



Condominium Project Eligibility and Review

February 25, 2025

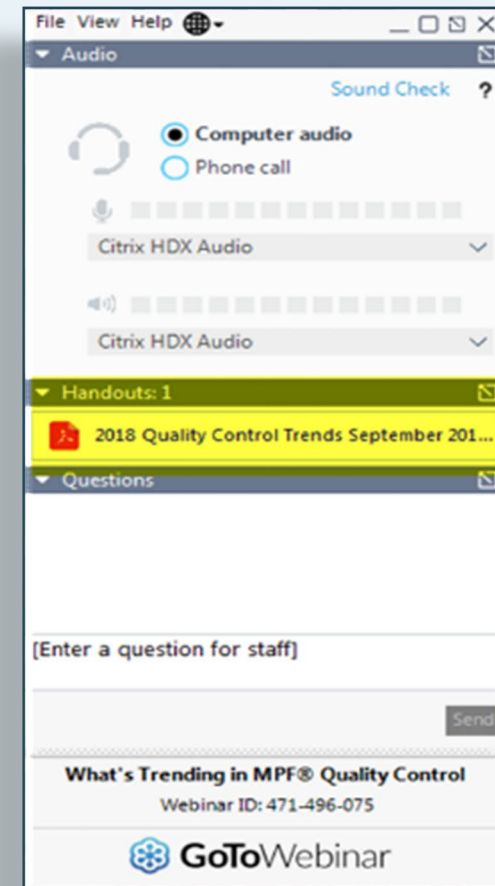


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Spot the Condominium

A



B



All these properties
could be
condominiums

C



D



What is a Condominium

Condos projects can consist of:

- **Units in a vertical, multi-story building**
- **Units attached by shared walls in a horizontally designed complex**
- **Detached units in a development (aka site condos)**
 - Like a single-family home
 - Own the structure and the land
 - Roads may be private
 - May have shared amenities

Condo Basics*

- Condo owners hold title to their units (walls-in) and an undivided interest in the common areas
- In most cases, owners pay insurance to cover the replacement costs for their unit and its contents
- The HOA usually maintains insurance for the entire project, including the external structure and common areas
- Typically, contained in a complex or building with other units

* These examples are generalizations, anomalies may exist

How to Identify a Condominium

- **Property Legal Description** – will usually include a unit number or the name of the condominium project and/or recording of a condominium declaration may be mentioned
- **Tax Parcel Number or ID** – look for extra digits. Most condos fall under one tax ID number with each individual unit differentiated by additional digits
- **Appraisal** – the appraiser can help confirm if the property is a condominium
- **Contract, listing agent, or Realtor** – may be useful but not always 100% accurate

UNIT 8B OF MILL CREEK COURT, A CONDOMINIUM RECORDED UNDER CASPER COUNTY RECORDING NUMBER 111111111, ACCORDING TO THE DECLARATION THEREOF, RECORDED UNDER CASPER RECORDING NO. 22222 AND ANY AMENDMENTS THERETO: SITUATED IN THE COUNTY OF CASPER, STATE OF ILLINOIS. TAX PARCEL NUMBER(S) 01-22-333-444-1008

What Are Planned Unit Developments (PUDs)?

- Planned Unit Developments can vary in size and scope
- Some larger PUDs feel like small towns that include many different types of housing, including single family homes and yes, even condos!
- Oftentimes have shared amenities like clubhouses, greenspaces, pools, and other recreational facilities

PUD Characteristics*

- Owners own their unit and the land underneath
- Unit owners typically pay for their own homeowner's insurance (much like a single-family home)
- All homeowners belong to the HOA which is responsible for the management of shared spaces and amenities
- Units can be attached or detached

*These examples are generalizations, anomalies may exist

Project Review Types

When is a Project Review Required?

In most cases, the following properties do not require a project review*:

- New or established detached condos (aka site condos)
- Small condo projects (2-4 units)
- Units located in a PUD
 - Unless the property is in a condo project located in a PUD
- Fannie Mae to Fannie Mae limited cash-out refinances with LTV ratios <80%

*To be eligible for a review waiver, the project must meet the requirements outlined in the applicable Selling Guide.



Condo Review Types

Review Types

- Full Review
- Limited Review

Your review may also require:

- Fannie Mae's Condo Project Manager (CPM)
- Fannie Mae's Project Eligibility Review Service (PERS)



Determining the Review Method

Review types/methods are based upon certain project characteristics

- Is the project established or new?
- Is the project a conversion?
- Is the property located in Florida?
- What's the LTV/CLTV?



Established vs. New Condo Projects

To be considered an **established project** the following must apply:

- At least 90% of the units have been conveyed to owners
- The project (including common areas) is 100% complete
- The unit owners are in control of the homeowner's association (HOA has been established)
- The project is not subject to additional phasing or annexation



** Under MPF Xtra (or when DU is used), a project may also be considered established with less than 90% (minimum of 80%) of the units sold, provided the deficit is the result of the developer holding back units to rent out. Additional restrictions apply, see Fannie Mae Selling Guide B4-2.1-01 for more information*

Established Projects

Many established projects may be eligible for a **limited review**

If an established project is not eligible for a limited review, a full review (or other method) is required

Limited Review Eligibility Requirements
Maximum LTV/CLTV/HCLTV <ul style="list-style-type: none">• Principal Residence - 90%• Second Home - 75%• Investment (MPF Xtra® only) - 75%• <i>Properties located in Florida are subject to more restrictive LTVs</i>
The project cannot consist of manufactured homes
No more than 15% of the total project units are 60 days or more past due on any special assessments
The project must meet all property standards and eligibility requirements

Limited Reviews

The following information is generally needed to determine project eligibility*:

- **Condominium Project Questionnaire**
(Fannie Mae Form 1076 or Freddie Mac Form 476 or equivalent)
- **Appraisal**
- **Evidence of Insurance**

*More documentation may be necessary based upon questionnaire responses, appraiser comments, or information contained in the title commitment/report



Full Reviews

The following projects require full reviews:

- Established projects not eligible for a limited review
- New or newly converted projects



Full Review Documentation

Documentation for full reviews may differ based on the project status or type
Some of the most common documents needed to complete a full review are:

- **Condominium Project Questionnaire** (Fannie Mae Form 1076 or Freddie Mac Form 476 or equivalent)
- Appraisal
- Project budgets and financials
- Project construction plans (new construction and/or conversions)
- Condo declaration and any other recorded legal documentation
- Evidence of insurance



Full Reviews

All MPF Xtra product loans and MPF Traditional product loans underwritten with DU[®] must utilize Fannie Mae's Condo Project Manager[™] (CPM[™])

- CPM is a web-based tool designed to assist with full project reviews
- CPM will help determine if the project meets Fannie Mae's project eligibility requirements
- You must document the loan file with the CPM decision by including the unexpired CPM Certification
- CPM is available on the Fannie Mae website
- Your Fannie Mae Technology Manager Administrator at your organization can assist you with credentials



Fannie Mae has a list of approved projects available in CPM

- Non-CPM users may request read-only access to perform searches and print reports
 - Non-CPM users may not submit a project or phase for certification
- Even when a project has CPM approval, lenders are responsible for verifying the project has the appropriate insurance coverage



Fannie Mae | Condo Project Manager™

Full Reviews: Budgets

Full reviews require the review of budgets to determine if the HOA maintains an adequate amount of reserves

- Is there an annual budgeted replacement reserve that is at least **10%** of the association's budgeted HOA fee income?
- There should be separate accounts for reserves and operating funds (think checking vs. savings)
- Fannie Mae requires a dedicated line for reserves in the budget



Condominiums

Reserve Allocations

- For full condo reviews, Fannie Mae requires that condo projects set aside at least 10% for capital expenditures and deferred maintenance
- The budget should show these funds independent from general operating expenses

How do you determine if the account meets the 10% minimum requirement?

Divide the annual budgeted replacement reserve allocation

by the association's annual budgeted assessment income

Let's look at an example

Condominiums

Shady Acres Condominium consists of 20 units and each unit owner pays an HOA fee of **\$420** per month

The 2025 budget shows an annual reserve allocation of **\$11,000**

Do they have enough in reserves to support the 10% requirement?

$\$420 \times 20 = \$84,00$ HOA income per month

$\$8,400 \times 12 = \$100,800$ HOA income per year

$\$11,000 \div \$100,800 = 0.11$ (11%)

You could also calculate 10% of \$100,800 which is \$10,080 (minimum required budget allocation)

Project Eligibility Review Service (PERS)

Some projects require review through Fannie Mae's PERS

- **The following require Standard PERS**
 - New condo projects consisting of manufactured homes (including those subject to a community land trust, deed restrictions, ground lease, or shared equity arrangement)
 - New PUD projects consisting of manufactured homes(including those subject to a community land trust, deed restrictions, ground lease, or shared equity arrangement)
 - Newly converted, non-gut rehab condo projects with attached units that contain more than 4 units
 - New and newly converted condo projects consisting of attached units located in Florida



***MPF Traditional loans (manual underwriting) do not permit site condo projects consisting of manufactured housing**

Project Eligibility Review Service (PERS)

The following project types require Streamlined PERS

- Established condo projects consisting of single-width manufactured homes
- Established condo or PUDs consisting of manufactured homes subject to a community land trust, deed restriction, ground lease or shared equity arrangement



***MPF Traditional loans do not currently permit site condo projects consisting of manufactured housing**

Knowledge Check

Match the review type to the expiration requirement

-
- 1. Limited review or full review of an established project
 - 2. Full Review for new projects
 - 3. Condo Project Manager certifications
 - 4. Standard PERS approvals
- a. Must be valid (unexpired) as of the note date
 - b. Completed no more than 180 days prior to the note date
 - c. Completed no more than one year prior to the note date
 - d. 18 months after final project approval

- 1. = c.
- 2. = b.
- 3. = a.
- 4. = d.

Insurance Requirements

Insurance Requirements

In most cases, master insurance policies are required for the common elements and the residential structures

- If a master policy does not cover the interior of the unit or improvements to the unit, the borrower must have an individual unit owner property insurance policy
- Master policies must provide for claims to be settled on replacement cost basis
- The master property insurance coverage amount must be at least equal to 100% of the replacement cost value of the project
- Deductibles should not exceed 5% of the master property insurance coverage amount



Insurance Requirements

In July of 2023, the coverage requirements for individual insurance policy coverage amounts changed

- HO-6 insurance coverage must be sufficient to restore the condo unit back to its prior condition
- Coverage may be the lower of:
 - 100% of the replacement cost value of the improvements as of the current property insurance policy effective date, **or**
 - the unpaid principal balance of the loan, provided it equals no less than 80% of the replacement cost value of the improvements as of the current property insurance policy effective date



Common Condo Eligibility Requirements

Single Entity Ownership Restrictions

Watch for projects where a single entity owns more than one unit in the project

Project Size	MPF Xtra or MPF Traditional with DU or LPA*	MPF Traditional with Manual Underwriting
Projects with 2-4 Units	1 Unit	1 Unit
Projects with 5-20 Units	2 Units	2 Units
Projects with 21 or more Units	20%	10%

Vacant units owned by the project sponsor or developer actively marketed for sale are not included

**LPA is eligible for MPF Traditional loans only.*

Common Eligibility Requirements

No more than 35% of the total square footage can be used for commercial or non-residential purposes*

- Does not include parking allocated for unit owners or commercially owned and operated parking spaces.
- Excludes amenities that are designated for the exclusive use of the residential owners such as fitness facilities, pools, community rooms, and laundry rooms.

Projects cannot have more than 15% of the total units 60 days or more delinquent on HOA fees

**The limit is 25% for manually underwritten MPF Traditional loans*



Examples of Ineligible Features

- Timeshare properties
- Continuing care projects
- New projects that offer sales or financing concessions that do not conform with Fannie Mae or MPF Traditional requirements
- Projects with mandatory upfront or periodic membership fees for the use of recreational amenities, such as country club facilities and golf courses, that are owned by an outside party
- Projects that are managed and operated as a hotel, motel, or resort, or that are primarily transient in nature even though the units are individually owned



Special Assessments and Repairs

Special Assessments

All special assessments must be reviewed to determine if its purpose relates to critical repairs

- What is the purpose of the special assessment?
- Has the work begun? If not, when will it begin?
- What is the original amount of the special assessment and is there a remaining amount to be collected?
- When will the special assessment be paid in full?

If the special assessment is associated with a critical repair and the issue is not remediated, the project is ineligible



Special Assessments

Building Safety, Soundness, Structural Integrity, and Habitability	
1	When was the last building inspection by a licensed architect, licensed engineer, or any other building inspector?
2	Did the last inspection have any findings related to the safety, soundness, structural integrity, or habitability of the project's building(s)? <input type="checkbox"/> YES <input type="checkbox"/> NO
2a	If Yes , have recommended repairs/replacements been completed? <input type="checkbox"/> YES <input type="checkbox"/> NO

If Question 1 indicates that the last inspection was within the past 3 years, a copy of the inspection report must be obtained.

- If the inspection report indicates there are unaddressed critical repairs, **the project is ineligible until the required repairs have been completed** and documented accordingly
- An engineer's report or similar document must be obtained to determine if the repairs have resolved the safety and soundness concerns of the project

Things to Look For

What if a jurisdiction classifies a project as unsafe, non-compliant, or other similar rating?

Does that mean the project is ineligible? Yes.

Projects remain ineligible until the critical repairs are completed.

What are some sources of information that you can obtain to get more information about special assessments, critical repairs, and significant deferred maintenance?

- HOA meeting minutes
- Financial statements
- Engineer reports
- Inspection reports
- Reserve studies



MPF Contacts and Resources

MPF Service Center

Email: MPF-Help@FHLBC.com

Hours: 8:30 am to 4:30 pm CST

Phone: (877) 345-2673

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