



Correspondent Lending

Housing Finance Agency (HFA)

Summary

This best practice communication is intended to assist lenders in understanding U.S. Bank Condominium and Project Approval Department (PAD) requirements.

We will focus on the following items in this best practice:

- Background
- U.S. Bank Conventional Reviewed Projects
- Determining the Required Review Type
- Government Guidelines
- Budgets and Balance Sheets
- Covenants, Conditions & Restrictions/Declarations (CCRs) and Bylaws
- Insurance
- Deferred Maintenance
- FNMA Projects Approved in CPM
- Project Approvals
- Frequently Asked Questions (FAQs)
- Resources

Background



What makes a condominium a condominium?

A condominium is defined by the legal form of ownership. Typically, in a condominium form of ownership, the unit owner does not own the land under the unit and has an undivided interest as tenants in common in the common elements, recreational areas, etc. Detached, Townhouse, Rowhouse, are all construction styles and not legal forms of ownership.

Check legal documents and title work to make the determination. If it is not clear, send the documents to PAD questions email box for review. In cases where PAD is unable to determine, the title company must provide a legal opinion. The title company is responsible for the closing and determination of what riders are required.

U.S. Bank Conventional Reviewed Projects

Lists are located in the Correspondent Seller and HFA Lending Guides as shown in the Resources section later in this best practice:

- **Currently Approved (for Max Financing) and closing by the Expiration Date:** Simply complete the Word Document embedded in the Reviewed Projects List and send it to your underwriter. No Need to submit to the Project Approval Department. In the U.S. Bank Conventional Reviewed Projects list, look for the link to the U.S. Bank Certification of Condominium Review document at the intersection of Row 2 and Column E. Double click on the link to open the Word document.



U.S. Bank Conventional Reviewed Projects, continued

- **Currently Declined and Marked As Eligible for Streamline Review Only:** This project is only eligible for Streamline Review. Complete a streamline review (or submit a streamline review) if your loan meets the Streamline Review Eligibility Requirements. This type of project is declined for full review. If you have information that you feel would make this project eligible as a full review, submit a complete review to U.S. Bank PAD.
- **Expired:** Project may be eligible for streamline review if your loan and the project meet streamline review eligibility requirements. If not eligible for a streamline and you are not delegated for condo review, submit the project for a full review. If you are delegated for condo review, you may do your own project review.
- **No Response:** Contact the Project Approval Department for more information.
- **Declined:** Project is declined. Note that only the first 250 characters of the declination comments are available to be viewed on the U.S. Bank Reviewed Projects List. You can contact the Project Approval Department for the full comments or for more information about the declination. Any project showing declined on PAD's project list **MUST** be submitted to PAD for review.

Determining the Required Review Type

Streamline Review or Full Review

Streamline eligibility requirements: Your project must meet the following requirements to be eligible for streamline.

- Cannot be an ineligible project type (refer to U.S. Bank Ineligible Project Types list on AllRegs/Condos & PUDs/Exhibits)
- Project must be 90% Sold and Closed
- HOA in control of the unit owners
- Project must be fully complete with no further expansion planned
- LTV / CLTV / HTLTV / TLTV:
 - Max is 90% for Primary residence: FL max LTV/CLTV is 75% / 90% for Primary Residence
 - 75% for 2nd Homes: FL max LTV/CLTV is 70% / 75% for 2nd Homes
 - Investment property – 75%: FL max LTV/CLTV is 70% / 75%
- Agency or Portfolio Loans are eligible (does not apply to American Dream, FHA and VA) All product restrictions apply.
- Agency loans must have an LP Accept or a DU Approve
- Borrower name and Loan Number are required (review is linked to a single transaction)
- 2-4 Unit portfolio loans require a streamline review (811.1 Portfolio) and **MUST** be submitted to U.S. Bank Project Approval Department for review
 - Additional requirements for 2-to 4-Units:
 - New projects must be at least 50% Primary Residence and Second Homes
 - U.S. Bank will limit loan concentration to:
 - 1 unit in a 2-unit project
 - 2 units in a 3 or 4-unit project
- Detached condominium units with loans greater than \$1,000,000 require a streamline review and **must** be submitted to U.S. Bank Project Approval Department for review.
- Detached condos with loan amounts under \$1,000,000 and agency 2–4-unit condos are exempt from review.

Note: Projects not meeting any of above requirements will need a full review.

Government Guidelines

What about Government loans?

FHA

- If the project has a full FHA approval done as HRAP* submit the project to PAD using the FHA Loan Level submission form and the FHA Loan Level questionnaire. Where to Look up FHA approved projects: entp.hud.gov/idapp/html/condlook.cfm
- If the project is not on FHAs approved list, PAD can facilitate the process and send to FHA to obtain an HRAP* approval. Use the full FHA submission sheet and the full FHA questionnaire (HUD form 9992) and submit to PAD. PAD will review the documents and submit to FHA for approval. This process is dependent on FHA and typically takes 60 days start to finish. U.S. Bank does not do Single Unit approvals. If you are a Direct Endorsement lender your DE may do a Single Unit approval, however U.S. Bank will only purchase loans done as single unit approvals with a total LTV including MIP of 90%.

VA

- PAD does not do VA reviews. Reach out to your local VA field office for guidance. If you have specific questions regarding approval, your VA underwriter may be of assistance.

* HUD Review and Approval Process – This means FHA actually did the approval. If you see DELRAP that is Direct Endorsed Lender Review Approval Process and is not accepted for doing an FHA Loan Level as FHA did not do the approval, it was done by another lender.

Budgets and Balance Sheets

Are budgets and balance sheets required?

- All full reviews require budgets.
- Budgets may be required on any review if the project has characteristics of a resort, hotel, or motel, and in cases where it appears there is deferred maintenance. Projects that are in resort type areas, have a low number of primary occupants, allow short term rentals, etc. PAD looks for shared income, rental income, front desk/concierge expenses, etc. Budgets are required to have a minimum of 10% of the annual income each year allocated to reserves.
- Balance sheets are required in certain instances to show the HOA has funds to cover insurance deductibles should the annual reserve allocation be less than the deductible amount. They are needed in certain cases of litigation. If the total maximum claim amount on the litigation is 10% or less of the amount in the HOAs reserve account, the litigation can be considered “minor”, and no further documentation is necessary.

Covenants, Conditions and Restrictions/ Declarations (CCRs) and Bylaws

When are the CCRs and Bylaws required?

- Recorded CCRs (declarations) are required on all full reviews. If project was previously reviewed as a full review, PAD usually has the legal documents. On New Construction be sure to provide all amendments and annexations.
 - CCRs and Bylaws MAY be required on any review in special instances.
 - Example: Insurance agent does not indicate what the property coverage is. COI states “coverage to follow Bylaws or Declaration”.
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Insurance

All submissions

- Property Insurance must state 100% Replacement Cost, Total Insured Value, Deductible, indicate what form it is (broad, basic, special) and state if “All In”, “Single Entity” or “Bare Walls”.

Full Submissions and Streamline Portfolio Submission

- Liability Insurance must be \$1,000,000 per Occurrence Liability.
- Fidelity Insurance aka Crime or Employee Dishonesty coverage equal or greater than the three months assessments plus funds in reserves*.
- The Management Company must be specifically named as an insured on the HOAs policy, or the HOA policy must include a Covered Employee endorsement that states a person employed by the management company is covered under the policy.

Note: If HOA has certain financial controls in place, coverage is reduced to just three months HOA dues. Fidelity only required if 21 or more units.

Deferred Maintenance

The following questions must be addressed by the HOA representative:

1. Has the project performed and passed all local/county/state inspections and recertifications?
 - a. If no, provide explanation.
2. Are there any pending or current special assessments?
 - a. If yes, provide a copy of the most recent two meeting minutes for the HOA and a copy of the most recent quarter balance sheet and complete information below:
 - i. Beginning Assessment Date
 - ii. Ending Assessment Date
 - iii. Total amount of the assessment: Monthly Payment
 - iv. Describe the nature of the assessment – be specific
3. Does the project have any scheduled maintenance or repairs that have been delayed or deferred?
 - a. If yes, please provide the following:
 - i. Is the deferred maintenance or the repairs isolated to one unit?
 - ii. Provide detailed description of the deferred maintenance:
 - iii. Is full or partial evacuation of the building for more than 7 days required to complete the repairs?
 - iv. Does the deferred maintenance or repair affect the safety, soundness, structural integrity, or habitability of the project?
 - v. Is the deferred maintenance substantial repairs and rehabilitation including multiple major components?
 - vi. If yes, provide list of components:
 - vii. Is the deferred maintenance impeding the safe and sound functioning of one or more of the buildings major structural or mechanical elements?

Note: When the management will not answer these suggest that the seller and listing agent approach the HOA board and request that they authorize the management company to answer so the sale can proceed.

Projects Approved by Fannie Mae in CPM

Fannie Mae recently released a new Condo Project Manager (CPM) Platform. CPM now include a new project status: "Approved by Fannie Mae". U.S. Bank is adopting the following policy to address projects with the Fannie Mae Approval status.

Non-Delegated Correspondent

- U.S. Bank will consider projects with the "Approved by Fannie Mae" status however, the project will require either a Limited/Streamlined or Full Review based on the transaction eligibility.

Delegated Correspondent

- May deliver loans to U.S. Bank with the "Approved by Fannie Mae" status as follows:
 - The project must NOT be on the U.S. Bank Review Project List as Declined for either agency
 - The project MUST meet agency requirements
 - The Project Type Code must be "T" Approved by Fannie Mae
 - The CPM status must be Approved by Fannie Mae as of the date of the Note
 - The loan file must include a copy of the CPM approval

Correspondent Delegated for Streamlined/Limited Review

- May deliver loans to U.S. Bank with the "Approved by Fannie Mae" status as follows:
 - The project MUST meet agency requirements
 - The Project Type Code must be "T" Approved by Fannie Mae
 - The CPM status must be Approved by Fannie Mae as of the date of the Note
 - The loan file must include a copy of the CPM approval

Note: Full Project Reviews must be submitted to U.S. Bank consistent with current policy.

Project Approvals

Project Approvals

- Established projects with a Full Review will expire when the insurance expires or up to 1 year whichever is less.
- New or Newly Converted projects with a Full Review will expire when the insurance expires or up to six months whichever is less
- Extension requests will require a new Certificate of Insurance and the review of CPM status at the time the updated insurance is reviewed. Extensions may be granted up to six months or 1 year from the original approval date based on the project type.

Portfolio Loans

- Delegated and Non-delegated Correspondent must submit Portfolio Loans as either a streamline or full review, depending on the loan parameters, to the Project Approval Department.

Refer to Seller Guide section 811.14 Condo Project Manager (Approved by Fannie Mae) for details.

Frequently Asked Questions (FAQs)

Question	Answer
1. How do you determine if a property is an attached townhome or a condo?	A review of the legal documents is required. Attached townhome is a style of construction. You need to determine the legal structure of the project, is it a PUD or a condominium.
2. What are the most common mistakes U.S. Bank sees from lenders on condo project approval requests?	Incomplete submissions is the most typical mistake. Use the most current forms from All Regs. Complete the submission sheet and supply all documents listed.
3. Is there a minimum amount of “walls in coverage” required for condos?	The insurance agent or a review of the legal documents is required to determine what coverage is provided by the HOAs master policy. Walls Out – in this case the owner needs a walls-in HO6 policy to cover the interior of the unit. Walls In single entity – in this case the interior is covered, but only to the builder's original specifications. The owner must purchase coverage for “betterments and improvements”. Walls In All In – in this case HO6 coverage by the owner is optional. In terms of a dollar value for coverage, this is between the owner and his insurance agent. The only requirement is it be 100% replacement cost coverage.
4. How does underwriting determine if sufficient insurance coverage is provided under a master policy?	PAD makes the determination. It must be 100% replacement cost coverage. If there is a co-insurance penalty, there must be an agreed value endorsement, or the insurance agent needs to provide acceptable details on how the value was determined.
5. What are the most common reasons condo projects are rejected?	Budgets without sufficient reserves, litigation, and deferred maintenance.
6. Is there a path to receive condo project approval authority at the delegated level?	Not at this time. As a correspondent you have access to our library in AllRegs and have access to all forms and guides so you could build a process off of that, however there is no specific training or path for this.
7. Does U.S. Bank run loans through Fannie Mae CPM?	Only in cases where it has never been entered in CPM and we are submitting for a waiver of some type.
8. What are the key items we should review on HOA financials to avoid delays when U.S. Bank underwrites and reviews them?	Verify that there is 10% of the total annual income allocated AND actually going to reserves. Look for any income from “resort amenities”... income from front desk, wristbands for pools, beach cabana income, etc.

Resources

Condominium Project Approval Department (PAD) Contact Information (as shown in Section 810.3: Contact Information)

Condo Questions	padquestions@usbank.com	<ul style="list-style-type: none"> • Typical response time is 2 hours.
Condo Full Project Submissions	projectapprovaldept@usbank.com	<ul style="list-style-type: none"> • Full Review: 3-5 business days from complete submission. • Pending Condition: 24-36 hours of receipt by the project analyst.
Condo Streamlined/Limited Review Project Submissions	PADLimitedReview@usbank.com	<ul style="list-style-type: none"> • Streamlined/Limited Review: 1-2 business days from complete submission. • Pending Condition: 24-36 hours of receipt by the project analyst.

Correspondent Seller and HFA Lending Guides – Pad Information

To find PAD Information in the Correspondent Seller and HFA Lending Guides, please refer to the following sections within AllRegs:

Correspondent	HFA
<p>U.S. Bank Correspondent Seller Guide</p> <ul style="list-style-type: none"> ▶ 000: COVID-19 Resources ▶ 001: UniteUS EXT Resources ▶ 100: Seller Eligibility ▶ 200: Policies and Provisions ▶ 300: Representations, Warranties and Covenants ▶ 400: Compliance ▶ 500: Mortgage Programs ▶ 600: Pricing, Registration, & Fees ▶ 700: Underwriting / Credit Policy ▶ 800: Condominium Project Review ▶ 900: Delivery and Funding ▶ 1000: Communications ▶ 1100: Exhibits, Forms, & Checklists ▶ 1200: Appraisal ▶ 1300: ARM Documents ▶ 1400: Overlay Matrix ▶ Glossary ▶ Directory ▶ Client Resources 	<p>U.S. Bank HFA Lending Guide</p> <ul style="list-style-type: none"> ▶ Lender Training ▶ 000: COVID-19 Resources ▶ 100: Lender Eligibility ▶ 200: Policies and Provisions ▶ 300: Representations, Warranties and Covenants ▶ 400: Compliance ▶ 500: Housing Finance Agency Programs ▶ 600: Pricing, Registration, & Fees ▶ 700: Underwriting / Credit Policy ▶ 800: Condominium Project Review ▶ 900: Delivery and Funding ▶ 1000: Bulletins and Communications ▶ 1100: Exhibits, Forms, & Checklists ▶ 1200: Appraisal ▶ 1400: Overlay Matrix ▶ 1500: Manufactured Housing ▶ Glossary ▶ Directory ▶ Client Resources

Questions



Correspondent: Please contact your Account Executive or the Client Support Area at 800.200.5881, option 1.

HFA: Please contact the Housing Finance Agency Hotline at 800.562.5165, option 1 for the HFA Customer Care Team.