



TAG TEAM CONDO CHEAT SHEET

Florida

Primary home

- Full Review (less than 25% down)
- Limited Review (25% down or more)
- Second Home/ Investment
- Full Review (less than 30% down)
- Limited Review (30% down or more)

Outside of Florida

Primary home

- Full Review (less than 10% down)
- Limited Review (10% down or more)
- Second Home/ Investment
- Full Review (less than 25% down)
- Limited Review (25% down or more)

Limited Review

Needed from HOA/property manager from the condo project

- Limited Condo Questionnaire – if any issue arises from this document's completion the Full Condo Review will be required.
- Master Insurance Certificate for property, liability and fidelity bond insurance + Flood insurance (if applicable)

Full Review

Needed from HOA/property manager from the condo project

- Current year working budget approved by HOA board/unit owners and distributed to all unit owners.
- Full Condo Questionnaire
- Master Insurance Certificate for property, liability and fidelity bond insurance + Flood insurance (if applicable)

Needed from lender

- DU/LP automated underwriter approval (lender will provide)
- Appraisal (lender will provide)
- Flood Certificate (lender will provide)

New Construction or FHA SUA (spot approval; see more on page 3) - Additional documentation needed

Needed from HOA/property manager from the condo project

- In lieu of the Full Condo Questionnaire the HUD-9991 FHA condo questionnaire is required
- Recorded Declaration of Condominium
- Recorded Articles of Incorporation
- Recorded By-Laws
- Balance Sheet completed w/n the prior 90 days



In addition to the above the below is required regarding the full condo project approval:

1. All new construction and new conversion projects located in Florida must be submitted to Fannie Mae for Condominium approval known as PERS. In addition, all new conversion projects that are non-gut rehabs also require PERS approval.
2. In order to be considered an Established project (FNMA Type S/FHLMC EST), a project must be complete with no additional phasing, control of the project has turned over to unit owners from Developer and 90% of the units must be conveyed (closed). Fannie Mae will consider a project as established with less than 90% of the units sold to unit purchasers, if Developer has no more than 20% of the total units held back for rentals as long as these units fees are current and there are no special assessments. All other projects would be classified as FNMA Type R/FHLMC New.
3. All units, common elements, and facilities within the project, or legal phase must be 100% complete.
4. The condominium documents must comply with the Legal Guidelines for Type R/New projects. This is determined through a review of the constituent documents.
5. For new projects, at least 50% of units in the project or subject legal phase together with all prior legal phases, must be conveyed or under contract to principal residence or second home buyers.
6. For established condominiums, at least 50% of the total units must have been conveyed to principal residence or second home. However, this requirement shall not apply to primary or second home loans.
7. No single entity, other than units owned by developer still for sale, may own more than 10% of the units for Freddie loans or 20% of the units for Fannie Loans. If a project consists of 2-4 units, no one can own more than 1 unit, 5-20-unit projects no more than 2 units. Units that are controlled or owned by a nonprofit entity for the purpose of affordable housing held by higher education institution for workforce housing programs are also excluded for single entity.
8. The fidelity, hazard including confirmation of wind, liability and flood insurance requirements must be met.
9. If the master or blanket insurance policy does not provide coverage for the interior of the unit, the borrower will be required to obtain a "walls in" coverage policy (commonly known as HO-6 insurance policy).
10. The condominium must be well managed. No more than 15% of the unit owners can be more than 60 days delinquent. The budget must be adequate and provides for funding of replacement reserves for capital expenditure and deferred maintenance in the amount of at least 10% of the budget.



11. No more than 35% of the total square footage of the project can be used for nonresidential purposes.
12. The units in the project must be owned fee simple or if in a leasehold, the lease and any amendments to the lease must be provided.
13. All facilities and amenities related to the project must be owned by the unit owners or the homeowner's association and not subject to a lease. No mandatory club membership fees allowed unless amenities are owned exclusively by the HOA or Master Association.
14. Budget – Reserves: Provides for the funding of replacement reserves for capital expenditures and deferred maintenance that is at least 10% of the budget (divide the annual budgeted replacement reserve allocation by the association's annual budgeted assessment income. Please note, if the budget does not meet these requirements, a reserve study can be provided in lieu of calculating the replacement reserve of 10% provided the following conditions are met.

FHA SUA (Single Unit Approval)

An appraisal cannot be ordered until the HUD-9991 form is completed by the HOA or property management company and sent into HUD for review/approval (turn time for the review is 3-5 business days per FHA HUD). This is done after the FHA case (w/o case number called a holds tracking case) is setup in FHA Connection for FHA HUD to look up when they review the HUD-9991 form and if they approve they will assign a FHA case number to the holds tracking case. This case number is what allows us to order the appraisal.

If FHA HUD denies the case number issuance based on the HUD-9991 form the loan cannot proceed.

*This info needs to be taken into consideration for any appraisal contingency timeline. Additionally, if the full condo review is unsuccessful, as FHA SUA's need to meet all requirements of the full condo review above, in addition to the FHA HUD approval listed here, then the loan cannot proceed.



CONDO BUDGET FORMULA

**RESERVES ALLOCATED ANNUALLY DIVIDED BY HOA
DUES (AKA MAINTENANCE INCOME) ONLY**

IN THIS CASE:

$$2640 / 26400 = 10.0\%$$

**RESERVES (AMOUNT SET ASIDE MONTHLY/ ANNUALLY
BUT NOT THE AMOUNT SITTING IN A RESERVE
ACCOUNT) DIVIDED BY CONDO MONTHLY MAINTENANCE
INCOME ONLY (ALL OTHER INCOME SET ASIDE)**

MAINTENANCE INCOME:	\$100,000
RESERVES:	\$10,000
$\$10,000 / \$100,000 = 10.0\%$	

SUGARLOAF PARK HOA 2020 APPROVED BUDGET

SAVINGS ACCOUNTS - RESERVES	\$ 5,010
INCOME - YEARLY HO FEES	\$ 26,400

EXPENSES:

WATER, SEWER & TRASH	\$ 7,000
LAWN SERVICE	\$ 2,000
INSURANCES	\$ 8,500
ACCOUNTING FEES	\$ 450
STATE & LOCAL LICENSING FEES	\$ 200
RESERVES	\$ 2,640
REPAIRS & MAINTENANCE	\$ 5,610
TOTAL EXPENSES	\$ 26,400

DEFERRED MAINTENANCE CHEAT SHEET



[HTTPS://SINGLEFAMILY.FANNIEMAE.COM/APPLICATIONS-TECHNOLOGY/CONDO-PROJECT-MANAGER](https://singlefamily.fanniemae.com/applications-technology/condo-project-manager)

- Loans secured by units in condo projects with significant **deferred maintenance** or in projects that have received a directive from a regulatory authority or inspection agency to make repairs due to unsafe conditions are **not Eligible** for purchase (does not apply to routine maintenance or repairs that a homeowners' association (HOA) undertakes to maintain or preserve the integrity and condition of its property)
- Any current or planned special assessment, even if paid in full for the subject unit, must be reviewed to determine acceptability. The lender must document the loan file with the following:
 - (1) The reason for the special assessment;
 - (2) The total amount assessed and repayment terms;
 - (3) Documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project; and
 - (4) Borrower qualification with any outstanding special assessment payment.
- Loans secured by units in any project with a CPM status of "**Unavailable**" are **ineligible** for purchase, **regardless** of the project review process used in underwriting the loan. *(Call the HOA to find out why)*
- Flexibility that allows a lender to obtain a reserve study in lieu of the condo project meeting our **10%** budget reserve requirement has been suspended (projects under full review must have **10%** reserves)
- Project Eligibility Waivers (PEWs) from Fannie Mae will **not** be issued for significant deferred maintenance, failure to obtain a certificate of occupancy, failure to complete or pass a regulatory inspection, or projects subject to large special assessments.
- Best practice for lenders is to review the past six months of a project's HOA meeting minutes and **obtain information about any maintenance or construction that may have significant safety, soundness, structural integrity, or habitability impacts on the unit or the project**. References to items such as improvements, renovations, inadequate reserve funding, budget deficits, and negative cash-flows should be researched to determine if these items are related to deferred maintenance or other conditions that impact the safety, soundness, structural integrity, or habitability.
- Best practice for lenders is to **review** any **available inspection, engineering, or other certification reports** completed within the past five years to identify deferred maintenance that may need to be addressed
- Additionally, regardless of review type, all **conventional loans** for condo properties must have Fannie Mae's **Condo Project Manager (CPM)** portal reviewed to ensure the condo is **not listed** as **unavailable** and documentation must be included in the loan file to evidence this. **(CPM can only be accessed by your lender partner)**
- If the project is listed as **unavailable**, the project is **not eligible** for financing.
- If a project is **not listed vs unavailable** in CPM, it is still **eligible** for **Full** or **Limited** condo review.
- 2-4 unit or detached project in CPM as "**unavailable**," the project would be **ineligible**. However, they also indicated that 2-4 unit projects and detached units are **not** in CPM because of the waiver of project review. **(check with your Lender Partner)**
- These requirements will apply to both **Fannie Mae** and **Freddie Mac conventional products** and are in effect **immediately**.

CONDO CRITICAL ISSUES CHEAT SHEET

Projects in need of critical repairs significantly impact safety, structural integrity, habitability, financial viability, and marketability of the building or project. These repairs address key issues like:

- ✓ Material deficiencies
- ✓ Mold, water intrusions, or damaging leaks
- ✓ Advanced physical deterioration
- ✓ Failure to meet mandatory inspections or certifications
- ✓ Unfunded repairs exceeding \$10,000 per unit

Examples of critical repair items include, but are not limited to:

- ✓ Sea walls
- ✓ Elevators
- ✓ Waterproofing
- ✓ Stairwells
- ✓ Balconies
- ✓ Foundations
- ✓ Electrical systems
- ✓ Parking structures
- ✓ Other load-bearing structures



Specific criteria for critical repairs could be

- ✓ Structural Issues,
- ✓ Health and Safety Concerns,
- ✓ Code Violations,
- ✓ Environmental Hazards, and
- ✓ Major Systems Repairs.

*** If damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the project, then these requirements do not apply. ***

EXCLUSION OF CERTAIN REPAIRS

- Routine repairs (preventative or part of normal capital replacements) are not critical.
- Isolated damage to a few units, not impacting overall safety or habitability, isn't critical.

SPECIAL ASSESSMENTS

Lenders must assess special assessments to determine if they address critical repairs. Key information includes

- the purpose,
- approval status,
- original and remaining amounts,
- and the expected date for the special assessment to be paid in full.

If a special assessment is tied to a critical repair and not remedied, the **project is deemed ineligible**.

INSPECTION REPORTS

- Inspectors review reports within three years of the lender's review date.
- Reports confirm the absence of critical repairs, evacuation orders, or required regulatory actions.
- If critical repairs are identified, the project remains ineligible until completed and documented through an engineer's report or similar documentation.

DOCUMENTATION

Lenders should review multiple documents for compliance with physical condition requirements, such as :

- HOA board meeting minutes,
- engineer reports,
- inspections,
- reserve studies,
- repair lists,
- special assessments, and
- similar records.



*** Lenders are responsible for ensuring compliance with Fannie Mae's physical condition requirements by thoroughly reviewing the provided documentation and taking appropriate actions. ***



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