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CONDOMINIUM AND PUD GUIDELINES

Type E PUD

Existing PUD

Project Status

- Established
- Verify not an Ineligible Project (refer to page 12)

Presale Requirements

- No requirements

Insurance Requirements

- Insured on 100% replacement cost basis

Documentation Requirements

- Appraisal

Control of HOA

- Homeowners Association turned over to unit owners

Attorney Legal Review

- Not required



CONDOMINIUM AND PUD GUIDELINES

Type F PUD

New PUD

Project Status

- New or Proposed (conversions are ineligible)
- Individual unit securing the mortgage must be 100% complete
- Verify not an Ineligible Project (refer to page 12)

Presale Requirements

- No requirements

Insurance Requirements

- Insured on 100% replacement cost basis

Documentation Requirements

- Appraisal

Control of HOA

- No requirements

Attorney Legal Review

- Not required



CONDOMINIUM AND PUD GUIDELINES

Type P New Site Condominiums

Type Q Existing Site Condominiums

Limited Review Site Condos (Detached SFR – only)

Project Status

- New and Established
- Subject must be 100% complete detached single family dwelling
- Verify not an Ineligible Project (refer to page 12)

Presale Requirements

- No Requirements

Insurance Requirements

- Insured on 100% replacement cost basis
- If the unit consists of the entire structure as well as the site and air space: The borrower must carry appropriate hazard and flood insurance required for a single-family detached dwelling; or
- If the unit only consists of the air space for the unit, and the improvements and site are considered common areas: The homeowners association must provide evidence of a master insurance policy.

Documentation Requirements

- Appraisal
- Master insurance policy for project

Special Requirements

- DU Approve/Eligible with Recommendation for Limited Review
 - Primary Residence and Second Home
 - Investment homes are not eligible – CPM required
- Appraisal requirements
 - The appraiser must address the impact buyer resistance may have on market value as it relates to this form of ownership.
 - The appraiser must have at least 1 comparable sale that is a detached condo unit. The unit may be located in a competing project or in the same project as the subject. However, if the unit is in the same project, the same builder as the subject may not have built it.

Control of HOA

- No requirements

Attorney Legal Review

- Not required



CONDOMINIUM AND PUD GUIDELINES

Type Q Condominium

Limited Review Attached Condos

Project Status

- Established
- The units, common elements, and facilities must be 100% complete.
- No additional phasing or annexation.
- Verify not an Ineligible Project (refer to page 12)
- **NOTE:** If the lender has targeted the project with specific marketing efforts or is named as a preferred lender by either the developer or the applicable Homeowner's Association, the project is ineligible for Limited Review and the lender must use one of the other project review processes.

Presale Requirements

- 90% sold and conveyed

Insurance Requirements

- \$1,000,000 liability coverage minimum
- Insured on 100% replacement cost basis
- A "walls-in" coverage policy (commonly known as HO-6 policy) is required unless the lender can document that the master policy provides the same interior unit coverage. The master policy must include replacement of improvements and betterment coverage to cover any improvements that the borrower may have made to the unit. The HO-6 insurance policy must provide coverage in an amount that is no less than 20 percent of the condominium unit's appraised value. The standard requirement for a 5 percent deductible applies.
- Fidelity Bond Insurance required for all projects over 20 units. Coverage \geq no less than the maximum amount of funds in custody of HOA or management company at any one time OR an amount equal to 3 months HOA assessments, if financial controls are in place (separate accounts for reserves and operating budget, depository sends separate statements to HOA, etc.)

Documentation Requirements

- Appraisal
- Master insurance policy for project

Special Requirements

- DU Approve/Eligible with Recommendation for Limited Review
 - Primary Residence: \leq 90% LTV/CLTV
 - Second Home: \leq 75% LTV/CLTV
 - Investment homes: not eligible – CPM required

Control of HOA

- Homeowners Association turned over to unit owners

Attorney Legal Review

- Not required



CONDOMINIUM AND PUD GUIDELINES

Type R Condominium

CPM Expedited Review

- New Construction / New Conversion Projects

Project Status

- New project or recent conversions **including 2-4 unit projects**
- All units, common elements and facilities, within the project or subject's legal phase, must be "substantially complete"
 - The project, or the subject legal phase, must be "substantially complete.": A certificate of occupancy (or other substantially similar document) has been issued by the applicable governmental agency for the project or subject phase and that all the units in the building in which the unit securing the mortgage is located are complete, subject to the installation of "buyer selection items" such as appliances..
- Verify not an Ineligible Project (refer to page 12)

Presale Requirements

- **70%** sold or under bona-fide contract in the project or subject legal phase.
- **70%** of the total units in the subject legal phase, considered together with all other prior legal phases, must be sold or under bona-fide contract as principal residence or 2nd home.
- < 20% of the total square footage of the project can be used for non-residential purposes
- No single entity (the same individual, investor group, partnership or corporation) may own >10% of the total units in the project
- **2-4 Unit Project:**
 - **All but one unit in the project must have been conveyed or under bona-fide contract to principal**
 - No single entity (the same individual, investor group, partnership, or corporation) may own more than one unit within the project.

Insurance Requirements

- \$1,000,000 liability coverage minimum
- Insured on 100% replacement cost basis
- **A "walls-in" coverage policy (commonly known as HO-6 policy) is required unless the lender can document that the master policy provides the same interior unit coverage. The master policy must include replacement of improvements and betterment coverage to cover any improvements that the borrower may have made to the unit. The HO-6 insurance policy must provide coverage in an amount that is no less than 20 percent of the condominium unit's appraised value. The standard requirement for a 5 percent deductible applies.**
- Fidelity Bond Insurance required for all projects over 20 units. Coverage \geq no less than the maximum amount of funds in custody of HOA or management company at any one time OR an amount equal to 3 months HOA assessments, if financial controls are in place (separate accounts for reserves and operating budget, depository sends separate statements to HOA, etc.)

Documentation Requirements

- Appraisal
- Condominium HOA Questionnaire
- Master insurance policy for project
- Recorded Legal Documents
 - Articles of Incorporation
 - Master Deed/ Declaration
 - By-Laws
- The minutes of its organizational meeting, the minutes from the first meeting of the executive board of the homeowners' association



CONDOMINIUM AND PUD GUIDELINES

- Projected Budget
- Conversions created in the last three (3) years require an acceptable Engineers Report

Control of HOA

- No more than 15% of the units within the project can be more than one month delinquent on Homeowners Association fees, dues or assessment payments

Attorney Legal Review

- Acceptable Attorney Review verifying project complies with Fannie Mae



CONDOMINIUM AND PUD GUIDELINES

Type S Condominium

CPM Expedited Review

- Established Projects

Project Status

- Established
- All units, common areas and facilities must be 100% complete.
- Conversions: All rehabilitation work must be completed in a professional manner.
- No additional phasing or annexation.
- Verify not an Ineligible Project (refer to page 12)

Presale Requirements

- 90% conveyed.
- 51% of project occupied as primary residence or 2nd home. (Waived if subject is primary or 2nd home)
- No single entity (the same individual, investor group, partnership or corporation) may own >10% of the total units in the project
- **2-4 Unit Project:**
 - All but one unit in the project must have been conveyed or under bona-fide contract to principal residence or second home purchaser.
 - No single entity (the same individual, investor group, partnership, or corporation) may own more than one unit within the project.

Insurance Requirements

- \$1,000,000 liability coverage minimum
- Insured on 100% replacement cost basis
- A “walls-in” coverage policy (commonly known as HO-6 policy) is required unless the lender can document that the master policy provides the same interior unit coverage. The master policy must include replacement of improvements and betterment coverage to cover any improvements that the borrower may have made to the unit. The HO-6 insurance policy must provide coverage in an amount that is no less than 20 percent of the condominium unit’s appraised value. The standard requirement for a 5 percent deductible applies.
- Fidelity Bond Insurance required for all projects over 20 units. Coverage \geq no less than the maximum amount of funds in custody of HOA or management company at any one time OR an amount equal to 3 months HOA assessments, if financial controls are in place (separate accounts for reserves and operating budget, depository sends separate statements to HOA, etc.)

Documentation Requirements

- Appraisal
- Condominium HOA Questionnaire
- Master insurance policy for project
- Recorded Legal Documents
 - Articles of Incorporation
 - Master Deed/ Declaration
 - By-Laws
- The minutes from the last two Homeowner Association meetings
- Current Budget (Not required on 2-4 Unit Projects)
- Conversions created in the last three (3) years require an acceptable Engineers Report



CONDOMINIUM AND PUD GUIDELINES

Control of HOA

- Homeowners association turned over to unit owners (not required for 2-4 unit project)
- No more than 15% of the units within the project can be more than one month delinquent on Homeowners Association fees, dues or assessment payments

Attorney Legal Review

- Not required



CONDOMINIUM AND PUD GUIDELINES

Type T Condominium

New Projects

- **PERS Projects**
- Final Project Acceptance from Fannie Mae

Fannie Mae is reintroducing their project review function under the name of Project Eligibility Review Services (PERS). PERS is optional in all states Reunion Mortgage participates. There is a fee charged in connection with this review, therefore Reunion Mortgage will not submit Condo projects to PERS for approval.

PERS – Approved projects will be posted on eFannieMae.com. Conditional Project Approvals will not be accepted. Project must be marked as Final Project Approval. Final project approval will expire one year after issuance.

Refer to Fannie Mae's Announcement 08-31 for additional PERS information.

Project Status

- New project
- Verify not an Ineligible Project (refer to page 12)

Presale Requirements

- Per Fannie Mae **PERS or 1028**

Insurance Requirements

- \$1,000,000 liability coverage minimum
- Insured on 100% replacement cost basis
- A "walls-in" coverage policy (commonly known as HO-6 policy) is required unless the lender can document that the master policy provides the same interior unit coverage. The master policy must include replacement of improvements and betterment coverage to cover any improvements that the borrower may have made to the unit. The HO-6 insurance policy must provide coverage in an amount that is no less than 20 percent of the condominium unit's appraised value. The standard requirement for a 5 percent deductible applies.
- Fidelity Bond Insurance required for all projects over 20 units. Coverage \geq no less than the maximum amount of funds in custody of HOA or management company at any one time OR an amount equal to 3 months HOA assessments, if financial controls are in place (separate accounts for reserves and operating budget, depository sends separate statements to HOA, etc.)

Documentation Requirements

- Appraisal
- Un-expired Fannie Mae 1028 and documentation to satisfy all conditions listed
- Master insurance policy for project
- **Project Eligibility Review Service Document Checklist (Fannie Mae Form 1030), indicating Final Project Approval**
- **Application for project Approval (Fannie Mae Form 1026)**
- **Warranty of condominium Project Legal Documents (Fannie Mae Form 1054) with attached attorney review.**

Control of HOA

- Per Fannie Mae 1028

Attorney Legal Review

- Already completed by Fannie Mae



CONDOMINIUM AND PUD GUIDELINES

Type U Condominium

FHA Approved Projects

Evidence of FHA approval may be found online at <https://entp.hud.gov/idapp/html/condlook.cfm>

Project Status

- Established
- Individual unit securing the mortgage must be 100% complete
- Verify not an Ineligible Project (refer to page 12)

Presale Requirements

- No requirements

Insurance Requirements

- Insured on 100% replacement cost basis
- \$1,000,000 liability coverage minimum
- A “walls-in” coverage policy (commonly known as HO-6 policy) is required unless the lender can document that the master policy provides the same interior unit coverage. The master policy must include replacement of improvements and betterment coverage to cover any improvements that the borrower may have made to the unit. The HO-6 insurance policy must provide coverage in an amount that is no less than 20 percent of the condominium unit’s appraised value. The standard requirement for a 5 percent deductible applies.

Documentation Requirements

- Appraisal
- Evidence Project was approved by FHA. Printed copy of the FHA-Approved Project page
- Provide all conditions required by FHA approval.
- Verify project complies with all Fannie Mae requirements.
- Master insurance policy for project

Control of HOA

- No requirements

Attorney Legal Review

- Not required



Ineligible Projects

- Projects where the Homeowners' Association is named as a party in a current litigation or any project that has not been turned over to the Homeowners' Association for which the project sponsor or developer is named as a party to current litigation that relates to the project. Projects where the Homeowners' Association is named as a plaintiff in a foreclosure action or as a plaintiff in an action for past due Homeowners' Association dues are not considered ineligible projects.
- Timeshare or segmented ownership projects
- Houseboat projects
- Multi-family projects that permit an owner to hold title to more than one unit, with ownership of all his or her units evidenced by a single deed and mortgage. Projects that permit lockout units are considered multi-family
- PUD/Condominium projects that represent a legal but Non-Conforming use of the land; if zoning regulations prohibit rebuilding the improvements to current density in the event of its full or partial destruction.
- Manufactured Home projects
- Projects with Recreational Leases
- Common Interest Apartments AKA community apartment project or own your own. A project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific unit in the building. The project or building is often owned by several owners as tenants in common or by a Homeowners' Association.
- Projects with non-incident business operations owned or operated by the Homeowners' Association such as, but not limited to, a restaurant, spa, health club, etc.
- Investment Securities project that have documents on file with the Securities and Exchange Commission or projects where unit ownership is characterized or promoted as an investment opportunity.
- Any project or building that is owned by several owners as tenants in common or by a Homeowners' Association in which individuals have an undivided interest in a residential apartment building and land, and have the right of exclusive occupancy of a specific apartment in the building.
- New or proposed PUD projects created by conversion
- Condo-Hotel projects that are managed and operated as a hotel or motel, even though the units are owned individually. Fannie Mae and Freddie Mac consider projects with any of the following characteristics to be nonresidential, hotel-type projects and "second home" residential projects in resort locations and therefore are ineligible as follows:
 - Projects that include registration services and offer rentals of units on a daily basis
 - Projects that restrict the owner's ability to occupy the unit
 - Projects with names that include the words "hotel" or "motel"
 - Projects with mandatory rental pooling agreements that require the unit owners to either rent their units or give a management firm control over the occupancy of the unit. These formal agreements between the developer, Homeowners' Association and/or the individual unit owners, obligate the unit owner to rent the property on a seasonal, monthly, weekly, or daily basis. In many cases, the agreements include blackout dates, continuous occupancy limitation, and other such use restrictions. In return, the unit owner receives a share of the revenue generated from the rental of the unit
- **New projects where the seller is offering sale/financing structures in excess of Fannie Mae's eligibility policies for individual mortgage loans. These excessive structures include, but shall not be limited to, builder/developer contributions, sales concessions, HOA or principal and interest payment abatements, and/or contributions not disclosed on the HUD-1 Settlement Statement.**
- **Projects where more than 20 percent of the total space is used for non-residential purposes**
- **Projects where a single entity (the same individual, investor group, partnership, or corporation) owns more than 10 percent of the total units in the project**