

# Condo Project Approval Documentation

All documentation should be submitted at one time. The subject line of the email should contain the loan number, Borrower's last name, and the project name.

1. Master/Blanket Insurance Policy
2. HO-6 Policy/walls in (if required)
3. Flood Insurance Policy (if flood insurance required)
4. Current projected budget
5. Evidence of fidelity bond/crime insurance (if project has more than 20 units)
6. Engineers report, current replacement reserve study. (Gut and non-gut rehabs)
7. Signed and dated Conventional Condo Questionnaire

NOTE: We will not consider condominiums that require a PERS Review, including:

- Condos that contain manufactured homes.
- Newly converted non-gut rehabilitation projects that contain more than 4 units.

General Information						
Borrower(s) Name				Date		
Loan Number				Phase Number (If Applicable)		
Project Name						
Project Address (Including County)	<hr/> <hr/>					
Subject Property Address (Including Unit #)	<hr/> <hr/>					
Name of Association / Management Company						
Association / Company Address:	<hr/> <hr/>					
Phone:	(        )        -					
HOA Tax ID						
HOA Management Company Tax ID						
Please have the project management contact answer all questions, sign, and date the form. Your timely response is appreciated.						
Project Profile						
(To be completed by HOA or Management Company)						
Year Built	Monthly HOA Dues	Total Units in Project	Primary/Second Home Units	Investor Units	Retained by Developer	

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1. Are the unit owners in control of the HOA? If yes, as of \_\_\_\_\_(mm/yyyy) Yes  No

2. Complete the following ownership of units:

	Entire Project	Subject Legal Phase (in which the unit is located) If Applicable
Total number of units		
Total number of units sold and closed		
Total number of units under bona-fide sales contracts		
Total number of units sold and closed or under contract to owner occupants		
Total number of units sold and closed or under contract to second home owners		
Total number of units sold and closed or under contract to investor owners		
Total number of units being rented by developer, sponsor, or converter		
Total number of units owned by the HOA		

3. Complete the following table if more than one unit is owned by the same individual or entity

Individual / Entity Name	Developer or Sponsor				Number of Units Owned	Percentage of Total Project Units	Number Leased at Market Rent	Number Leased Under Rent Control
	Yes	No	Yes	No				
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		_____%		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		_____%		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		_____%		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		_____%		

4. Do the unit owners have sole ownership interest in and the right to use the project amenities and common areas? Yes  No

5. If No, Explain who has ownership interest and rights to use the project amenities and common areas.

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6. Are any units in the project used for commercial or non-residential purposes? Yes  No

7. If Yes, complete the following table.

Type of Commercial or Non-Residential Use	Name of Owner or Tenant	Number of Units	Square Footage	% Square Footage of Total Project Square Footage
				_____ %
				_____ %
				_____ %
				_____ %

8. What is the total square footage of commercial space in the building that is separate from the residential HOA? \_\_\_\_\_

9. Is the project complete and not subject to additional phasing? If No, please answer the following questions. Yes  No

Is the project subject to additional phasing or annexation? Yes  No

Is the project legally phased? Yes  No

How many phases have been completed? Yes  No

How many total units are planned for the project? Yes  No

Are all planned amenities and common facilities fully complete? Yes  No

Has the developer transferred control of the HOA to the unit owners? Yes  No

If yes, date transferred \_\_\_\_\_ If No, estimated date the transfer will occur \_\_\_\_\_

10. Is the project a conversion within the past 3 years of an existing structure that was used as an apartment, hotel/resort, retail or professional business, industrial or for other non-residential use? If Yes, answer the following questions: Yes  No

In what year was the property built? \_\_\_\_\_

In what year was the property converted? \_\_\_\_\_

Was the conversion a full gut rehabilitation of the existing structure(s), including replacement of all major mechanical components? **(Broker to document the following for gut rehab and 2-4 unit non gut rehab projects).** Yes  No

Does the report from the licensed engineer indicate that the project is structurally sound, and that the condition and remaining useful life of the project's major components are sufficient? Yes  No

Are all repairs affecting safety, soundness, and structural integrity complete? Yes  No

Are replacement reserves allocated for all capital improvements? Yes  No

Are the project's reserves sufficient to fund the improvements? Yes  No

11. If the subject is a detached unit, is the unit 100% complete? Yes  No

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12. Are the units separately metered for utilities? If No, answer the following: Yes  No
- Is having multiple units on the same meter common and customary for the subject's market? Yes  No
- Does the project's budget include adequate funding for utility payments? Yes  No
- Is the project located on contiguous parcels of land, (Except for public or private streets)? Yes  No
13. Does the project provide for hotel type services? Yes  No
14. Does the project have split ownership arrangements, mandatory or voluntary rental pooling arrangements, or other restrictions on the unit owner's ability to occupy the unit? Yes  No
15. Does the project consist of property that is not real estate (e.g. houseboat, boat slip, etc.)? Yes  No
16. Is the project/association/developer part of any type of pending or current litigation? Yes  No   
**If yes, provide letter from attorney detailing current litigation**
17. Is the project an investment security? Yes  No
18. Is it a live work project? If yes, is it mostly residential in character and are the unit owner's operators of the business? Yes  No
19. Are multi-dwelling units allowed (owner owns more than 1 unit secured by a single deed and single mortgage)? Yes  No
20. Is the project subject to zoning restrictions which would prohibit the project from being re-built to current density? Yes  No
21. Does the project have any non-incidentual business operation owned or operated by the HOA? If yes, what percentage of the projects budget comes from non-incidentual business operations? \_\_\_\_\_% Yes  No
22. Is the project a continuing care community or facility? Yes  No
23. Are the unit owners required to pay mandatory upfront and/or periodic membership fees for use of recreational amenities not owned by the HOA. (i.e. owned by an outside party including builder/developer)? Yes  No
24. Does the project contain manufactured homes? Yes  No
25. Is the lender liable for delinquent HOA charges? If yes, how many months? \_\_\_\_\_ Yes  No
26. How many units are 60 days or more days delinquent on common expense assessments? \_\_\_\_\_
27. Projects consisting of 21 or more units: Does any individual or entity own more than 10% of total units? Yes  No
28. Projects consisting of 5-20 units: Does any individual or entity own more than two units? Yes  No
29. Projects consisting of 2-4 units: Does any individual or entity own more than 1 unit? Yes  No

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30. Are any units subject to Deed or resale restrictions? If yes, how many below market rate units or number of units with other restrictions such as low-income or moderate income purchases/age restrictions that may affect resale: \_\_\_\_\_ units Yes  No
31. Are the common elements/limited common elements insured to 100% replacement cost? **(Broker to provide copy of policy)** Yes  No
32. Are the units or common improvements located in a flood zone? **(Broker to provide copy of policy)** Yes  No
33. If yes to 32, is flood insurance in force? Yes  No
34. If yes to 33, does the flood insurance cover 100% replacement; OR Yes  No
35. Is the coverage the maximum available per Federal Flood program? Yes  No
36. Is Fidelity Insurance in place covering the maximum amount of funds that will be in the custody of the Homeowners' Association (HOA) or Management Company at any time (Required if project is 20 or more units)? **(Broker to provide copy of policy)** Yes  No
- Check all of the following that apply:**
- HOA maintains separate accounts for operating and reserve funds. Yes  No
- Appropriate access controls are in place for each account. Yes  No
- The bank sends copies of monthly bank statements directly to the HOA. Yes  No
- Two members of the HOA Board of Directors are required to sign any check written on the reserve account. Yes  No
- The Management Company maintains separate records and bank accounts for each HOA that uses its services. Yes  No
- The Management Company does not have the authority to draw checks on, or transfer funds from, the reserve account of the HOA. Yes  No
37. Does the fidelity insurance policy include a provision that calls for at least ten days' written notice to the HOA or insurance trustee before the policy can be canceled or substantially modified for any reason? Yes  No
38. Does the Homeowners' Association (HOA) budget provide adequate funding for insurance deductible amounts? **(Broker to provide copy of HOA projected budget)** Yes  No
39. Does the condo retain a right of first refusal? Yes  No
40. Does any provision of the condominium documents give a condo unit owner or any other party priority over any rights of the first mortgagee of the condo unit pursuant to its mortgage in the case of payment to the unit owner of insurance proceeds or condemnation awards for losses to or a taking of condo units and/or common elements? Yes  No

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Insurer on HOA's Master policy

Phone Number

\_\_\_\_\_

**CONTACT AND SIGNATURE** *(to be completed by HOA or Management Company)*

Company Name

Contact

Title

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Phone

Fax

Email

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

By signing below, I certify that the information represented on this form is true and correct to the best of my knowledge.

X \_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**NOTE: Broker to submit property insurance policies to document subject condominium meets all FNMA property insurance requirements. (See FNMA website for full requirements: <https://www.fanniemae.com/content/guide/selling/b7/3/04.html>)**

**Master or blanket type of insurance** policy that covers 100% of the insurable replacement cost of the project improvements, including the individual units in the project. The maximum deductible must be no greater than 5% of the face amount of the policy

**HO-6 Policy** required if the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event

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## **Liability Insurance**

Fannie Mae's project liability insurance requirements for condo, co-op, and PUD projects are as follows:

- Liability insurance coverage is required and must be verified as part of the review of a condo or co-op project with the exception of condo projects reviewed under the Limited Review method. In addition, liability insurance coverage is also required and must be verified for attached units in new PUD projects.
- The HOA or co-op corporation must maintain a commercial general liability insurance policy for the entire project, including all common areas and elements, public ways, and any other areas that are under its supervision. The insurance must also cover commercial spaces that are owned by the HOA or co-op corporation, even if they are leased to others. The commercial general liability insurance policy must provide coverage for bodily injury and property damage that results from the operation, maintenance, or use of the project's common areas and elements.
- The amount of coverage must be at least \$1 million for bodily injury and property damage for any single occurrence.
- If the policy does not include severability of interest/separation of insureds in its terms, FannieMae requires a specific endorsement to preclude the insurer's denial of a unit owner's claim because of negligent acts of the HOA or co-op corporation or of other unit owners.
- The policy should provide for at least ten days' written notice to the HOA or co-op corporation before the insurer can cancel or substantially modify it. For condo and co-op projects, similar notice also must be given to each holder of a first mortgage or share loan on an individual unit in the project.

## **Flood Insurance Coverage Requirements**

(See FNMA Website: <https://www.fanniemae.com/content/guide/selling/b7/3/07.html>)

The minimum amount of flood insurance required for most first mortgages secured by one- to four-unit properties, individual PUD units, and certain individual condo units (such as those in detached condos, townhouses, or rowhouses) is the lowest of:

- 100% of the replacement cost of the insurable value of the improvements;
- the maximum insurance available from the NFIP, which is currently \$250,000 per dwelling; or
- the unpaid principal balance of the mortgage.

If a first mortgage is secured by a unit in an attached condo, co-op, or PUD project and any part of the improvements are in an SFHA, the lender must verify that the HOA or co-op corporation maintains a master or blanket policy of flood insurance and provides for premiums to be paid as a common expense.

**Stand-alone flood insurance dwelling policies for an attached individual condo unit are not acceptable.** A master condo flood insurance policy must be maintained by the HOA, subject to the coverage requirements below. (For detached units, refer to the requirements described in Coverage for First Mortgages above.)

## **Condo projects:**

The HOA must obtain a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for each building that is located in an SFHA. The policy must cover all of the common elements and property (including machinery and equipment that are part of the building), as well as each of the individual units in the building.

The master flood insurance policy must be at least equal to the lower of

- 80% of the replacement cost, or
- the maximum insurance available from NFIP per unit (which is currently \$250,000).

If the condo project master policy meets the minimum coverage requirements above but does not meet the one- to four-unit coverage requirements (described in Coverage for First Mortgages), a supplemental policy may be maintained by the unit owner for the difference.

The contents coverage should equal 100% of the insurable value of all contents (including machinery and equipment that are not part of the building), owned in common by association members. If the condo project has no master

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flood insurance policy or if the master flood insurance policy does not meet the requirements above, mortgages securing units in that project are not eligible for delivery to Fannie Mae.

**Note: DU Refi Plus and Refi Plus loans** secured by units in a condo project are not required to meet the flood insurance requirements for master flood insurance policies stated in this section. Rather, if no master policy is in place, a standalone dwelling policy may be maintained by the unit owner to meet the full one- to four-unit requirements. If the master policy is deficient (by any amount), a supplemental policy may be maintained by the unit owner for the difference between the master policy and the one- to four-unit requirements.

## **Projects Requiring Fidelity/Crime Insurance**

**Fidelity/crime insurance is required for all condo projects, with the following exceptions that do not require fidelity/crime insurance:**

- condo projects reviewed under the Limited Review method,
- condo or co-op projects consisting of 20 units or less, or
- condo or co-op projects that would need fidelity/crime insurance coverage of \$5,000 or less (based on the calculations described in the Amount of Coverage below).

**Note:** In states that have statutory fidelity/crime insurance requirements, Fannie Mae accepts those requirements in place of its own.

## **Requirements for Who Must Be Covered**

The HOA or co-op corporation must have blanket fidelity/crime insurance coverage for anyone who either handles or is responsible for funds that it holds or administers, whether or not that individual receives compensation for services, including coverage for a management agent. The insurance policy must name the HOA or co-op corporation as the insured and the premiums should be paid as a common expense by the association or corporation. A management agent that handles funds for the HOA or co-op corporation should additionally be covered by its own fidelity/crime insurance policy, which should provide the same coverage required of the HOA or co-op corporation.

## **Amount of Coverage**

The HOA or co-op corporation policy must cover the maximum funds that are in the custody of the HOA or co-op corporation or its management agent at any time while the policy is in force. Fidelity/crime insurance is not required if the maximum estimated funds are less than or equal to \$5,000. A lesser amount of coverage is acceptable if the project's legal documents require, or another source acceptable to the lender verifies, that the HOA or co-op corporation and any management company adheres to one or more of the following financial controls:

- Separate bank accounts are maintained for the working account and the reserve account, each with appropriate access controls, and the bank in which funds are deposited sends copies of the monthly bank statements directly to the HOA or co-op corporation.
- The management company maintains separate records and bank accounts for each HOA or co-op corporation that uses its services, and the management company does not have the authority to draw checks on, or transfer funds from, the reserve account of the HOA or co-op corporation.
- Two members of the Board of Directors must sign any checks written on the reserve account. Even then, the fidelity/crime insurance coverage must equal at least the sum of three months of assessments on all units in the project, unless this calculated amount is less than or equal to \$5,000, in which case fidelity/crime insurance is not required.