

Announcement #25-46

Date: May 6, 2025

Freddie Mac Property Eligibility Updates and Documentation Requirements for Verification of Completion of Repairs

As announced in Bulletin 2025-1, Freddie Mac has updated appraisal report requirements when detrimental conditions exist on the subject property site, and documentation requirements for verification of completion when the appraisal report is completed "subject-to" an inspection. These changes are effective with loan applications dated on or after May 6th, 2025.

Property Eligibility Updates:

When detrimental conditions exist on the subject property site, such as expansive soils, underground mines or subsidence in the immediate area, the appraisal report must be completed "subject to" an inspection by an appropriately licensed professional or another person trained in the particular field of concern to determine if a repair or alteration is required. The mortgage file must also include the following:

- Evidence of repair, alteration; or
- An inspection report that indicates the condition does not require repair or alteration.
- The appraiser must also consider the effect the conditions may have on estimating the subject property's market value and/or any effect on marketability.

Freddie Mac also updated the Seller Guide to include additional examples of deficiencies that indicate the property is in C5 or C6 condition, and examples of minor repairs or deficiencies that allow an appraisal report to be completed "as-is". Please refer to the Freddie Mac Seller Guide for the list of updated examples.

As a reminder, properties with an overall condition rating of C5 or C6 are ineligible. All issues that caused the property to be rated with a C5 or C6 rating must be cured prior to the note date.

Documentation Requirements for Verification of Completion of Repairs:

When an appraisal report is completed "subject to" an inspection or a Property Data Report (PDR) review determines an inspection is required, the mortgage file must include the following:

- An inspection report stating that repairs are not required (lender must review to ensure property does not have deficiencies consistent with a C5 or C6 condition rating), or
- An inspection report and invoices stating the required repairs have been completed and the issues have been corrected.
 - The inspection report and invoices must provide the professional's license number, if applicable, must be dated prior to the note date, and retained in the mortgage file.

Please refer to the Freddie Mac Seller Guide for complete requirements.

Please contact your Sales Representative with any questions.