatory actions.

Projects in need of Critical Repairs remain ineligible until the required repairs and/or inspection report have been completed and documented. Sellers must review an engineer's report or substantially similar document to determine that the repairs resolved the building's safety, soundness, structural integrity, or habitability concerns.

If damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the project, then this project eligibility requirement does not apply.

This requirement does not apply to Routine Repairs, as defined in the Glossary.

Sellers may need to review a combination of documents to determine a project meets our physical condition requirements. Some examples include but are not limited to:

- Cooperative board meeting minutes
- Engineer's reports
- Structural and/or mechanical inspection reports
- Reserve studies
- List of necessary repairs provided by the Cooperative Corporation or management company, and/or
- Other substantially similar documentation

This list is not prescriptive or exhaustive. Sellers are responsible for determining which documents they need to review to ensure compliance with this requirement.

(r) Project with an evacuation order

A project with an evacuation order due to an unsafe condition, either for a partial or total evacuation of the project's building(s), is ineligible until the unsafe condition has been remediated and the building(s) is safe for occupancy.

5705.4: Cooperative Project eligibility (03/05/25)

This section contains the following subsections:

- [Cooperative Project completion requirements](#)
- [Owner-occupancy requirements](#)
- [Cooperative Project budget requirements](#)
- [Financial obligations of Cooperative Project](#)
- [Market acceptance](#)
- [Minimum number of Cooperative Units](#)
- [Subsidies or other benefits for Cooperative Project](#)
- [Requirements for the underlying Blanket Mortgage for Cooperative Project](#)
- [Prior Cooperative Project financing](#)

Except for Freddie Mac-owned “no cash-out” refinance Cooperative Share Loans delivered in accordance with the requirements in Section 5705.7 for Exempt from Review, the Cooperative Project must comply with all of the following eligibility requirements:

(a) Cooperative Project completion requirements

The Cooperative Project, including all Cooperative Units and Common Elements within the Cooperative Project, must be complete and cannot be subject to additional phasing or annexation.

(b) Owner-occupancy requirements

Cooperative Interests (i.e., both ownership and the accompanying occupancy rights) that represent at least 50% of the total number of Cooperative Units in the project must have been sold and conveyed or, for New Cooperative Projects (as defined in Section 5705.1(c)(ii)), must be under contract for sale to Shareholders who occupy their Cooperative Units as a Primary Residence or second home.

(c) Cooperative Project budget requirements

The Cooperative Project’s budget must meet all the following requirements:

(i) Financial strength and viability of Cooperative Project

Seller must underwrite the Cooperative Project to determine the financial strength and viability of the Cooperative Project. If the most recent budget is not available, the Seller may rely on a review of the Cooperative Corporation’s most recent audited financial statements or corporate tax returns.

The Cooperative Project’s most recent operating budget, audited financial statements or corporate tax returns must:

- Be consistent with the nature of the Cooperative Project;
- Except as stated in Section 5705.4(c)(ii) below, provide for adequate cash flow to service the current debt and operating expenses; and
- Provide for adequate replacement and operating reserves

For an existing building that is converted to a Cooperative Project and is undergoing or has undergone a Non-Gut Rehabilitation, the sponsor/developer must have contributed to the replacement reserve fund for the expired life of the components that were used prior to the conversion of the building(s).

(ii) Negative cash flow of Cooperative Project

The negative cash flow for the present year will not exceed 5% of the Cooperative Project's annual operating budget as demonstrated by the most recent audited financial statements, provided that the prior year's cash flow was not negative by more than 5%.

The negative cash flow must be attributable to an isolated expense, or the Cooperative Project must have supplemental income from sources (e.g., stock transfer fee/flip taxes or assessments), that demonstrates the Cooperative Project has adequate cash flow to service all obligations.

If the negative cash flow is attributable to tenant-protected, leased and vacant Cooperative Units, the sponsor/developer (or Holder of Unsold Shares) must:

- Be current on all financial obligations for the subject Cooperative Project and on all financial obligations relating to any other Cooperative Project in which they own or hold more than 10% of the Cooperative Shares;
- Not have pledged any Cooperative Shares of the Cooperative Project as security for any loan other than to secure the financing obtained to acquire the Cooperative Project; and
- Provide financial statements of the Cooperative Corporation that indicate financial stability for the Cooperative Project with no negative impact to the Cooperative Project due to negative cash flow related to sponsor/developer (or Holder of Unsold Shares) ownership

Seller must retain documentation that demonstrates the Cooperative Project has adequate cash flow to service all of its obligations.

(d) Financial obligations of Cooperative Project

The Cooperative Project must have good financial management, including the following:

(i) Payment of Blanket Mortgage, taxes and insurance

The Cooperative Corporation has not been 30 or more days delinquent on any payments due under any underlying Blanket Mortgage or for taxes, insurance and other financial obligations in the last 12 months.

(ii) Maintenance Fees

No more than 15% of the Shareholders are more than 60 days delinquent in the payment of Maintenance Fees.

(iii) Special assessments

No more than 15% of the Shareholders are more than 60 days delinquent in the payment of each special assessment.

(e) Market acceptance

The Cooperative Project must be located in an area in which there is a demonstrated market acceptance of the cooperative form of ownership.

(f) Minimum number of Cooperative Units

The Cooperative Project must consist of two or more 1-unit dwellings.

(g) Subsidies or other benefits for Cooperative Project

If the Cooperative Project is the recipient of any subsidies or similar benefits (e.g., tax or assessment abatements) that will be reduced or eliminated within three years of the Note Date of the Cooperative Share Loan, Seller must assess the impact that the elimination of such benefits will have on the Cooperative Project and include any higher monthly fees in a Borrower's monthly liabilities when qualifying the Borrower for the Cooperative Share Loan.

(h) Requirements for the underlying Blanket Mortgage for Cooperative Project

The Blanket Mortgage for the Cooperative Project may be either a conventional mortgage or an FHA-Insured Mortgage that has an interest rate that is at the market rate and not at a subsidized or otherwise reduced rate.

If the Blanket Mortgage is a balloon mortgage, the remaining term must be at least six months. If the Blanket Mortgage is an adjustable-rate balloon mortgage with a remaining term between six months and two years, then the current interest rate may not be subject to an interest rate adjustment.

(i) Prior Cooperative Project financing

The Seller represents and warrants that the Cooperative Project's Blanket Mortgage is:

- In compliance with the requirements imposed by the mortgagee of the underlying Blanket Mortgage; and
- If the Blanket Mortgage includes a due-on-encumbrance clause and the Cooperative Project is located in a State in which Cooperative Share Loans are considered to be an encumbrance on the Cooperative Project, the mortgagee of the Blanket Mortgage must consent to the Cooperative Share Loan

5705.5: Cooperative Share Loan eligibility (03/05/25)

This section contains requirements related to:

- [Occupancy requirement for Cooperative Unit](#)
- [Loan-to-value \(LTV\) ratios for Cooperative Share Loans](#)
- [Borrower qualification](#)
- [Maximum Pro Rata Share](#)
- [Subordinate financing](#)
- [Cooperative Share Loans subject to stock transfer fee \(“flip tax”\)](#)
- [Cooperative Share Loan lien priority](#)
- [Cooperative Corporation’s approval](#)
- [Cooperative Project that is not a Cooperative Housing Corporation](#)

All Cooperative Share Loans must comply with the following eligibility requirements:

(a) Occupancy requirement for Cooperative Unit

The Shareholder must occupy the Cooperative Unit as a Primary Residence or second home.

The Shareholder must have a right to occupy the Cooperative Unit pursuant to a Proprietary Lease for a period of time that extends at least to the maturity date of the Cooperative Share Loan.

(b) Loan-to-value (LTV) ratios for Cooperative Share Loans

The LTV ratio is determined by dividing the original UPB of the Cooperative Share Loan by the lower of:

- The sale price; or
- The appraised value of the Cooperative Interest

Note: The Cooperative Unit’s Pro Rata Share of the Cooperative Corporation’s debt is not included in the calculation of the LTV ratio.

(c) Borrower qualification

If the Cooperative Unit Maintenance Fees include unit utility charge, the Maintenance Fees may be reduced by the documented amount of unit utility charges that are included, prior to calculating:

- Housing expense-to-income ratio; and
- Debt-to-income ratio

(d) Maximum Pro Rata Share

The Pro Rata Share related to the Cooperative Unit must not exceed 35% of the sum of the Cooperative Unit's Pro Rata Share plus the lower of the (i) sales price or (ii) appraised value of the Cooperative Interest.

However, the Pro Rata Share may be increased to 40% when there are significant and documented compensating factors to support the use of the higher percentage, such as a Cooperative Project in strong financial condition with significant cash reserves and good cash flow.

If the Cooperative Corporation has obtained a line of credit, the Seller must include the full available amount of the line of credit as part of the Cooperative Corporation's debt (i.e., Blanket Mortgage and, if applicable, second mortgage) when calculating the maximum Pro Rata Share.

The following table provides an example of how to calculate the Pro Rata Share:

Calculating Pro Rata Share	
Variable	Example value
Blanket Mortgage balance	\$4,000,000
Subordinate financing balance	\$1,000,000
Cooperative Shares issued and outstanding	10,000
Subject unit's Cooperative Shares	40
Sales price/appraised value of the Cooperative Interest (not including the Pro Rata Share of the Cooperative Corporation's debt)	\$100,000
Pro Rata Cooperative Share of the Cooperative Corporation's debt	\$20,000
Example:	
<ol style="list-style-type: none"> 1. Cooperative Corporation's total debt = [Blanket Mortgage balance] plus [Subordinate financing balance] [4,000,000] plus [1,000,000] = \$5,000,000 2. Pro rata debt by share = [Cooperative Corporation's total debt] divided by [Cooperative Shares issued and outstanding] [5,000,000] divided by [10,000] = \$500 3. Pro Rata Cooperative Share of the Cooperative Corporation's debt = [Pro rata debt by share] times [Subject unit's Cooperative Shares] [500] times [40] = \$20,000 4. Pro rata % of value/price = [pro rata \$ amount] divided by [pro rata \$ amount + appraised value] [\$20,000] divided by [\$20,000 + \$100,000] = 16.66% 	

(e) Subordinate financing

Subordinate financing is permitted for Cooperative Units that are Primary Residences.

(f) Cooperative Share Loans subject to stock transfer fee ("flip tax")

Cooperative Share Loans that are subject to the payment of a flip tax are permitted so long as the Cooperative Project Documents permit the imposition of a flip tax and provide for one of the following:

- The Seller is exempt from paying the flip tax if the Seller acquires the Cooperative Unit as a result of a foreclosure, in a transfer by the Shareholder in lieu of foreclosure, or any other transfer of the Shareholder's interest in the Cooperative Unit in full or partial satisfaction of the Shareholder's obligations under the Cooperative Share Loan
- The flip tax is payable when the sales price exceeds the existing Shareholder's purchase price (i.e., based on property appreciation) and then is assessed only on the amount of the appreciation in value (flip tax is profit-based); or
- The amount of the flip tax is less than or equal to 5% of the value of the Cooperative Interest (calculated as the lesser of appraised value or sales price of the Cooperative Interest) and is a flat fee, fee per share, percentage of the appraised value or sales price of the Cooperative Interest, or dollar amount per room

(g) Cooperative Share Loan lien priority

A Cooperative Share Loan must be a lien that has priority over all other claims or liens against the Shareholder's Cooperative Shares in the Cooperative Project.

Exceptions:

- The lien may be subordinated to the Cooperative Corporation's lien against the Cooperative Shares for unpaid assessments that represent the Pro Rata Share of the Cooperative Corporation's payments for the Blanket Mortgage and/or the current year's real estate taxes
- For Cooperative Projects located in New York, a Cooperative Share Loan may additionally be subordinated to unpaid Maintenance Fees and assessments accrued after the origination date of the Cooperative Share Loan and collection expenses

The Seller must also ensure that all the following requirements are met:

1. The Shareholder has the right to encumber his or her Cooperative Interest in the Cooperative Corporation
2. The Shareholder's right to occupy the Cooperative Unit pursuant to the Proprietary Lease extends through the Maturity Date of the Cooperative Share Loan either by its term or through renewals
3. The Cooperative Share Loan is secured by a pledge or trust of the Cooperative Shares, the assignment of interest in the Proprietary Lease and any other documents appropriate under individual State or local laws, ordinances and practices
4. The Cooperative Share Loan is a valid, enforceable first lien on the Shareholder's Cooperative Interest in the Cooperative Corporation

5. All UCC-1 and renewal statements as applicable are current and valid. In States where Cooperative Units are considered real property, perfection of the lien must comply with applicable State or local laws.
6. The Seller has obtained the following:
 - An assignment of the Proprietary Lease for each Cooperative Share Loan sold to Freddie Mac
 - The stock power or other equivalent document authorizing the Seller/Service to transfer Cooperative Shares in the event of a default; and
 - Valid financing statements and assignments of financing statements (executed and filed if necessary) to perfect Freddie Mac's security interest under the Uniform Commercial Code of the State in which the Cooperative Unit is located

(h) Cooperative Corporation's approval

The Seller represents and warrants that if the purchaser's right to a Cooperative Share or occupancy of a Cooperative Unit is subject to any right of the Cooperative Corporation to give approval, then the Seller is required to furnish evidence to clearly show that such approval has been given before the Cooperative Share Loan is eligible for Freddie Mac purchase or securitization

(i) Cooperative Project that is not a Cooperative Housing Corporation

For a Cooperative Share Loan to be eligible for Freddie Mac purchase or securitization, the Cooperative Project must meet Internal Revenue Service (IRS) requirements (Section 216) for a Cooperative Housing Corporation in effect as of the Delivery Date.

Shareholders in a Cooperative Housing Corporation can claim their Pro Rata Share of Mortgage interest and real-property taxes as income tax deductions.

5705.6: Legal requirements for New Cooperative Projects (03/05/25)

This section contains requirements related to:

- [Compliance with law](#)
- [Right of first refusal](#)
- [Amendments to Cooperative Documents](#)

- [Rights of Cooperative Shareholders and Sellers](#)
- [Cooperative membership requirements](#)
- [Cooperative Corporation's lien position](#)
- [Assignment of Shareholder's Cooperative Interest](#)
- [Cooperative Corporation responsibilities and lender rights](#)

Except for Freddie Mac-owned “no cash-out” refinance Cooperative Share Loans delivered in accordance with the requirements in Section 5705.7 for Exempt from Review, when a Seller delivers a Cooperative Share Loan secured by a Cooperative Interest in a New Cooperative Project to Freddie Mac, the Seller represents and warrants all of the following:

(a) Compliance with law

The Cooperative Corporation is a validly formed Entity authorized to carry out its independent purposes and is compliant with all applicable State and local laws and ordinances.

(b) Right of first refusal

If the Cooperative Corporation has retained the right to provide a substitute purchaser, the right to have the first option to purchase a Cooperative Unit, or the right to approve a purchaser, those rights will not:

- Be exercised in a way that could be interpreted as discrimination; or
- Impair the marketability of the Cooperative Units in the Cooperative Project

(c) Amendments to Cooperative Project Documents

The Shareholders have the right to amend the Cooperative Project Documents.

(d) Rights of Cooperative Shareholders and Sellers

The Cooperative Corporation is legally bound to notify the Seller of any material adverse changes including, but not limited to, the following:

1. Threatened or actual condemnation, eminent domain proceeding or acquisition or any actual loss, whether covered by insurance, that affects any portion of the Cooperative Project or Cooperative Unit
2. The inability of Shareholders to deduct their Pro Rata Share of Mortgage interest from their taxable income per the Internal Revenue Code (i.e., the Cooperative Corporation no

longer qualifies as a Cooperative Housing Corporation pursuant to Section 216 of the Internal Revenue Code)

3. Any 30-day Delinquency by the Cooperative Corporation in payments due under any underlying Blanket Mortgage, whether the payments are for real estate taxes, assessments or charges imposed by a government entity or public utility or made under the terms of any ground lease
4. Any lapse, cancelation or material modification of any insurance or fidelity insurance coverage maintained by the Cooperative Project
5. Any 90-day Delinquency by the Shareholder that is related to the payment of his or her Maintenance Fees or other assessments; and
6. Any proposed action that requires the consent of a specified percentage of eligible lenders of Cooperative Share Loans

(e) Cooperative membership requirements

The Cooperative Project Documents must meet all the following requirements:

1. Require that the sale or transfer of Cooperative Shares, stock or membership certificates in the Cooperative Corporation comply with federal and State security disclosure laws
2. Require the Shareholders to own Shares, stock or a membership certificate and permit the Cooperative Shares, stock or membership certificates to be pledged and registered in the Cooperative Corporation
3. Give the Shareholder a right to occupy the Cooperative Unit for a period that extends at least to the maturity date of the Cooperative Share Loan in accordance with the terms and conditions of the Proprietary Lease
4. Prohibit the Cooperative Corporation from imposing unreasonable limitations on the Shareholder's ability to sell, transfer or convey his or her Cooperative Share

(f) Cooperative Corporation's lien position

The Cooperative Corporation has a good and marketable title to the Cooperative Project land, Cooperative Units and Common Elements, and the Cooperative Project is free and clear of liens and encumbrances except the underlying Blanket Mortgage.

(g) Assignment of Shareholder's Cooperative Interest

The Cooperative Project Documents and the Recognition Agreement must not permit the Cooperative Corporation to restrict the sale, conveyance or transfer of a Cooperative Unit owned by a lender, its successors or assigns or place any limits on the assignment of the

Proprietary Lease to the lender, its successors or assigns. The Cooperative Project Documents and the Recognition Agreement must also permit the lender, its successors or assigns to:

- Transfer the Cooperative Shares and Proprietary Lease if the Shareholder defaults on the Cooperative Share Loan; and
- Select a non-corporate designee for any transfer of the Cooperative Shares and Proprietary Lease in the event of a foreclosure if the Cooperative Project Documents require that a Shareholder be a natural person

(h) Cooperative Corporation responsibilities and lender rights

The Cooperative Project Documents or Recognition Agreement must include provisions to recognize specific rights of the lender that finances a Cooperative Share Loan and the Cooperative Corporation's responsibilities to that lender, its successors or assigns. The Cooperative Project Documents must provide for at least the following corporation responsibilities and lender rights:

(i) Corporation responsibilities

The Cooperative Project Documents, Recognition Agreement or other legal documents include, but are not limited to, the following responsibilities of the Cooperative Corporation:

- (i) In the event of Shareholder's default on the Cooperative Share Loan and at the request of the lender of the Cooperative Share Loan, the Cooperative Corporation must:
 - Evict the Shareholder; and
 - Terminate the Shareholder's Proprietary Lease at the lender's expense
- (ii) In the event of the Shareholder's default on the Cooperative Share Loan, the Cooperative Corporation must also issue Cooperative Share(s) and the Proprietary Lease in the name of the lender or its designee

(ii) Lender rights

The Cooperative Project Documents or Recognition Agreement must grant the lender of a Cooperative Share Loan the right to:

- (i) Cure the Shareholder's default in payment of Maintenance Fees or other assessments
- (ii) Review and approve the following actions:

- Any surrender, cancelation, modification, assignment or pledge of any documents evidencing ownership, possession and use of the Shareholder's Cooperative Unit
- Any further or additional pledge or Mortgage of any documents evidencing ownership, possession and use of the Cooperative Unit
- Any action to change the size, existence or form of ownership of the Cooperative Project

5705.7: Exempt From Review (03/05/25)

This section contains requirements related to:

- [Eligible Mortgages](#)
- [Cooperative Project eligibility](#)
- [General project eligibility requirements](#)
- [Additional requirements](#)

To be eligible under Exempt From Review, the requirements below must be met.

(a) Eligible Mortgages

The Mortgage must be one of the following:

- A Freddie Mac-owned “no cash-out” refinance Cooperative Share Loan; or
- A Refi Possible[®] Mortgage

(b) Cooperative Project eligibility

The Cooperative Project must:

- Not be a cooperative hotel, houseboat project, timeshare project or project with segmented ownership (all as described in Section 5705.3)
- Not be in need of Critical Repairs (see Section 5705.3(q) for details); and
- Not have an evacuation order (see Section 5705.3(r) for details)

(c) General Cooperative Project eligibility requirements

The general Cooperative Project eligibility requirements in Section 5705.2(b) must be met.

(d) Additional requirements

The following table describes additional requirements that must be met based on the type of Mortgage:

Additional requirements by Mortgage type	
Mortgage type	Requirements
Freddie Mac-owned “no cash-out” refinance Cooperative Share Loan	<p>If the Cooperative Share Loan being refinanced is currently owned by Freddie Mac in whole or in part or securitized by Freddie Mac, then the Mortgage is exempt from project review provided the following requirements are met:</p> <ul style="list-style-type: none">■ The maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio is 80%■ If available, proof of the ULDD Data Point <i>Related Investor Loan Identifier</i> of the existing Cooperative Share Loan is provided in the Mortgage file■ The delivery requirements in Section 6302.45 are met
Refi Possible Mortgage	<p>If the Cooperative Share Loan being refinanced is currently owned by Freddie Mac in whole or in part or securitized by Freddie Mac and the Mortgage is being refinanced under the Refi Possible offering, then the Mortgage is exempt from project review provided that:</p> <ul style="list-style-type: none">■ The Mortgage meets all applicable requirements for Refi Possible Mortgages in Chapter 4302■ The delivery requirements in Section 6302.46 are met

5705.8: Appraisal requirements for Cooperative Units (03/05/25)

This section contains requirements related to:

- [Cooperative Interest](#)
- [General appraisal requirements for units in Cooperative Projects](#)
- [Comparable sale requirements for units in Cooperative Projects](#)

The Seller must obtain an appraisal of the Cooperative Unit with an interior and exterior property inspection reported on **Fannie Mae Form 2090, Individual Cooperative Interest Appraisal Report**, which must be submitted to the Uniform Collateral Data Portal® (UDCP®) in accordance with the requirements in Chapter 5606 and must receive a “Successful” status before the Delivery Date of the Cooperative Share Loan.

(a) Cooperative Interest

The Cooperative Interest is the Cooperative Shares (or ownership interest) in the Cooperative Corporation and the related occupancy rights, excluding the Cooperative Interest’s Pro Rata Share of the underlying Blanket Mortgage. The Cooperative Interest is the equity portion that is over and above the Pro Rata Share of the Blanket Mortgage(s).

(b) General appraisal requirements for units in Cooperative Projects

When appraising a Cooperative Unit, appraisers must develop the opinion of market value for the Cooperative Interest. To determine the value of the Cooperative Interest, appraisers must report and analyze including, but not limited to, the following information:

- Number of shares attributable to the subject unit
- Number of shares issued and outstanding for the Cooperative Corporation
- Lienholder name, lien position and the amount and repayment terms for all the Cooperative Project’s blanket financing
- Pro Rata Share of the Blanket Mortgage payments attributable to the subject unit, determined by dividing the number of shares attributable to the subject unit by the total number of project shares
- Pro Rata Share of each lien attributable to the subject unit
- Any tax abatements or exemptions that are attributable to the subject unit

- Remaining term for any tax abatements or exemptions and provisions for escalation of real estate taxes (dollar amount by which the taxes will increase and the year in which the increase occurs); and
- Monthly Maintenance Fees, including:
 - ❑ Utility charges (if included in the fee)
 - ❑ Special assessments
 - ❑ Ground rent; and
 - ❑ Other fees for the use of the facilities that are attributable to the unit (fee type, amount and term)

This information can generally be developed through **Fannie Mae Form 1074, Request for Cooperative Project Information**, if the management agent, Cooperative Corporation or project sponsor/developer uses the form to respond to Seller or appraiser inquiries for project information. When Fannie Mae Form 1074 is used, appraisers may either report the appropriate information in the appraisal report form or attach the Fannie Mae Form 1074 to the appraisal report as an addendum.

When reporting the information applicable to the Cooperative Unit and Cooperative Project, appraisers must:

- Use reliable sources to obtain data on the Cooperative Project, the individual subject unit and the comparable properties and indicate each source by name on the appraisal report or an addendum to the appraisal report
- Address any factors that could result in an increase to the monthly debt service for the subject unit
- Indicate the dollar amount of the monthly Maintenance Fees for each of the comparable sales in the Sales Comparison Approach
- Report the value of the Cooperative Interest, excluding the Pro Rata Share of the Blanket Mortgage(s). This value reflects the market value of the Cooperative Interest for the subject unit (e.g., if the indicated value of the unit encumbered by the Blanket Mortgage(s) is \$100,000, and the unit's Pro Rata Share of the Blanket Mortgage(s) is \$25,000, then the market value estimate that the appraiser must report for the Cooperative Interest is: $\$100,000 - \$25,000 = \$75,000$).
- Include a certification in the appraisal report that the Pro Rata Share of the Blanket Mortgage(s) on the real estate has not been included in the opinion of the market value of the Cooperative Interest

(c) Comparable sale requirements for units in Cooperative Projects

Appraisers must comment on the acceptance of housing cooperatives in the Market Area. The degree of acceptance is generally reflected in the availability of similar comparable sales data for Cooperative Units. If there is limited market acceptance of the cooperative form of ownership or if cooperative forms of ownership are relatively new in the Market Area, appraisers must address any effect that has on the value and marketability of the Cooperative Unit that is being appraised. The appraiser must compare the subject unit to the general Market Area as well as to other units in the subject Cooperative Project to demonstrate the market acceptance of Cooperative Units in the area.

(i) General comparable sale requirements

Comparable sales must be from similar types of projects that have similar Common Elements and recreational facilities, including, but not limited to, townhouses and mid-rise and high-rise buildings.

Appraisers must use Cooperative Units as comparable sales when they are available. Appraisers may also use condominium units as comparable sales if Cooperative Units are not available, with an explanation for why those types of comparables were used. The appraiser must adjust the condominium comparables to reflect the reaction of the market to the Cooperative Unit when there is a preference for condominium ownership in the subject Market Area. (See Section 5605.6(g) for general requirements regarding comparable sales selection.)

(ii) Comparable sale requirements for units in Established Cooperative Projects

For Cooperative Units located in Established Cooperative Projects, the appraiser should use comparable sales from within the Cooperative Project when they are the best indicators of value for the subject property. The use of comparable sales that are located outside of the established subject Cooperative Project must be explained in the appraisal report.

When the subject Cooperative Unit is in an Established Cooperative Project, appraisers should use the following as comparable sales:

- Two comparable sales from within the subject Cooperative Project, when available; and
- One comparable sale from a competing Cooperative Project

Note: See Section 5605.6(g) for general requirements regarding selection of comparable sales.

(iii) Comparable sale requirements for units in recently converted or New Cooperative Projects

If the subject Cooperative Unit is in a recently converted or New Cooperative Project, appraisers should use the following as comparable sales:

- One comparable sale from the subject Cooperative Project, when available; and
- Two comparable sales from outside of the Cooperative Project

In the event the subject project is so new that a closed (settled) sale is not available, comparable sales from competing projects must be used. The appraiser must comment on the marketability of the new project and justify and support the use of the comparable sales from outside the Cooperative Project.

Note: See Section 5605.6(g) for general requirements regarding comparable sales selection.

5705.8: Appraisal requirements for Cooperative Units (Future effective date 01/26/26)

Refer to Bulletin 2025-7, which announced the policy requirements for Uniform Appraisal Dataset (UAD) 3.6. Sellers may submit to the Uniform Collateral Data Portal® appraisal reports that use UAD 3.6 before the mandatory effective November 2, 2026 version of this section.

This section contains requirements related to:

- [Cooperative Interest](#)
- [General appraisal requirements for units in Cooperative Projects](#)
- [Comparable sale requirements for units in Cooperative Projects](#)

The Seller must obtain an appraisal of the Cooperative Unit with an interior and exterior property inspection reported on **Fannie Mae Form 2090, Individual Cooperative Interest Appraisal Report**, which must be submitted to the Uniform Collateral Data Portal® (UDCP®) in accordance with the requirements in Chapter 5606 and must receive a “Successful” status before the Delivery Date of the Cooperative Share Loan.

(a) Cooperative Interest

The Cooperative Interest is the Cooperative Shares (or ownership interest) in the Cooperative Corporation and the related occupancy rights, excluding the Cooperative Interest’s Pro Rata

Share of the underlying Blanket Mortgage. The Cooperative Interest is the equity portion that is over and above the Pro Rata Share of the Blanket Mortgage(s).

(b) General appraisal requirements for units in Cooperative Projects

When appraising a Cooperative Unit, appraisers must develop the opinion of market value for the Cooperative Interest. To determine the value of the Cooperative Interest, appraisers must report and analyze including, but not limited to, the following information:

- Number of shares attributable to the subject unit
- Number of shares issued and outstanding for the Cooperative Corporation
- Lienholder name, lien position and the amount and repayment terms for all the Cooperative Project's blanket financing
- Pro Rata Share of the Blanket Mortgage payments attributable to the subject unit, determined by dividing the number of shares attributable to the subject unit by the total number of project shares
- Pro Rata Share of each lien attributable to the subject unit
- Any tax abatements or exemptions that are attributable to the subject unit
- Remaining term for any tax abatements or exemptions and provisions for escalation of real estate taxes (dollar amount by which the taxes will increase and the year in which the increase occurs); and
- Monthly Maintenance Fees, including:
 - Utility charges (if included in the fee)
 - Special assessments
 - Ground rent; and
 - Other fees for the use of the facilities that are attributable to the unit (fee type, amount and term)

This information can generally be developed through **Fannie Mae Form 1074, Request for Cooperative Project Information**, if the management agent, Cooperative Corporation or project sponsor/developer uses the form to respond to Seller or appraiser inquiries for project information. When Fannie Mae Form 1074 is used, appraisers may either report the appropriate information in the appraisal report form or attach the Fannie Mae Form 1074 to the appraisal report as an addendum.

When reporting the information applicable to the Cooperative Unit and Cooperative Project, appraisers must:

- Use reliable sources to obtain data on the Cooperative Project, the individual subject unit and the comparable properties and indicate each source by name on the appraisal report or an addendum to the appraisal report
- Address any factors that could result in an increase to the monthly debt service for the subject unit
- Indicate the dollar amount of the monthly Maintenance Fees for each of the comparable sales in the Sales Comparison Approach
- Report the value of the Cooperative Interest, excluding the Pro Rata Share of the Blanket Mortgage(s). This value reflects the market value of the Cooperative Interest for the subject unit (e.g., if the indicated value of the unit encumbered by the Blanket Mortgage(s) is \$100,000, and the unit's Pro Rata Share of the Blanket Mortgage(s) is \$25,000, then the market value estimate that the appraiser must report for the Cooperative Interest is: $\$100,000 - \$25,000 = \$75,000$).
- Include a certification in the appraisal report that the Pro Rata Share of the Blanket Mortgage(s) on the real estate has not been included in the opinion of the market value of the Cooperative Interest

(c) Comparable sale requirements for units in Cooperative Projects

Appraisers must comment on the acceptance of housing cooperatives in the Market Area. The degree of acceptance is generally reflected in the availability of similar comparable sales data for Cooperative Units. If there is limited market acceptance of the cooperative form of ownership or if cooperative forms of ownership are relatively new in the Market Area, appraisers must address any effect that has on the value and marketability of the Cooperative Unit that is being appraised. The appraiser must compare the subject unit to the general Market Area as well as to other units in the subject Cooperative Project to demonstrate the market acceptance of Cooperative Units in the area.

(i) General comparable sale requirements

Comparable sales must be from similar types of projects that have similar Common Elements and recreational facilities, including, but not limited to, townhouses and mid-rise and high-rise buildings.

Appraisers must use Cooperative Units as comparable sales when they are available. Appraisers may also use condominium units as comparable sales if Cooperative Units are not available, with an explanation for why those types of comparables were used. The appraiser must adjust the condominium comparables to reflect the reaction of the market to the Cooperative Unit when there is a preference for condominium ownership in the

subject Market Area. (See Section 5605.6(g) for general requirements regarding comparable sales selection.)

(ii) Comparable sale requirements for units in Established Cooperative Projects

For Cooperative Units located in Established Cooperative Projects, the appraiser should use comparable sales from within the Cooperative Project when they are the best indicators of value for the subject property. The use of comparable sales that are located outside of the established subject Cooperative Project must be explained in the appraisal report.

When the subject Cooperative Unit is in an Established Cooperative Project, appraisers should use the following as comparable sales:

- Two comparable sales from within the subject Cooperative Project, when available; and
- One comparable sale from a competing Cooperative Project

Note: See Section 5605.6(g) for general requirements regarding selection of comparable sales.

(iii) Comparable sale requirements for units in recently converted or New Cooperative Projects

If the subject Cooperative Unit is in a recently converted or New Cooperative Project, appraisers should use the following as comparable sales:

- One comparable sale from the subject Cooperative Project, when available; and
- Two comparable sales from outside of the Cooperative Project

In the event the subject project is so new that a closed (settled) sale is not available, comparable sales from competing projects must be used. The appraiser must comment on the marketability of the new project and justify and support the use of the comparable sales from outside the Cooperative Project.

Note: See Section 5605.6(g) for general requirements regarding comparable sales selection.

5705.8: Appraisal requirements for Cooperative Units (Future effective date 11/02/26)

This section contains requirements related to:

- [Cooperative Interest](#)
- [General appraisal requirements for units in Cooperative Projects](#)
- [Comparable sale requirements for units in Cooperative Projects](#)

The Seller must obtain a Traditional Appraisal Report of the Cooperative Unit which must be submitted to the Uniform Collateral Data Portal[®] (UDCP[®]) in accordance with the requirements in Chapter 5606 and must receive a “Successful” status before the Delivery Date of the Cooperative Share Loan.

(a) Cooperative Interest

The Cooperative Interest is the Cooperative Shares (or ownership interest) in the Cooperative Corporation and the related occupancy rights, excluding the Cooperative Interest's Pro Rata Share of the underlying Blanket Mortgage. The Cooperative Interest is the equity portion that is over and above the Pro Rata Share of the Blanket Mortgage(s).

(b) General appraisal requirements for units in Cooperative Projects

The opinion of market value for a Cooperative Unit must be based on the Cooperative Interest. The appraisal report must include information and additional commentary as applicable including, but not limited to, the following:

- Number of shares attributable to the subject unit
- Number of shares issued and outstanding for the Cooperative Corporation
- Lien position and the amount and repayment terms for all the Cooperative Project's blanket financing
- Pro Rata Share of the Blanket Mortgage payments attributable to the subject unit, determined by dividing the number of shares attributable to the subject unit by the total number of project shares
- Pro Rata Share of each lien attributable to the subject unit
- Any tax abatements or exemptions that are attributable to the subject unit

- Remaining term for any tax abatements or exemptions and provisions for escalation of real estate taxes (dollar amount by which the taxes will increase and the year in which the increase occurs); and
- Monthly Maintenance Fees, including:
 - ❑ Utility charges (if included in the fee)
 - ❑ Special assessments
 - ❑ Ground rent; and
 - ❑ Other fees for the use of the facilities that are attributable to the unit (fee type, amount and term)

This information can generally be developed through **Fannie Mae Form 1074, Request for Cooperative Project Information**, if the management agent, Cooperative Corporation or project sponsor/developer uses the form to respond to Seller or appraiser inquiries for project information. The appraisal report must include the appropriate information in the “Project Information” and the “Cooperative Information” sections of the appraisal report. Fannie Mae Form 1074 may be included as an exhibit.

When reporting the information applicable to the Cooperative Unit and Cooperative Project, appraisers must:

- Use reliable sources to obtain data on the Cooperative Project, the individual subject unit and the comparable properties and indicate each source by name on the appraisal report
- Address any factors that could result in an increase to the monthly debt service for the subject unit
- Indicate the dollar amount of the monthly Maintenance Fees for each of the comparable sales in the Sales Comparison Approach
- Report the value of the Cooperative Interest, excluding the Pro Rata Share of the Blanket Mortgage(s). This value reflects the market value of the Cooperative Interest for the subject unit (e.g., if the indicated value of the unit encumbered by the Blanket Mortgage(s) is \$100,000, and the unit’s Pro Rata Share of the Blanket Mortgage(s) is \$25,000, then the market value estimate that must be reported for the Cooperative Interest is: $\$100,000 - \$25,000 = \$75,000$).

(c) Comparable sale requirements for units in Cooperative Projects

The appraisal report must include comments on the acceptance of housing cooperatives in the Market Area. The degree of acceptance is generally reflected in the availability of similar comparable sales data for Cooperative Units. If there is limited market acceptance of the

cooperative form of ownership or if cooperative forms of ownership are relatively new in the Market Area, the appraisal report must address any effect that has on the value and marketability of the Cooperative Unit that is being appraised. The subject unit must be compared to the general Market Area as well as to other units in the subject Cooperative Project to demonstrate the market acceptance of Cooperative Units in the area.

(i) General comparable sale requirements

Comparable sales must be from similar types of projects that have similar Common Elements and recreational facilities, including, but not limited to, townhouses and mid-rise and high-rise buildings.

The appraisal report must use Cooperative Units as comparable sales when they are available. Condominium units may be used as comparable sales if Cooperative Units are not available and the appraisal report must include an explanation for why those types of comparables were used. Adjustments must be made to the condominium comparables to reflect the reaction of the market to the Cooperative Unit when there is a preference for condominium ownership in the subject Market Area. (See Section 5605.7(g) for general requirements regarding comparable sales selection.)

(ii) Comparable sale requirements for units in Established Cooperative Projects

For Cooperative Units located in Established Cooperative Projects, comparable sales from within the Cooperative Project should be used when they are the best indicators of value for the subject property. The use of comparable sales that are located outside of the established subject Cooperative Project must be explained in the appraisal report.

When the subject Cooperative Unit is in an Established Cooperative Project, the appraisal report should include the following as comparable sales:

- Two comparable sales from within the subject Cooperative Project, when available; and
- One comparable sale from a competing Cooperative Project

Note: See Section 5605.7(f) for general requirements regarding selection of comparable sales.

(iii) Comparable sale requirements for units in recently converted or New Cooperative Projects

If the subject Cooperative Unit is in a recently converted or New Cooperative Project, the appraisal report should include the following as comparable sales:

- One comparable sale from the subject Cooperative Project, when available; and

- Two comparable sales from outside of the Cooperative Project

In the event the subject project is so new that a closed (settled) sale is not available, comparable sales from competing projects must be used. The appraisal report must include commentary on the marketability of the new project and justification and support for the use of comparable sales from outside the Cooperative Project.

Note: See Section 5605.7(f) for general requirements regarding comparable sales selection.

5705.9: Combined Cooperative Units (03/05/25)

This section contains requirements related to:

- [Minimum number of units after Cooperative Units are combined](#)
- [Requirements to combine Cooperative Units](#)
- [Loan purpose for combined Cooperative Units](#)
- [Appraisal requirements for combined Cooperative Units](#)
- [Closing requirements for combined Cooperative Units](#)
- [Servicing/foreclosure requirements for combined Cooperative Units](#)

Cooperative Units that have been physically and legally combined to create a single Cooperative Unit must meet the following requirements.

(a) Minimum number of units after Cooperative Units are combined

The Cooperative Project must be composed of at least two Cooperative Units after the combination of any units.

(b) Requirements to combine Cooperative Units

Prior to sale of the Cooperative Share Loan to Freddie Mac, the following must occur:

1. The Cooperative Corporation must approve the combination of two or more adjoining Cooperative Units into a single Cooperative Unit
2. The construction to combine the Cooperative Units into a single Cooperative Unit must be complete
3. The Cooperative Corporation must:

- Assign a single unit designation (i.e., a mailing address) to the combined single Cooperative Unit
- Designate the number of Cooperative Shares applicable to the combined single Cooperative Unit
- Adjust the Maintenance Fees based on the total number of Cooperative Shares assigned to the combined single Cooperative Unit

(c) Loan purpose for combined Cooperative Units

The Cooperative Share Loan may be either:

- A purchase transaction for the two or more adjoining Cooperative Units on the Note Date; or
- A refinance transaction, if a Shareholder owns one Cooperative Unit and is purchasing one or more additional adjoining Cooperative Units. The proceeds from the refinance Cooperative Share Loan may only be used to:
 - ❑ Purchase the additional adjoining units
 - ❑ Pay off the current Cooperative Share Loan on the Cooperative Unit in which the Shareholder has a Cooperative Interest
 - ❑ Pay the costs of construction to combine the Cooperative Units into a single unit
 - ❑ Pay any related Closing Costs, financing costs and Prepaid/Escrows up to 2.5% of the UPB of the refinance loan amount; and
 - ❑ Disburse cash to the Shareholder up to 1% of the UPB of the refinance Cooperative Share Loan or \$2,000 whichever is less, provided that the cash disbursed does not exceed 5% of the amount of the Cooperative Share Loan

(d) Appraisal requirements for combined Cooperative Units

The Cooperative Units must be appraised as a combined single unit.

(e) Closing requirements for combined Cooperative Units

In connection with the closing of the Cooperative Share Loan secured by the combined single Cooperative Unit, the following requirements must be met:

- All loan documents must use the single unit designation assigned by the Cooperative Corporation

- The Cooperative Share Loan must be secured by a first lien on the Cooperative Interest (i.e., rights of ownership and occupancy rights) to the Cooperative Units that were combined into the single unit

(f) Servicing/foreclosure requirements for combined Cooperative Units

The Cooperative Share Loan must be serviced as a 1-unit dwelling. In the event of a foreclosure, the Cooperative Share Loan secured by a pledge or trust of the Cooperative Shares must be foreclosed as a combined single 1-unit dwelling.

5705.10: Cooperative Project conversions (03/05/25)

This section contains requirements related to:

- [Cooperative Project conversions with prior use](#)
- [Cooperative Project conversion documents](#)
- [Prior Cooperative Project financing](#)

For a Cooperative Project that was created by the conversion of a building(s) with a prior use, the following requirements must be met for Seller's review and determination of Cooperative Project eligibility in addition to all other applicable requirements for Cooperative Projects in the Guide.

(a) Cooperative Project conversions with prior use

(i) Non-Gut Rehabilitation conversion

Conversions involving a Non-Gut Rehabilitation of a Cooperative Project that was legally created within three years of underwriting the Cooperative Project must meet all of the following:

1. An engineer's report must confirm that the Cooperative Project is structurally sound
2. The condition and remaining useful life of the major Cooperative Project components (i.e., the roof, elevators and mechanical systems, such as central heating, ventilation and air conditioning (HVAC); plumbing and electricity) are sufficient to meet the residential needs of the Cooperative Project
3. All rehabilitation work involved in the conversion was completed in a professional manner; and
4. There is no evidence of any adverse conditions

(ii) Gut Rehabilitation and Non-Gut Rehabilitation conversions over three years old

A review of the engineer's report is not required for conversions involving a Gut Rehabilitation or Non-Gut Rehabilitation if more than three years have elapsed since the legal creation of the Cooperative Project.

(b) Cooperative Project conversion documents

For a Cooperative Project that was created by the conversion of a building(s) with a prior use within three years of underwriting the Cooperative Project, the Seller's project review and determination of project eligibility must include a review of all the Cooperative Project Documents.

For an existing Cooperative Project and Cooperative Project conversions if more than three years have elapsed since the legal creation of the Cooperative Project, a review of all the Cooperative Project Documents is not required.

(c) Prior Cooperative Project financing

In a conversion, the mortgagee of the Blanket Mortgage agrees to the use of the building as a Cooperative Project, and, in the event of a default on the Blanket Mortgage, it will not wipe out the Cooperative Shares of the Shareholders who are current in the payment of Maintenance Fees or assessments.

5705.11: Documents to be delivered to the Document Custodian and other documents to be maintained by Seller (03/05/25)

This section contains requirements related to:

- [Mortgage file documentation](#)
- [Other file documents](#)
- [Retention of Cooperative Project documentation](#)
- [Document Custodian documentation](#)

(a) Mortgage file documentation

A copy of the Recognition Agreement and a copy of the Proprietary Lease must be maintained in the Mortgage file.

(b) Other file documents

Seller must maintain the following documentation on the Cooperative Corporation and the Cooperative Project:

1. Most recent two year's financial statements including income and expense statement and all footnotes
2. Current fiscal year's operating budget
3. One of the following forms of evidence that the Cooperative Project meets insurance requirements:
 - i. Original policy (including a commercial package policy under which the required coverages may be provided in whole or in part) and applicable endorsements
 - ii. Copy of the original policy and applicable endorsements, if the copy meets the Mortgage file retention requirements of Chapter 3302; or
 - iii. Certificate, evidence or declarations of insurance, which must include the following information:
 - Name of insured Cooperative Corporation (as "First Named Insured")
 - Name and address of Cooperative Project mortgagee(s)
 - Address of insured Cooperative Project
 - Type, limit and effective dates of coverage
 - Deductible amount and applicable coverage for each deductible
 - Any endorsement or optional coverage obtained and made part of the original policy
 - Insurer's agreement to provide at least 10 days' notice to the Cooperative Corporation, the Cooperative Project mortgagee and the Cooperative Unit mortgagee before any reduction in coverage or cancelation of the policy; and
 - Signature of an authorized representative of the insurer

The Servicer must maintain a specimen of each policy and endorsement for which a certificate, evidence or declarations of insurance is maintained in lieu of the policy and endorsements.

(c) Retention of Cooperative Project documentation

The Seller/Servicer must retain all Cooperative Project documentation that supports its warranty that the Cooperative Project meets Freddie Mac requirements for:

- As long as Freddie Mac retains an interest in the applicable Cooperative Share Loan, and
- At least seven years from the date Freddie Mac's interest in the Cooperative Share Loan is satisfied

(d) Document Custodian documentation

See Section 6304.2(b) for documents that Seller/Servicers must submit to the Document Custodian.

5705.12: Pooling and delivery requirements for Cooperative Share Loans (03/05/25)

See Section 6202.3(e)(vii) for information on pooling and delivery requirements for fixed-rate Cooperative Share Loans under the fixed-rate Guarantor and MultiLender Swap programs.

See Section 6302.45 for special delivery requirements for Cooperative Share Loans.

Note: There are no special pooling or delivery requirements for adjustable-rate Cooperative Share Loans.