

Freddie Mac and Fannie Mae's Joint Multifamily Radon Policy FAQs

Last Updated 7/24/2023

What changes did Fannie Mae and Freddie Mac make to our radon policies in 2023?

Freddie Mac and Fannie Mae (the "Enterprises") have aligned our multifamily radon policy requirements.

The Enterprises have made policy enhancements to our multifamily radon requirements, including:

- Requiring that testing be increased from 10% of ground floor units to 25% with a minimum of one unit tested per building, subject to exemptions and deferrals for certain property types or loan products.
- Requiring an Environmental Professional (EP) to manage the radon testing process.
- Requiring the EP or property representative to provide tenant notifications prior to radon testing.
- Encouraging better radon data collection at multifamily properties across the United States, including collaboration with the Centers for Disease Control (CDC) on multifamily data standards and assessing the impact of the new testing standards.
- Providing improved guidance for lenders and environmental consultants on the Enterprises' radon standards.
- Reminding lenders and EPs that the Enterprises require compliance with applicable radon laws and regulations.

The Enterprises and FHFA will continue to monitor the multifamily mortgage market and will reassess these radon requirements using available data and on-going feedback in consideration of the radon industry's ability to adapt to increasing radon testing on a nationwide scale, impacts on residents of Enterprise- financed properties, and the Enterprises' ability to serve our mission.

In 2025, FHFA and the Enterprises will reassess radon requirements after collecting better data on radon testing at Enterprise-backed properties.

Do Enterprise-backed multifamily mortgages require radon testing?

Yes, radon testing will be required for every multifamily mortgage loan purchased, unless an exemption or deferral applies. Multifamily properties are generally defined as properties with 5 or more residential units.

Which Enterprise-backed mortgage loans are exempt from radon testing?

An Enterprise-backed mortgage loan will be exempt from radon testing in the following circumstances:

- Refinances of properties with existing Enterprise debt that have undergone previous radon testing and mitigation (if applicable) compliant with the updated radon requirements announced in January 2023. This applies to a Fannie Mae loan being refinanced with a Freddie Mac loan and vice versa.
- Supplemental loans
- Cooperative properties
- Manufactured Housing Communities
- Properties with no ground-contact residential space (for example, properties with ground-floor retail, first-floor amenities/leasing, or residential units above a parking garage or code-compliant ventilated crawl space)

- Properties that, when newly constructed, incorporated radon-resistant design elements per the Enterprises' Guides.
- Properties with property-wide radon mitigation systems already in place and operating under an existing Radon O&M Plan; and
- When the EP concludes that testing or mitigation is not necessary and documents the reasons supporting this conclusion in the Phase I ESA Report's Executive Summary.

Is radon testing required for adjacent units that are not part of the mortgage loan collateral, such as those that are part of a condominium complex or a fractured condominium?

No.

Are upper floor residential units required to be tested?

No, unless required by applicable laws and regulations.

Do properties that qualify for the Enterprises' small balance loan programs require testing?

We are deferring testing for loans under each Enterprise's small loan program until 2024, at which point we will reassess and provide additional guidance.

Can multifamily property owners conduct radon testing in lieu of an environmental professional (EP) or without oversight of an EP? What about in states that require licensing/certification of radon technicians but allow owners to test their own properties for radon without being licensed or certified?

Radon testing required as part of the due diligence for an Enterprise-backed loan must be overseen by an EP. The involvement of the EP may trigger state requirements for licensing and certification that require placement of devices be performed by a radon professional. In all cases, state and local laws and regulations for the qualifications of the radon testing professional must be met.

What if my state requires different radon testing standards than the Enterprises?

Any loan delivered to the Enterprises must comply with all federal, state, and local laws and regulations. As such, you must comply with any applicable laws and regulations, as well as any more stringent Enterprise multifamily radon requirements.

Who makes the final decisions on awarding the contract, choosing the testing and mitigation protocol, and other related details?

Lenders are responsible for engaging third-party consultants pursuant to the Enterprises' Guides.

Will the tenants have to be notified about radon testing?

The EP or a property owner representative will provide notices to applicable staff/tenants, including guidance on maintaining proper conditions for effective testing. Communications also will include training or direction to staff as needed.

If there is an elevated reading in one of the units tested, will other areas need to be tested?

For all residential buildings that have at least 1 unit with elevated radon concentrations equal to or greater than 4.0 pCi/L after the first round of testing, the EP must recommend one of the following:

- Additional testing of 25% of the ground-contact units within buildings with radon levels at the 4.0 pCi/L threshold or higher using either short- or long-term testing. Units that tested at 4.0 pCi/L or greater during the first round of testing must be re-tested. If there are additional units that must be tested to meet the 25% threshold, the EP may select them at their discretion. If proceeding with a second round of testing, remediation is required if the average of the two short-term tests or the result of the long-term test is 4.0 pCi/L or greater; or

- Installation of a radon mitigation system in all units with a radon concentration of 4.0 pCi/L or above.

Follow-up testing and mitigation may either be completed during due diligence or as a post-closing obligation, based on the Enterprises' programmatic requirements.

The updated policy states that the second round of testing must cover at least 25 percent of the ground contact units in the building(s) with elevated test results from the first round and must include each unit that tested at elevated levels. How will second round testing be conducted in units that were not previously tested in the first round? What requirements apply if a short-term test in a unit that was not tested in the first round demonstrates a reading of 4.0 pCi/L or greater in the second round?

For a unit that will be tested for the first time in the second round, the EP can perform long-term testing, short-term testing, or use the results from a continuous monitoring device.

In the event a unit that was not tested in the first round is tested using only one short-term test in the second round and demonstrates an elevated result, the EP can either use the results of the second round test and proceed to mitigation or use their professional judgment and testing experience based on the unique conditions of each building to determine if additional testing is needed. The EP's rationale should be explained in the Phase I ESA Report's Executive Summary.

What is required for mitigation of any unit with elevated levels of radon?

Any unit needing radon mitigation per the updated radon policy must be mitigated:

- In compliance with all applicable laws and regulations;
- By a qualified radon mitigation professional that will determine:
 - The type of appropriate mitigation system required; and
 - Whether the installation of a multi-unit mitigation system is necessary.
- If the installation of a radon mitigation system is required, post-mitigation testing must confirm a radon concentration of less than 4.0 pCi/L in each unit mitigated.

Is ongoing radon testing required at an Enterprise-backed property?

No, ongoing testing is not required during the loan term unless required under a Radon O&M Plan.

For properties that consist of contiguous detached homes, townhomes, or duplexes, is radon testing required in each residential structure?

The Enterprise radon policy was developed for multifamily properties, so it does not specifically contemplate 1-4 unit buildings. That said, when the collateral for an Enterprise multifamily mortgage loan includes a community with contiguous detached homes, duplexes, and/or townhomes, notwithstanding the radon policy, the Enterprises will require the Environmental Professional to test a sufficient number of those units using their professional judgment and in compliance with applicable laws and regulations to achieve sufficient geographic representation of units across the community. However, when the collateral for an Enterprise multifamily property includes a building consisting of 3-4 units all built on the same slab/under the same roof, testing of such building will be done per the radon policy.

I have a specific question on whether a testing exemption applies to my transaction, property, or testing scenario. Can the Enterprises provide tailored guidance?

The EP should make the determination if exemptions are appropriate and how they should be applied. The EP's rationale should be explained in the Phase I ESA Report's Executive Summary.

How does the mandatory radon compliance date apply to loans subject to a forward commitment placed before the implementation of these policies?

For any loan under application on or before June 30, 2023, including applicable forward commitments, the radon testing policy in place at the time of the signed loan application is acceptable.

Is radon testing required in a mortgage assumption?

Please refer to the respective Enterprise's Guide for any property-specific requirements in connection with an assumption of a mortgage loan.

Are Lenders required to escrow at closing for future testing and potential mitigation?

For specific escrow requirements, refer to the respective Enterprise's Guides.

Who is responsible for composing the radon mitigation O&M Plan? Are there specific requirements for the radon mitigation system O&M Plan?

The Enterprises are not specifying the requirements for the radon mitigation system O&M Plan. O&M Plans should be customized for the needs of each property. Refer to the Enterprises' Guides for more information.