



- 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
- PAD Project Approval Expirations
- Delegated Condo Review Restrictions
- 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 the [PAD questions email box](#) for review.

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:** Complete the Certification of Condominium Review Document, embedded in the Reviewed Projects List, and send it to your underwriter. You are not required to submit the form to U.S. Bank's Project Approval Department.



U.S. Bank Conventional Reviewed Projects, continued

- **Approved but Marked As Eligible for Streamline Review Only:** Project is eligible for Streamline/Limited Review only. Complete a streamline review (or submit a streamline review to PAD) if your loan meets the Streamline Review Eligibility Requirements. Project is declined for full review. However, if you have new information that may make the project eligible, you may submit the review to U.S. Bank's PAD for reconsideration.
- **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 was deemed ineligible. Any project showing declined on PAD's project list **MUST** be submitted to PAD for review. Contact PAD for additional information regarding the decline and whether it can be reconsidered.

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 and PUDs/Exhibits).
- Project must be 90% Sold and Closed.
- Unit owners must be in control of the HOA.
- Project must be fully complete with no further expansion planned.
- Maximum LTV / TLTV / HCLTV Ratios.

Occupancy type	Maximum LTV/TLTV/HCLTV ratios	
	Projects not located in Florida	Projects located in Florida
Primary Residence	90%	75/90/90%
Second Home	75%	70/75/75%
Investment Property	75%	70/75/75%

- 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 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 & 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 loan amounts > \$1,000,000 require a streamline review and MUST be submitted to U.S. Bank PAD 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

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.
 - FHA Project Approval list: 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.
 - Submit the full FHA submission sheet and the full FHA questionnaire (HUD form 9992) to PAD.
 - PAD will review the documents and submit to FHA for approval.
 - FHA's review turn time averages 60 days.
- Note: 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.

* HRAP: HUD Review and Approval Process –Means FHA directly reviewed and approved the project.

DELRAP: Direct Endorsed Lender Review Approval Process- Means the project was reviewed and approved for FHA by a lender, but not directly approved by FHA. DELRAP approvals are not accepted for FHA Loan Level approvals.

Budgets and Balance Sheets

Are budgets and balance sheets required?

- All full reviews require budgets. The budget must reflect a minimum annual reserve allocation of 10%.
 - Budgets may be required on any review type, including streamline/limited reviews, if the project has characteristics of a resort, hotel, or motel, and in cases where it appears there is deferred maintenance.
 - Balance sheets are not generally required for streamline or full review. However, they may be required in certain instances. For example:
 - Documenting budgeted reserves are actually being funded.
 - Documenting the HOA has funds to cover insurance deductibles, should the annual reserve allocation be less than the deductible.
 - Litigation: Documenting the total maximum claim amount is 10% or less of the HOAs reserve balance.
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Covenants, Conditions and Restrictions/ Declarations (CCRs) and Bylaws

When are the CCRs and Bylaws required?

- Recorded CCRs (AKA declaration, master deed) are required for all full reviews. If project was previously reviewed as a full review, PAD usually has the legal documents. For New Construction, be sure to provide all amendments and annexations.
 - CCRs and Bylaws MAY be required on any review in special instances.
 - Example: Determining HO-6 requirements when the insurance policy provides coverage in accordance with the condo's legal documents.
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Insurance

All submissions

- Property Insurance- must verify:
 - Coverage Type (Replacement Cost, Extended RC, Guaranteed RC, or Actual cash Value).
 - Cause of Loss Form (Basic, Broad, or Special).
 - Deductible.
 - Type of Interior unit coverage (All In, Single Entity, or Bare Walls).
 - Coverage limit must be at least 100% of project's insurable replacement cost value.

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 to or greater than three months assessments plus funds in reserves.
 - If HOA has certain financial controls in place, coverage is reduced to just three months HOA dues.
 - Policy must cover the HOA's managing agent, if applicable.
 - Fidelity insurance is not required for projects with 20 units or less, regardless of review type.

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 project have scheduled maintenance/repairs that have been delayed/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

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.
 - The HOA's master insurance must be reviewed and deemed acceptable.

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.
 - The HOA's master insurance must be reviewed and deemed acceptable.
 - Full Project Reviews must be submitted to U.S. Bank consistent with current policy.

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

Project Approval Expirations

PAD Project Approval Expirations

- Streamline/Limited Review:
 - Expires when the insurance expires, or up to four months, whichever is less.
 - New or Newly Converted projects with a Full Review:
 - Expires when the insurance expires, or up to six months, whichever is less.
 - Established projects with a Full Review:
 - Expires when the insurance expires, or up to one year, whichever is less.
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Delegated Condo Review Restrictions (Seller Guide Section 815.06)

Restrictions

- Project is listed as declined on the U.S. Bank Conventional Products – Reviewed Projects List.
- Condominium projects with characteristics listed in the Ineligible Condominium Project Types guide (seller guide 810.02).
- Loan is a U.S. Bank portfolio product (note all U.S. Bank ARM loans are portfolio products).
- For Streamlined/Limited Project Review only, any project found to have any type of litigation.
- Investment units must be approved by the U.S. Bank Project Approval Department unless prior approval has been received from U.S. Bank.***

Any loan or project meeting the restriction criteria must be submitted to U.S. Bank’s Project Approval Department for review.

*** Sellers approved by U.S. Bank to underwrite condominium projects can underwrite a project for an investment property when the loan is an Easy D™.

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.

Frequently Asked Questions (FAQs) continued

Question	Answer
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?	Yes, as long as your net worth is \$5MM or greater. Active Seller/Service with the agencies need to provide evidence of the approval (i.e. an approval letter or scorecard). If not approved with the agencies, the client must provide condominium procedures meeting our requirements. Your Account Executive can provide you our Request to Approve Condominium Project form with the information we expect to see in your procedures. An Attestation is also required and included on our form.
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.



**Resources,
continued**

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.