

Chapter 5601: Property Eligibility

5601.1: Property eligibility requirements (04/02/25)

This section contains requirements related to:

- [Eligible properties](#)
- [Ineligible properties](#)

Freddie Mac expects the Seller to place as much emphasis on the adequacy of the property as collateral as it does on underwriting the Borrower's creditworthiness. The conclusion that a Mortgage is eligible for sale to Freddie Mac must be based on the determination that the Borrower is creditworthy (acceptable credit reputation and capacity) and the Mortgaged Premises is adequate and acceptable collateral for the Mortgage transaction. The Seller is responsible for determining the eligibility of the property and the acceptability of the appraisal report.

(a) Eligible properties

Freddie Mac will purchase eligible Mortgages secured by residential properties in urban, suburban and rural Market Areas provided the Mortgaged Premises is adequate collateral for the Mortgage transaction based on the value, condition and marketability of the property.

The Mortgaged Premises must:

- Be located in a State
- Be primarily residential in nature based on the characteristics of the property
- Be an attached, semi detached or detached dwelling unit(s) located on an individual lot, in a Planned Unit Development (PUD), in a Condominium Project or in a Cooperative Project. See Chapter 5701 for special requirements for condominiums. See Chapter 5705 for special requirements for cooperatives.
- Be safe, sound and structurally secure. See Section 5605.5 for acceptable overall condition ratings and indications of unacceptable collateral conditions.
- Be complete or comply with the conditions in Section 5601.3 for eligible incomplete improvements
- Represent the highest and best use of the property as improved (or as proposed per plans and specifications)

- Have an eligible zoning compliance in accordance with Section 5605.4(a)(i)
- Have legal access (ingress and egress) (see Section 5605.4(a)(iv))
- Be suitable for year-round occupancy regardless of the location, except as specifically permitted otherwise in Section 4201.12 for certain second homes
- Have utilities that meet community standards (see Section 5605.4(a)(iii))
- Have mechanical systems that meet community standards
- Have adequate property insurance coverage that meets Freddie Mac's requirements, including coverage for hazards specific to the location of the property
- Not be subject to a pending legal proceeding for condemnation in whole or in part

(b) Ineligible properties

Freddie Mac does not purchase Mortgages secured by:

- Vacant land, undeveloped land or land development properties
- Properties used primarily for agriculture or farming
- Properties used primarily for commercial enterprises (including, but not limited to, bed and breakfasts, boarding houses, Condominium Hotels and units located in a PUD operating as a hotel or similar type of transient housing that includes hotel type services and characteristics)

A property being used as a group home for individuals with disabilities is not considered an ineligible property. A Mortgage secured by such a property may be eligible for sale to Freddie Mac, provided it meets the requirements of the Guide, including but not limited to the residential requirements described above in Section 5601.1(a) and the occupancy requirements identified in Sections 4201.11 and 4201.13.

Note: See Section 5701.3 for a list of ineligible condominium project types and Section 5705.3 for a list of ineligible cooperative project types.

5601.1: Property eligibility requirements (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.

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- Be complete or comply with the conditions in Section 5601.3 for eligible incomplete improvements
- Represent the highest and best use of the property as improved (or as proposed per plans and specifications)
- Have an eligible zoning compliance in accordance with Section 5605.4(a)(i)
- Have legal access (ingress and egress) (see Section 5605.4(a)(iv))

- Be suitable for year-round occupancy regardless of the location, except as specifically permitted otherwise in Section 4201.12 for certain second homes
- Have utilities that meet community standards (see Section 5605.4(a)(iii))
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5601.1: Property eligibility requirements (Future effective date 11/02/26)

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- Be sound and have structural integrity. See Section 5605.5 for acceptable overall condition ratings and indications of unacceptable collateral conditions.
- Be complete or comply with the conditions in Section 5601.3 for eligible incomplete improvements
- Represent the highest and best use of the property as improved (or as proposed per plans and specifications)
- Have an eligible zoning compliance in accordance with Section 5605.4(a)(i)
- Have legal access (ingress and egress) (see Section 5605.4(a)(iv))
- Be suitable for year-round occupancy regardless of the location, except as specifically permitted otherwise in Section 4201.12 for certain second homes
- Have utilities that meet community standards (see Section 5605.4(a)(iii))
- Have mechanical systems that meet community standards

- Have adequate property insurance coverage that meets Freddie Mac's requirements, including coverage for hazards specific to the location of the property
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Note: See Section 5701.3 for a list of ineligible condominium project types and Section 5705.3 for a list of ineligible cooperative project types.

5601.2: Eligibility of a property with an ADU (06/04/25)

This section contains requirements related to:

- [Eligible properties with ADUs](#)
- [Ineligible properties with ADUs](#)
- [Appraisal requirements](#)
- [Manufactured Home ADUs](#)

(a) Eligible properties with ADUs

Freddie Mac will purchase an eligible Mortgage secured by a 1-, 2- or 3-unit property that has one ADU.

An ADU is an additional finished area that:

- Includes a kitchen, bathroom and separate entrance
- Is independent of the primary dwelling unit
- Is smaller in size than the primary dwelling unit (i.e., the ADU's finished area is less than the primary dwelling unit's finished area) and
- Contributes less to the value of the property than the primary dwelling unit

Examples of eligible ADU configurations include:

- A 1-, 2-, or 3-unit dwelling with an ADU above a garage or outbuilding,
- A dwelling with an attached or detached ADU, or
- A dwelling with an ADU in the basement

(b) Ineligible properties with ADUs

Mortgages secured by the following ADU configurations are not eligible for purchase by Freddie Mac:

- A 2- or 3-unit property with an ADU that does not comply with zoning and land use requirements (illegal zoning)
- A 1-, 2- or 3-unit property with two or more ADUs
- A 4-unit property with an ADU

(c) Appraisal requirements

The appraiser must determine whether the subject property has an ADU and report the appraisal on the appropriate form. When determining whether the subject property has an ADU, the appraiser must consider zoning and land use requirements and all property characteristics, specifically the unit's utility and the property's highest and best use.

If the appraiser determines the subject property has an ADU, the appraisal report must include:

- A detailed description of the ADU
- Any effect the ADU has on the market value or marketability of the subject property

- Specific information about the ADU, including but not limited to its general condition, its room count (including the number of bedrooms and baths) and the finished square footage area

(i) For properties with legal or legal non-conforming zoning compliance or locations without zoning

If the subject property ADU complies with the zoning and land use requirements (legal or legal non-conforming or locations without zoning), the appraisal report must include the following:

- At least one comparable sale with an ADU, when available, is required to demonstrate the property's conformity and marketability to its Market Area
 - If a recent comparable sale with an ADU is not available in the subject's Market Area, the appraiser can use an older sale with an ADU from the subject's Market Area or a sale with an ADU from a competing Market Area as a comparable sale or as supporting market data
 - The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her adjustments and opinion of market value, as long as at least three are actual closed (settled) sales
- If a comparable sale with an ADU is not available, the appraiser can use a comparable sale in the subject's Market Area without an ADU as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible Mortgages secured by a property with an ADU if the appraiser can develop a credible opinion of market value for the property.

(ii) Comparable requirements for properties with illegal zoning compliance

If the subject property ADU does not comply with the zoning and land use requirements (illegal zoning), the Mortgage is eligible if:

- The subject property is a 1-unit property with an ADU
- The appraisal contains at least two comparable sales with an ADU that is non-compliant with the zoning and land use requirements (illegal zoning) to demonstrate the marketability of the subject property to its Market Area; and
- The Seller confirms that the existence of the ADU will not jeopardize future hazard insurance claims

Note: 2- or 3-unit properties with an ADU that do not comply with the zoning and land use requirements (illegal zoning) are not eligible for sale to Freddie Mac.

(d) Manufactured Home ADUs

Freddie Mac will purchase a Mortgage secured by a 1-, 2-, or 3-unit property that contains a Manufactured Home ADU that meets the following additional requirements:

- The Manufactured Home ADU must be legally classified as real property
- The Manufactured Home ADU must have a minimum of 400 square feet of finished area
- The Manufactured Home may not be an ADU for a Mortgage secured by a Manufactured Home unless the Mortgage is secured by a CHOICEHome®
- The Manufactured Home must meet the property eligibility requirements of Sections 5703.2 and 5703.3 and titling and lien requirements of Section 5703.4

5601.2: Eligibility of a property with an ADU (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.

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- [Eligible properties with ADUs](#)
- [Ineligible properties with ADUs](#)
- [Appraisal requirements](#)
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(a) Eligible properties with ADUs

Freddie Mac will purchase an eligible Mortgage secured by a 1-, 2- or 3-unit property that has one ADU.

An ADU is an additional finished area that:

- Includes a kitchen, bathroom and separate entrance
- Is independent of the primary dwelling unit

- Is smaller in size than the primary dwelling unit (i.e., the ADU's finished area is less than the primary dwelling unit's finished area) and
- Contributes less to the value of the property than the primary dwelling unit

Examples of eligible ADU configurations include:

- A 1-, 2-, or 3-unit dwelling with an ADU above a garage or outbuilding,
- A dwelling with an attached or detached ADU, or
- A dwelling with an ADU in the basement

(b) Ineligible properties with ADUs

Mortgages secured by the following ADU configurations are not eligible for purchase by Freddie Mac:

- A 2- or 3-unit property with an ADU that does not comply with zoning and land use requirements (illegal zoning)
- A 1-, 2- or 3-unit property with two or more ADUs
- A 4-unit property with an ADU

(c) Appraisal requirements

The appraiser must determine whether the subject property has an ADU and report the appraisal on the appropriate form. When determining whether the subject property has an ADU, the appraiser must consider zoning and land use requirements and all property characteristics, specifically the unit's utility and the property's highest and best use.

If the appraiser determines the subject property has an ADU, the appraisal report must include:

- A detailed description of the ADU
- Any effect the ADU has on the market value or marketability of the subject property
- Specific information about the ADU, including but not limited to its general condition, its room count (including the number of bedrooms and baths) and the finished square footage area

(i) For properties with legal or legal non-conforming zoning compliance or locations without zoning

If the subject property ADU complies with the zoning and land use requirements (legal or legal non-conforming or locations without zoning), the appraisal report must include the following:

- At least one comparable sale with an ADU, when available, is required to demonstrate the property's conformity and marketability to its Market Area
 - ❑ If a recent comparable sale with an ADU is not available in the subject's Market Area, the appraiser can use an older sale with an ADU from the subject's Market Area or a sale with an ADU from a competing Market Area as a comparable sale or as supporting market data
 - ❑ The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her adjustments and opinion of market value, as long as at least three are actual closed (settled) sales
- If a comparable sale with an ADU is not available, the appraiser can use a comparable sale in the subject's Market Area without an ADU as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible Mortgages secured by a property with an ADU if the appraiser can develop a credible opinion of market value for the property.

(ii) Comparable requirements for properties with illegal zoning compliance

If the subject property ADU does not comply with the zoning and land use requirements (illegal zoning), the Mortgage is eligible if:

- The subject property is a 1-unit property with an ADU
- The appraisal contains at least two comparable sales with an ADU that is non-compliant with the zoning and land use requirements (illegal zoning) to demonstrate the marketability of the subject property to its Market Area; and
- The Seller confirms that the existence of the ADU will not jeopardize future hazard insurance claims

Note: 2- or 3-unit properties with an ADU that do not comply with the zoning and land use requirements (illegal zoning) are not eligible for sale to Freddie Mac.

(d) Manufactured Home ADUs

Freddie Mac will purchase a Mortgage secured by a 1-, 2-, or 3-unit property that contains a Manufactured Home ADU that meets the following additional requirements:

- The Manufactured Home ADU must be legally classified as real property
- The Manufactured Home ADU must have a minimum of 400 square feet of finished area
- The Manufactured Home may not be an ADU for a Mortgage secured by a Manufactured Home unless the Mortgage is secured by a CHOICEHome®
- The Manufactured Home must meet the property eligibility requirements of Sections 5703.2 and 5703.3 and titling and lien requirements of Section 5703.4

5601.2: Eligibility of a property with an ADU (Future effective date 11/02/26)

This section contains requirements related to:

- [Eligible properties with ADUs](#)
- [Ineligible properties with ADUs](#)
- [Appraisal report requirements](#)
- [Manufactured Home ADUs](#)

(a) Eligible properties with ADUs

Freddie Mac will purchase an eligible Mortgage secured by a 1-, 2- or 3-unit property that has one ADU.

An ADU is an additional finished area that:

- Includes a kitchen, bathroom and separate entrance
- Is independent of the primary dwelling unit
- Is smaller in size than the primary dwelling unit (i.e., the ADU's finished area is less than the primary dwelling unit's finished area) and
- Contributes less to the value of the property than the primary dwelling unit

Examples of eligible ADU configurations include:

- A 1-, 2-, or 3-unit dwelling with an ADU above a garage or outbuilding,
- A dwelling with an attached or detached ADU, or
- A dwelling with an ADU in the basement

(b) Ineligible properties with ADUs

Mortgages secured by the following ADU configurations are not eligible for purchase by Freddie Mac:

- A 2- or 3-unit property with an ADU that does not comply with zoning and land use requirements (illegal zoning)
- A 1-, 2- or 3-unit property with two or more ADUs
- A 4-unit property with an ADU

(c) Appraisal report requirements

The appraisal report must identify whether the subject property has an ADU. When determining whether the subject property has an ADU, the appraiser must consider zoning and land use requirements and all property characteristics, specifically the unit's utility and the property's highest and best use.

If the appraiser determines the subject property has an ADU, the appraisal report must include:

- A detailed description of the ADU
- Any effect the ADU has on the market value or marketability of the subject property
- Specific information about the ADU, including, but not limited to, its location within the dwelling, its interior condition, its room summary (e.g., bathrooms, bedrooms, kitchen) and the above-grade and below-grade finished and unfinished area

(i) For properties with legal or legal non-conforming zoning compliance or locations without zoning

If the subject property ADU complies with the zoning and land use requirements (legal or legal non-conforming or locations without zoning), the appraisal report must include the following:

- At least one comparable sale with an ADU, when available, is required to demonstrate the property's conformity and marketability to its Market Area

- ❑ If a recent comparable sale with an ADU is not available in the subject property's Market Area, the appraisal report can include an older sale with an ADU from the subject property's Market Area or a sale with an ADU from a competing Market Area as a comparable sale or as supporting market data
- ❑ The appraisal report may include more than three comparable sales, including contract sales (pending sales) and/or current listings, to support the adjustments and the opinion of market value, as long as at least three are closed (settled) sales
- If a comparable sale with an ADU is not available, the appraisal report can include comparable sales in the subject property's Market Area without an ADU as long as the appraisal report includes justification for such use

(ii) Comparable requirements for properties with illegal zoning compliance

If the subject property ADU does not comply with the zoning and land use requirements (illegal zoning), the Mortgage is eligible for sale to Freddie Mac if:

- The subject property is a 1-unit property with an ADU
- The appraisal report includes at least two comparable sales with an ADU that is non-compliant with the zoning and land use requirements (illegal zoning) to demonstrate the marketability of the subject property to its Market Area; and
- The Seller confirms that the existence of the ADU will not jeopardize future hazard insurance claims

Note: A Mortgage secured by a 2- or 3-unit property with an ADU that does not comply with the zoning and land use requirements (illegal zoning) is not eligible for sale to Freddie Mac.

(d) Manufactured Home ADUs

Freddie Mac will purchase a Mortgage secured by a 1-, 2-, or 3-unit property that contains a Manufactured Home ADU that meets the following additional requirements:

- The Manufactured Home ADU must be legally classified as real property
- The Manufactured Home ADU must have a minimum of 400 square feet of finished area
- The Manufactured Home may not be an ADU for a Mortgage secured by a Manufactured Home unless the Mortgage is secured by a CHOICEHome®
- The Manufactured Home must meet the property eligibility requirements of Sections 5703.2 and 5703.3 and titling and lien requirements of Section 5703.4

5601.3: Eligibility of a property with incomplete improvements (04/02/25)

A Mortgage is only eligible for delivery to Freddie Mac prior to the completion of improvements when all of the following conditions are satisfied:

1. The appraiser has provided the “as completed” value as the opinion of market value
2. The appraiser has provided a list of the incomplete items, and the appraiser or a disinterested (but relevant) party has provided a cost to complete the incomplete items

For example: A contractor/painter who provides an estimate to paint interior walls is a disinterested (but relevant) party. A relevant party also includes, but is not limited to, a representative of a home improvement store or an independent contractor who performs the services needed to complete the improvements.

3. The incomplete items do not adversely affect the safety, soundness or structural integrity of the Mortgaged Premises
4. The Seller determines that the improvements cannot be completed for valid reasons; examples include, but are not limited to, inclement weather or temporary shortages of building materials.

Exception: This requirement does not apply to GreenCHOICE Mortgages®.

5. The improvements will be satisfactorily completed no more than 180 days after the Note Date
6. The Mortgage is not secured by a Manufactured Home.

Exceptions: This requirement does not apply to GreenCHOICE Mortgages or CHOICERenovation® Mortgages.

7. The cost to complete the incomplete items does not exceed 10% of the “as completed” value of the Mortgaged Premises; provided, however, if the Mortgage is a GreenCHOICE Mortgage meeting the requirements of Chapter 4606, the cost to complete the incomplete items may not exceed 15% of the “as completed” value of the Mortgaged Premises
8. The Seller has established a completion escrow account for the incomplete improvements. The Seller and the Borrower must execute a written escrow agreement detailing how the funds will be managed and disbursed. A copy of the escrow agreement must be retained in the Mortgage file.
9. The mortgage insurance and title insurance will not be impaired or adversely affected during and after the completion period

10. Upon completion of all improvements, the Seller/Servicer must obtain a completion report documenting that the property has been completed and retain it in the Mortgage file. See Section 5605.8 for more information on completion report requirements.

Third parties may perform certain incomplete improvement functions identified above as obligations or requirements of the Seller or the Servicer. However, the Seller remains responsible for compliance with these and all other requirements of the Purchase Documents. See Section 4201.8 for more details on Wholesale Home Mortgages.

5601.3: Eligibility of a property with incomplete improvements (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.

A Mortgage is only eligible for delivery to Freddie Mac prior to the completion of improvements when all of the following conditions are satisfied:

1. The appraiser has provided the “as completed” value as the opinion of market value
2. The appraiser has provided a list of the incomplete items, and the appraiser or a disinterested (but relevant) party has provided a cost to complete the incomplete items

For example: A contractor/painter who provides an estimate to paint interior walls is a disinterested (but relevant) party. A relevant party also includes, but is not limited to, a representative of a home improvement store or an independent contractor who performs the services needed to complete the improvements.

3. The incomplete items do not adversely affect the safety, soundness or structural integrity of the Mortgaged Premises
4. The Seller determines that the improvements cannot be completed for valid reasons; examples include, but are not limited to, inclement weather or temporary shortages of building materials.

Exception: This requirement does not apply to GreenCHOICE Mortgages®.

5. The improvements will be satisfactorily completed no more than 180 days after the Note Date
6. The Mortgage is not secured by a Manufactured Home.

Exceptions: This requirement does not apply to GreenCHOICE Mortgages or CHOICERenovation® Mortgages.

7. The cost to complete the incomplete items does not exceed 10% of the “as completed” value of the Mortgaged Premises; provided, however, if the Mortgage is a GreenCHOICE Mortgage meeting the requirements of Chapter 4606, the cost to complete the incomplete items may not exceed 15% of the “as completed” value of the Mortgaged Premises
8. The Seller has established a completion escrow account for the incomplete improvements. The Seller and the Borrower must execute a written escrow agreement detailing how the funds will be managed and disbursed. A copy of the escrow agreement must be retained in the Mortgage file.
9. The mortgage insurance and title insurance will not be impaired or adversely affected during and after the completion period
10. Upon completion of all improvements, the Seller/Servicer must obtain a completion report documenting that the property has been completed and retain it in the Mortgage file. See Section 5605.8 for more information on completion report requirements.

Third parties may perform certain incomplete improvement functions identified above as obligations or requirements of the Seller or the Servicer. However, the Seller remains responsible for compliance with these and all other requirements of the Purchase Documents. See Section 4201.8 for more details on Wholesale Home Mortgages.

5601.3: Eligibility of a property with incomplete improvements (Future effective date 11/02/26)

A Mortgage is eligible for delivery to Freddie Mac prior to the completion of improvements only when all of the following conditions are satisfied:

1. The appraisal report is based on the “as completed” value as the opinion of market value
2. The appraisal report includes a list of the incomplete items, and the appraiser or a disinterested (but relevant) party has provided a cost to complete the incomplete items

For example: A contractor/painter who provides an estimate to paint interior walls is a disinterested (but relevant) party. A relevant party also includes, but is not limited to, a representative of a home improvement store or an independent contractor who performs the services needed to complete the improvements.

3. The incomplete items do not adversely affect the soundness or structural integrity of the Mortgaged Premises

4. The Seller determines that the improvements cannot be completed for valid reasons; examples include, but are not limited to, inclement weather or temporary shortages of building materials.

Exception: This requirement does not apply to GreenCHOICE Mortgages®.

5. The improvements will be satisfactorily completed no more than 180 days after the Note Date
6. The Mortgage is not secured by a Manufactured Home.

Exceptions: This requirement does not apply to GreenCHOICE Mortgages or CHOICERenovation® Mortgages.

7. The cost to complete the incomplete items does not exceed 10% of the “as completed” value of the Mortgaged Premises; provided, however, if the Mortgage is a GreenCHOICE Mortgage meeting the requirements of Chapter 4606, the cost to complete the incomplete items may not exceed 15% of the “as completed” value of the Mortgaged Premises
8. The Seller has established a completion escrow account for the incomplete improvements. The Seller and the Borrower must execute a written escrow agreement detailing how the funds will be managed and disbursed. A copy of the escrow agreement must be retained in the Mortgage file.
9. The mortgage insurance and title insurance will not be impaired or adversely affected during and after the completion period
10. Upon completion of all improvements, the Seller/Servicer must obtain a completion report documenting that the property has been completed and retain it in the Mortgage file. See Section 5605.9 for more information on completion report requirements.

Third parties may perform certain incomplete improvement functions identified above as obligations or requirements of the Seller or the Servicer. However, the Seller remains responsible for compliance with these and all other requirements of the Purchase Documents. See Section 4201.8 for more details on Wholesale Home Mortgages.

5601.4: Eligibility of properties with energy-efficient improvements and properties with solar panels (08/07/24)

Freddie Mac purchases Mortgages secured by properties with energy-efficient improvements and properties with solar panels as specified below. This section contains requirements related to:

- [Properties with energy-efficient improvements](#)
- [Properties with solar panels](#)

(a) Properties with energy-efficient improvements

The appraisal report must:

- Identify energy-efficient features (e.g., photovoltaic systems, water efficient improvements, energy-efficient windows) or high-performing energy-efficient homes and any impact to market value
- Assess the contributory value of energy improvements and any premium paid for a high-performing energy-efficient home based on the market reaction, similar to any other property feature
- Consider appropriate valuation methods (e.g., income approach, cost analysis, discounted cash flows, or market surveys or any other applicable methods) when determining contributory value
- Justify and support any adjustments in the appraisal report in an addendum or in supplementary documentation, if necessary

Appraisers must be familiar with energy reports, energy ratings or other new concepts that may be developed to identify the energy efficiency of a home. If relied upon, any reports must be generally acceptable, and, if available, these reports and information must be included in the appraisers' analysis.

Additional due diligence may be necessary if the high-performing energy-efficient home or energy improvements are new to the market and there are a lack of sales with similar features or a lack of data available from traditional data sources.

Note: The Appraisal Institute's Form 820.05, Residential Green and Energy Efficient Addendum, may be used to collect and report energy efficiency data associated with a property.

Resources

Seller resources related to energy-efficient properties and the appraisal of properties with energy-efficient features:

- The Appraisal Institute (including the use of the Residential Green and Energy Efficient Addendum)
- [The Home Energy Rating System \(HERS®\) Index](#) provided by the Residential Energy Services Network (RESNET®)

- The **Home Energy Score** provided by the U.S. Department of Energy's Better Buildings® initiative
- **EiValue®** – Tool used in the valuation of photovoltaic systems and/or the energy related efficiency of a property (income and cost approaches)
- **PV Value®** – Tool used in the valuation of photovoltaic systems (income approach)

(b) Properties with solar panels

The Seller must take into consideration ownership of the solar panels and any liens upon the property relating to debt or lease payments used to obtain the solar panels. For example, solar panels not owned by the Borrower can be financed via several types of agreements such as lease agreements or a power purchase agreement (PPA).

The Seller must also review any UCC-1 Financing Statement or lease agreement associated with the solar panels to determine if liens are against the real estate or against the solar panels. The property must maintain access to electrical utilities consistent with community standards.

If solar panels are present on the Mortgaged Premises, the Seller must follow the requirements outlined in the table below:

Properties with solar panels					
	PPA	Solar panel lease	Solar panels financed as personal property	Solar panel financed as a fixture to real estate	Solar panels owned free and clear
Description	The Borrower purchases power produced by the solar panels but does not own the solar panels.	The Borrower pays monthly lease payments to access the solar panels but does not own them.	The Borrower owns the solar panels, having purchased them with a note/security agreement and is entitled to power produced by the panels.		Borrower owns the solar panels and has no related debt.
Title	UCC-1 Financing Statement or lease agreement associated with the solar panels			UCC-1 Financing	There must be no UCC-

	recorded in the applicable land records and claiming an interest in the solar panels but not the real estate; the Seller is not required to obtain a subordination agreement of the UCC-1 Financing Statement.		Statement recorded against title to the Mortgaged Premises, creating a lien on the real estate itself (i.e., claiming an interest in both the solar panels and the real estate, not just the solar panels); the Seller must either subordinate or release this lien.	1 Financing Statement or notice recorded against the Mortgage Premises. In the event there is a UCC-1 Financing Statement, it must be released.
Appraisal	<p>The solar panels must not be included in the appraised value of the property.</p> <p>The appraiser must comment on the marketability of the home with solar panels present and identify the panels and system features.</p>		The solar panels must not be included in the appraised value of the property if the lender may repossess them for default on the financing terms.	Seller must ensure the appraiser has recognized the existence of the solar panels and considered the solar panels in the appraiser's opinion of the market value of the property.
Debt payment-to-income (DTI) ratio	<p>Lease payments for solar panels may be excluded from the monthly DTI ratio if the lease:</p> <ul style="list-style-type: none"> ■ Provides for delivery of a specific amount of energy for an agreed upon payment during a 	Payment to solar company or lender is included in the DTI ratio.	Payment to solar company or lender is included in the DTI ratio.	N/A – no payment required

	<p>given period, and</p> <ul style="list-style-type: none"> ■ Includes a production guarantee under which the Borrower is compensated on a prorated basis when the solar panel energy production falls below the level required by the lease agreement <p>Payments for solar panels subject to a PPA or similar type of agreement may be excluded from the monthly DTI ratio if the payment is calculated based only on the generated energy.</p>			
Total loan-to-value (TLTV) ratio	Not included in the TLTV ratio	Included in the TLTV ratio	N/A	
Obtain a copy of the lease, PPA or note/security agreement	<p>Damage that occurs as a result of installation, malfunction or the removal of the solar panels is the responsibility of the owner of the equipment. The owner must be obligated to repair the damage and return the improvements to their original or prior condition.</p> <p>In the event of foreclosure, the Seller/Servicer may:</p> <ul style="list-style-type: none"> ■ Terminate the lease agreement or PPA and require the owner of the equipment to remove the panels and supporting equipment ■ Become the beneficiary of the Borrower's lease agreement or PPA without incurring a transfer fee; or ■ Enter into a new lease agreement or PPA with the owner of the equipment under terms no less favorable than the existing agreement ■ The Mortgage file must contain a copy of the lease agreement, PPA or similar type of agreement, as applicable 		N/A	
Homeowner's insurance	The owner of the solar panels agrees to not be a loss payee (or named insured) on the homeowner's insurance policy covering the property.		N/A	

Any title insurance policy exceptions due to the existence of the lease agreement, PPA or similar type of agreement must comply with the acceptable exceptions found in Section 4702.4.

5601.4: Eligibility of properties with energy-efficient improvements and properties with solar panels (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.

Freddie Mac purchases Mortgages secured by properties with energy-efficient improvements and properties with solar panels as specified below. This section contains requirements related to:

- [Properties with energy-efficient improvements](#)
- [Properties with solar panels](#)

(a) Properties with energy-efficient improvements

The appraisal report must:

- Identify energy-efficient features (e.g., photovoltaic systems, water efficient improvements, energy-efficient windows) or high-performing energy-efficient homes and any impact to market value
- Assess the contributory value of energy improvements and any premium paid for a high-performing energy-efficient home based on the market reaction, similar to any other property feature
- Consider appropriate valuation methods (e.g., income approach, cost analysis, discounted cash flows, or market surveys or any other applicable methods) when determining contributory value
- Justify and support any adjustments in the appraisal report in an addendum or in supplementary documentation, if necessary

Appraisers must be familiar with energy reports, energy ratings or other new concepts that may be developed to identify the energy efficiency of a home. If relied upon, any reports must be generally acceptable, and, if available, these reports and information must be included in the appraisers' analysis.

Additional due diligence may be necessary if the high-performing energy-efficient home or energy improvements are new to the market and there are a lack of sales with similar features or a lack of data available from traditional data sources.

Note: The Appraisal Institute's Form 820.05, Residential Green and Energy Efficient Addendum, may be used to collect and report energy efficiency data associated with a property.

Resources

Seller resources related to energy-efficient properties and the appraisal of properties with energy-efficient features:

- The Appraisal Institute (including the use of the Residential Green and Energy Efficient Addendum)
- **The Home Energy Rating System (HERS®) Index** provided by the Residential Energy Services Network (RESNET®)
- The **Home Energy Score** provided by the U.S. Department of Energy's Better Buildings® initiative
- **EiValue®** – Tool used in the valuation of photovoltaic systems and/or the energy related efficiency of a property (income and cost approaches)
- **PV Value®** – Tool used in the valuation of photovoltaic systems (income approach)

(b) Properties with solar panels

The Seller must take into consideration ownership of the solar panels and any liens upon the property relating to debt or lease payments used to obtain the solar panels. For example, solar panels not owned by the Borrower can be financed via several types of agreements such as lease agreements or a power purchase agreement (PPA).

The Seller must also review any UCC-1 Financing Statement or lease agreement associated with the solar panels to determine if liens are against the real estate or against the solar panels. The property must maintain access to electrical utilities consistent with community standards.

If solar panels are present on the Mortgaged Premises, the Seller must follow the requirements outlined in the table below:

Properties with solar panels					
	PPA	Solar panel lease	Solar panels	Solar panel financed as a	Solar panels

			financed as personal property	fixture to real estate	owned free and clear
Description	The Borrower purchases power produced by the solar panels but does not own the solar panels.	The Borrower pays monthly lease payments to access the solar panels but does not own them.	The Borrower owns the solar panels, having purchased them with a note/security agreement and is entitled to power produced by the panels.		Borrower owns the solar panels and has no related debt.
Title	UCC-1 Financing Statement or lease agreement associated with the solar panels recorded in the applicable land records and claiming an interest in the solar panels but not the real estate; the Seller is not required to obtain a subordination agreement of the UCC-1 Financing Statement.		UCC-1 Financing Statement recorded against title to the Mortgaged Premises, creating a lien on the real estate itself (i.e., claiming an interest in both the solar panels and the real estate, not just the solar panels); the Seller must either subordinate or release this lien.	There must be no UCC-1 Financing Statement or notice recorded against the Mortgage Premises. In the event there is a UCC-1 Financing Statement, it must be released.	
Appraisal	The solar panels must not be included in the appraised value of the property. The appraiser must comment on the marketability of the home with solar panels present and identify the panels and system features.		The solar panels must not be included in the appraised value of the property if the lender may repossess them for default on the financing	Seller must ensure the appraiser has recognized the existence of the solar panels and	

			terms.	considered the solar panels in the appraiser's opinion of the market value of the property.
Debt payment-to-income (DTI) ratio	<p>Lease payments for solar panels may be excluded from the monthly DTI ratio if the lease:</p> <ul style="list-style-type: none"> ■ Provides for delivery of a specific amount of energy for an agreed upon payment during a given period, and ■ Includes a production guarantee under which the Borrower is compensated on a prorated basis when the solar panel energy production falls below the level required by the lease agreement <p>Payments for solar panels subject to a PPA or similar type of agreement may be excluded from the monthly DTI ratio if the payment is calculated based only on the generated energy.</p>	Payment to solar company or lender is included in the DTI ratio.	Payment to solar company or lender is included in the DTI ratio.	N/A – no payment required
Total loan-to-value (TLTV) ratio	Not included in the TLTV ratio		Included in the TLTV ratio	N/A
Obtain a copy of the lease, PPA or note/security agreement	Damage that occurs as a result of installation, malfunction or the removal of the solar panels is the responsibility of the owner of the equipment. The owner must be obligated to repair the damage and return the improvements to their original or prior condition.			N/A

	<p>In the event of foreclosure, the Seller/Servicer may:</p> <ul style="list-style-type: none"> ■ Terminate the lease agreement or PPA and require the owner of the equipment to remove the panels and supporting equipment ■ Become the beneficiary of the Borrower's lease agreement or PPA without incurring a transfer fee; or ■ Enter into a new lease agreement or PPA with the owner of the equipment under terms no less favorable than the existing agreement ■ The Mortgage file must contain a copy of the lease agreement, PPA or similar type of agreement, as applicable 	
Homeowner's insurance	The owner of the solar panels agrees to not be a loss payee (or named insured) on the homeowner's insurance policy covering the property.	N/A

Any title insurance policy exceptions due to the existence of the lease agreement, PPA or similar type of agreement must comply with the acceptable exceptions found in Section 4702.4.

5601.4: Eligibility of properties with energy-efficient improvements and properties with solar panels (Future effective date 11/02/26)

Freddie Mac purchases Mortgages secured by properties with energy-efficient improvements and properties with solar panels as specified below. This section contains requirements related to:

- [Properties with energy-efficient improvements](#)
- [Properties with solar panels](#)

(a) Properties with energy-efficient improvements

The appraiser must:

- Identify energy-efficient features (e.g., photovoltaic systems, water efficient improvements, energy-efficient windows) or high-performing energy-efficient homes and identify any impact to value or marketability
- Assess the contributory value of energy improvements and any premium paid for a high-performing energy-efficient home based on the market reaction, similar to any other property feature

- Consider appropriate valuation methods (e.g., income approach, cost analysis, discounted cash flows, or market surveys or any other applicable methods) when determining contributory value
- Justify and support any adjustments in the appraisal report by including commentary or exhibits
- Include photos of energy-efficient or green features
- Identify whether the property has an efficiency rating; if the property has an efficiency rating, the rating organization, rating and score must be identified

Appraisers must be familiar with energy reports, energy ratings or other concepts that may be developed to identify the energy efficiency of a home. If relied upon, any reports must be generally acceptable, and, if available, these reports and information must be included in the appraisers' analysis and included in the appraisal report as an exhibit.

Additional due diligence may be necessary if the high-performing energy-efficient home or energy improvements are new to the market and there are a lack of sales with similar features or a lack of data available from traditional data sources.

Note: The Appraisal Institute's Form 820.05, Residential Green and Energy Efficient Addendum, may be used to collect and report energy efficiency data associated with a property. If Form 820.05 is used, it must be included as an exhibit in the appraisal report.

Resources

Seller resources related to energy-efficient properties and the appraisal of properties with energy-efficient features:

- The Appraisal Institute (including the use of the Residential Green and Energy Efficient Addendum)
- **The Home Energy Rating System (HERS®) Index** provided by the Residential Energy Services Network (RESNET®)
- The **Home Energy Score** provided by the U.S. Department of Energy's Better Buildings® initiative
- **EiValue®** – Tool used in the valuation of photovoltaic systems and/or the energy related efficiency of a property (income and cost approaches)
- **PV Value®** – Tool used in the valuation of photovoltaic systems (income approach)

(b) Properties with solar panels

The Seller must take into consideration ownership of the solar panels and any liens upon the property relating to debt or lease payments used to obtain the solar panels. For example, solar panels not owned by the Borrower can be financed via several types of agreements such as lease agreements or a power purchase agreement (PPA).

The Seller must also review any UCC-1 Financing Statement or lease agreement associated with the solar panels to determine if liens are against the real estate or against the solar panels. The property must maintain access to electrical utilities consistent with community standards.

If solar panels are present on the Mortgaged Premises, the Seller must follow the requirements outlined in the table below:

Properties with solar panels					
	PPA	Solar panel lease	Solar panels financed as personal property	Solar panel financed as a fixture to real estate	Solar panels owned free and clear
Description	The Borrower purchases power produced by the solar panels but does not own the solar panels.	The Borrower pays monthly lease payments to access the solar panels but does not own them.	The Borrower owns the solar panels, having purchased them with a note/security agreement and is entitled to power produced by the panels.		Borrower owns the solar panels and has no related debt.
Title	UCC-1 Financing Statement or lease agreement associated with the solar panels recorded in the applicable land records and claiming an interest in the solar panels but not the real estate; the Seller is not required to obtain a subordination agreement of the UCC-1 Financing Statement.			UCC-1 Financing Statement recorded against title to the Mortgaged Premises, creating a lien on the real estate itself (i.e., claiming	There must be no UCC-1 Financing Statement or notice recorded against the Mortgage Premises. In the event there is a

			an interest in both the solar panels and the real estate, not just the solar panels); the Seller must either subordinate or release this lien.	UCC-1 Financing Statement, it must be released.
Appraisal	<p>The solar panels must not be included in the appraised value of the property.</p> <p>The appraisal report must include comments on the marketability of the home with solar panels present and identify the panels and system features.</p>		The solar panels must not be included in the appraised value of the property if the lender may repossess them for default on the financing terms.	Seller must ensure the appraiser has recognized the existence of the solar panels and considered the solar panels and reported any impact to value and marketability.
Debt payment-to-income (DTI) ratio	<p>Lease payments for solar panels may be excluded from the monthly DTI ratio if the lease:</p> <ul style="list-style-type: none"> ■ Provides for delivery of a specific amount of energy for an agreed upon payment during a given period, and ■ Includes a production guarantee under which the Borrower is compensated on a prorated basis when the solar panel energy production falls below the level required by the lease agreement <p>Payments for solar panels</p>	Payment to solar company or lender is included in the DTI ratio.	Payment to solar company or lender is included in the DTI ratio.	N/A – no payment required

	subject to a PPA or similar type of agreement may be excluded from the monthly DTI ratio if the payment is calculated based only on the generated energy.			
Total loan-to-value (TLTV) ratio	Not included in the TLTV ratio	Included in the TLTV ratio	N/A	
Obtain a copy of the lease, PPA or note/security agreement	<p>Damage that occurs as a result of installation, malfunction or the removal of the solar panels is the responsibility of the owner of the equipment. The owner must be obligated to repair the damage and return the improvements to their original or prior condition.</p> <p>In the event of foreclosure, the Seller/Servicer may:</p> <ul style="list-style-type: none"> ■ Terminate the lease agreement or PPA and require the owner of the equipment to remove the panels and supporting equipment ■ Become the beneficiary of the Borrower's lease agreement or PPA without incurring a transfer fee; or ■ Enter into a new lease agreement or PPA with the owner of the equipment under terms no less favorable than the existing agreement ■ The Mortgage file must contain a copy of the lease agreement, PPA or similar type of agreement, as applicable 			N/A
Homeowner's insurance	The owner of the solar panels agrees to not be a loss payee (or named insured) on the homeowner's insurance policy covering the property.			N/A

Any title insurance policy exceptions due to the existence of the lease agreement, PPA or similar type of agreement must comply with the acceptable exceptions found in Section 4702.4.

5601.5: Eligibility of a property with mixed-use (02/04/25)

Freddie Mac purchases Mortgages secured by residential properties with mixed-use characteristics. This section contains:

- [Eligibility requirements](#)
- [Appraiser requirements](#)

(a) Eligibility requirements

A residential property with mixed-use must meet the following requirements:

- The property must be a 1-unit Primary Residence
- The property must be located in a predominantly residential Neighborhood, be primarily residential in nature based on the characteristics of the property and be typical for the properties in the Market Area
- The mixed-use must represent a legal, permissible use of the property under the local zoning requirements
- If the property has a commercial use, the Borrower must be the owner and the operator of the business
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residence
- The commercial use must not have an adverse effect on the habitability and safety of the property or site

(b) Appraiser requirements

The appraiser must provide the following when appraising a mixed-use property:

- An appraisal with an interior and exterior inspection
- A detailed description of any accommodations made for the commercial use of the subject property
- A discussion of any positive or adverse impacts of the commercial use and whether the cost to restore the property to solely residential use will affect its value
- A statement describing any market resistance to the commercial use and adjustments for any commercial features made to the comparable sales
- An opinion of market value based on the property's residential nature

Note: See Section 5701.8(b)(ii) for Condominium Unit live-work requirements.

5601.5: Eligibility of a property with mixed-use (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.

Freddie Mac purchases Mortgages secured by residential properties with mixed-use characteristics. This section contains:

- [Eligibility requirements](#)
- [Appraiser requirements](#)

(a) Eligibility requirements

A residential property with mixed-use must meet the following requirements:

- The property must be a 1-unit Primary Residence
- The property must be located in a predominantly residential Neighborhood, be primarily residential in nature based on the characteristics of the property and be typical for the properties in the Market Area
- The mixed-use must represent a legal, permissible use of the property under the local zoning requirements
- If the property has a commercial use, the Borrower must be the owner and the operator of the business
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residence
- The commercial use must not have an adverse effect on the habitability and safety of the property or site

(b) Appraiser requirements

The appraiser must provide the following when appraising a mixed-use property:

- An appraisal with an interior and exterior inspection
- A detailed description of any accommodations made for the commercial use of the subject property

- A discussion of any positive or adverse impacts of the commercial use and whether the cost to restore the property to solely residential use will affect its value
- A statement describing any market resistance to the commercial use and adjustments for any commercial features made to the comparable sales
- An opinion of market value based on the property's residential nature

Note: See Section 5701.8(b)(ii) for Condominium Unit live-work requirements.

5601.5: Eligibility of a property with mixed-use (Future effective date 11/02/26)

Freddie Mac purchases Mortgages secured by residential properties with mixed-use characteristics. This section contains:

- [Eligibility requirements](#)
- [Appraisal report requirements](#)

(a) Eligibility requirements

A residential property with mixed-use must meet the following requirements:

- The property must be a 1-unit Primary Residence
- The property must be located in a predominantly residential Neighborhood, be primarily residential in nature based on the characteristics of the property and be typical for the properties in the Market Area
- The mixed-use must represent a legal, permissible use of the property under the local zoning requirements
- If the property has a commercial use, the Borrower must be the owner and the operator of the business
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residence
- The commercial use must not have an adverse effect on the habitability and safety of the property or site

(b) Appraisal report requirements

The Seller must deliver a Traditional Appraisal Report or Hybrid Appraisal Report that includes:

- The type(s) of non-residential use observed on the property
- Identification of whether the use is adverse, beneficial or neutral. If the use is adverse or beneficial, a description of the impact to value or marketability is required
- Commentary related to whether the cost to restore the property to solely residential use will affect its value
- Commentary describing any market resistance to the commercial use
- Adjustments to the comparable sales related to the commercial use
- An opinion of market value based on the property's residential use

Note: See Section 5701.8(b)(ii) for Condominium Unit live-work requirements.

5601.6: Eligibility of a property with two or more adjoining parcels (08/07/24)

When the Mortgaged Premises includes two or more parcels of real estate, the following requirements apply:

- The parcels must be adjoining.

Exception: Parcels that would otherwise be adjoining but are separated by a road (e.g., a waterfront property where the parcel without the residence offers access to the water) are eligible if the parcel without the residence is non-buildable but may include non-residential improvements such as a garage or dock and the Seller provides evidence in the Mortgage file that the parcel without the residence cannot be improved with a dwelling.

- The Mortgaged Premises must contain only one residence. (An ADU is allowed only on the parcel that contains the residence if the eligibility requirements of Section 5601.2 are met.)
- The Mortgage must be a valid First Lien on each parcel
- Each parcel must have the same basic zoning (e.g., residential or agricultural)
- Each parcel must be conveyed in its entirety

- The site description must accurately describe the land and any improvements included on each of the parcels
- The residence or improvements may be built across the lot lines
- Non-residential improvements such as garages or outbuildings are acceptable on any parcel

In addition, the appraiser must consider how the existence of two or more parcels, adjoining or not, influence the value use and marketability of the property.

5601.6: Eligibility of a property with two or more adjoining parcels (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 Section 5605.4.

When the Mortgaged Premises includes two or more parcels of real estate, the following requirements apply:

- The parcels must be adjoining.

Exception: Parcels that would otherwise be adjoining but are separated by a road (e.g., a waterfront property where the parcel without the residence offers access to the water) are eligible if the parcel without the residence is non-buildable but may include non-residential improvements such as a garage or dock and the Seller provides evidence in the Mortgage file that the parcel without the residence cannot be improved with a dwelling.
- The Mortgaged Premises must contain only one residence. (An ADU is allowed only on the parcel that contains the residence if the eligibility requirements of Section 5601.2 are met.)
- The Mortgage must be a valid First Lien on each parcel
- Each parcel must have the same basic zoning (e.g., residential or agricultural)
- Each parcel must be conveyed in its entirety
- The site description must accurately describe the land and any improvements included on each of the parcels
- The residence or improvements may be built across the lot lines
- Non-residential improvements such as garages or outbuildings are acceptable on any parcel

In addition, the appraiser must consider how the existence of two or more parcels, adjoining or not, influence the value use and marketability of the property.

5601.6: Eligibility of a property with two or more adjoining parcels (Future effective date 11/02/26)

Effective November 2, 2026, Section 5601.6 is deleted. See Section 5605.4 for information related to eligibility of a property with two or more adjoining parcels.