

## New Fannie regulations tighten screws on new development purchases

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By David Jones

Fannie Mae yesterday informed the banking industry that it would raise the nationwide pre-sale requirements for new co-ops and condominium buildings to 70 percent starting March 1, one of several changes designed to reduce the amount of risky consumer loans in the market, according to documents obtained by The Real Deal.

The Washington-based mortgage agency said in a letter it would update several other regulations, including the following:

1. No more than 20 percent of the building's total square footage can be used for non-residential use, for example, retail, commercial or parking space.
2. No more than 10 percent of the units can be owned by one individual, corporation, investor group or partnership.
3. Buildings with more than 20 units must have fidelity bond insurance, which protects the building in case an employee steals money or commits some other crime....

...Real estate attorney Adam Leitman Bailey, who has advised buyers at Manhattan House and other condo projects, said the new guidelines could force a significant numbers of buyers to just throw in the towel.

"If that does occur, the comparison would be a snowstorm in the summer -- many buyers will walk away from their deposits," he said.