



# Seller Guide Update



SEL-2023-053: Condominium Project Review Updates

September 11, 2023

- Correspondent Lending
- Housing Finance Agency (HFA)

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## Summary



The following items have recently been updated in the U.S. Bank Correspondent Seller and HFA Division Lending Guides, specific to Loan Delivery, Underwriting and Credit Policy.

### **U.S. Bank Correspondent Seller and HFA Division Lending Guides:**

Unless notated within each section as Correspondent only policy or based on product availability such as Portfolio products available only in Correspondent, these updates are applicable to both our Correspondent and HFA lenders.

The respective sections of the U.S. Bank Correspondent Seller and HFA Division Lending Guides are included in each section.

This communication serves to announce changes and updates including an effective date. Always review the U.S. Bank Correspondent Seller and HFA Division Lending Guides for the most current policy.

Guidelines are updated with the information in this communication and should be referred to instead of the communication for guidance.

## **Underwriting, Delivery, and Product Grids**

For overall ease of use, we have enhanced our communications to now include underwriting and delivery method checkboxes to each section when applicable.

You'll also find a new grid that outlines the applicable products.

## **Effective Date**

Immediately unless otherwise noted within each section below.



## Freddie Mac Condo Project Certified Status

Underwriting/Delivery	
X	Corr. Delegated
X	Corr. Non-Delegated
X	Corr. EZD
X	Corr. Mandatory
X	HFA Delegated
X	HFA Non-Delegated
Products	
X	Conv. (Freddie)
	Conv. (Fannie)
	Conv. (Portfolio)
	FHA
	VA
	Rural Development

**Effective Date:** Project reviews performed on or after September 11, 2023.

Freddie Mac has announced in [Bulletin 2023-15](#) a new condo project status of “Project Certified” through the Freddie Mac Condo Project Advisor (CPA). The new status will show as a purple shield on the Freddie Mac Project Assessment Report (PAR) certificate that is printed from CPA.

### Project Certified

When CPA finds that a project complies with the requirements for Established Condominium Projects and is not an ineligible project, it will assign a “Project Certified” status. The term “Project Certified” means that CPA is assessing only the requirements of the Glossary definition of an Established Condominium Project and [Section 5701.3](#) regarding Ineligible Condominium Projects and [Section 5701.5](#) regarding Established Condominium Projects. When a “Project Certified” is received, additional reviews (Streamlined or Full) are not required. The status will show as a purple shield on the Freddie Mac Project Assessment Report (PAR) certificate that is printed from CPA. The “Project Certified” is a loan level review and is only eligible for the mortgage identified on the PAR certificate.

### Authorized Freddie Mac Sellers

Authorized Freddie Mac Sellers will have access to PAR through Freddie Mac Loan Advisor and may submit the “Project Certified” loan to U.S. Bank for purchase even if the project is shown on the U.S. Bank Conventional Products – Reviewed Projects List as declined. If the Lender is not an authorized Freddie Mac Seller, the “Project Certified” option is not available and the standard review process should be followed.

### Guideline Requirements

The project must meet the following requirements:

- HOA insurance must meet all insurance requirements.
- Investment Transaction: Project occupancy must be 50% or greater primary or second homes.

### Loan Documentation and U.S. Bank Loan Purchase Requirements

- Loan file must contain a copy of the LPA Feedback Certificate.
- Loan file must contain a copy of the PAR certificate showing “Project Certified.”
- For Mortgages with a Project Certified status PAR finding, the Note Date must be within 120-days of the issue date of the Condo Project Advisor Feedback Certificate. Per [Freddie Mac Bulletin 2023-15](#), delivery requirements state loans must be delivered to Freddie Mac within 120 days after the Note Date. Therefore, a loan with a ‘Project Certified’ PAR finding **must be purchased by U.S. Bank no later than 75 days of the Note Date to allow adequate time for the loan to be pooled and sold to Freddie Mac.**

Notes: These loans are eligible for delivery to Freddie Mac only. It’s important to note that if the Note Date is over 120 days at the time of sale, Freddie Mac requires an updated PAR certificate. If the project does not receive a “Project Certified” finding, then the project would have to meet the guidelines for a full or streamlined review.

### Easy D Delivery

- Follow Freddie Mac guidelines.

**Guide Update:** 713.1 Investor Code - Fannie Only/Freddie Only Criteria, 810.5 Condominium Guidelines for Delegated Sellers, 811.15 Project Certified (Freddie Mac)

## Condominium Projects in Need of Critical Repairs

Underwriting/Delivery	
X	Corr. Delegated
X	Corr. Non-Delegated
X	Corr. EZD
X	Corr. Mandatory
X	HFA Delegated
X	HFA Non-Delegated
Products	
X	Conv. (Freddie)
X	Conv. (Fannie)
X	Conv. (Portfolio)
	FHA
	VA
	Rural Development

**Effective Date:** Project reviews performed after September 11, 2023.

[Fannie Mae's Selling Guide Announcement SEL-2023-06](#) and [Freddie Mac's Bulletin 2023-5](#) announced review requirements around projects in need of critical repairs.

Note: These selling guide changes replace the temporary requirements for Condominiums in need of Critical Repairs and special assessments put in place November 2021.

### Critical Repairs

Projects in need of critical repairs are those needing repairs or replacements that significantly impact the safety, soundness, structural integrity, or habitability of the project's building(s), or the financial viability or marketability of the project.

Critical repairs include conditions such as:

- material deficiencies, which if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year;
- any mold, water intrusions or potentially damaging leaks to the project's building(s);
- advanced physical deterioration;
- any project that failed to pass state, county, or other jurisdictional mandatory inspections or certifications
- specific to structural safety, soundness, and habitability; or
- any unfunded repairs costing more than \$10,000 per unit that should be undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through a special assessment).

A project with an evacuation order due to an unsafe condition, either for a partial or total evacuation of the project's building(s), is ineligible until the unsafe condition has been remediated and the building(s) is deemed safe for occupancy.

### Special Assessments

Special assessments may be current or planned. The following documentation must be obtained and reviewed for each special assessment to determine if it addresses a critical repair:

- what is the purpose of the special assessment,
- when was the special assessment approved and is it planned (approved by the unit owners, but not yet initiated by the board) or already being executed,
- what was the original amount of the special assessment and the remaining amount to be collected, and
- when is the expected date the special assessment will be paid in full.

If the special assessment is associated with a critical repair and the issue is not remediated, the project is ineligible.

The project must have a good financial record, with no more than 15% of the owners being more than 60-days past due in the payment of their financial obligations to the co-op corporation.

**Note:** This includes payment of each special assessment.

## Condominium Projects in Need of Critical Repairs, continued

**Structural/ Mechanical Inspections:** If a structural and/or mechanical inspection was completed within 3 years of the lender's project review date, the lender must obtain and review the inspection report. The report cannot indicate that any critical repairs are needed, no evacuation orders are in effect, and no regulatory actions are required.

**Condo Questionnaire:** The U.S. Bank Condo Questionnaire have been updated and are located AllRegs under Condominium Forms > Condo Forms.

**Guide Updates:** 810.2 Ineligible Project Types, 811.3.2 Portfolio Full-General Project Eligibility Requirements, 813.12 Agency Condominium Projects with Special Assessments and Outstanding Repairs, USBHM Questionnaire, 850.2 Ineligible Project Types, 850.3 Agency – Requirements

## Fannie Mae CPM Release Notes

Underwriting/Delivery	
X	Corr. Delegated
X	Corr. Non-Delegated
	Corr. EZD
X	Corr. Mandatory
X	HFA Delegated
X	HFA Non-Delegated
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On July 31, 2023, Fannie Mae published their [Condo Project Manager Release Notes](#) indicating that Condo Project Manager™ (CPMTM) will be updated September 18, 2023, in accordance with the review requirements for condo project eligibility announced in the [Selling Guide \(SEL-2023-06\)](#).

### Project Review Requirements Updates

As announced in SEL-2023-06, Fannie Mae updated its project standards policies to address projects in need of critical repairs, and projects that have material deficiencies (such as significant deferred maintenance) or special assessments. Effective September 18<sup>th</sup>, Fannie Mae will introduce updated project review requirements in CPM to aid lenders in determining eligibility based on the new policy requirements for condo projects being reviewed under the Full Review process.

### CPM Updates

The CPM updates implemented on September 18<sup>th</sup> will include new review questions and data elements related to critical repairs, material deficiencies, significant deferred maintenance, inspection reports, evacuation orders, and special assessments. The new policy questions will have eligibility rules that can impact certification results.

### Effective Dates

- **New or In-progress CPM Projects:** The new data requirements apply to all initial project review submissions to CPM on and after September 18, 2023, regardless of the loan application date.
- **Unexpired CPM Projects:** For loan applications dated on or after September 18, 2023, the lender must update the certification with the new data requirements.

For loans with application dates prior to September 18, 2023, the loan may be underwritten in accordance with the policies outlined in [LL-2021-14](#) and the unexpired CPM certification provided that unexpired CPM certification was completed prior to September 18, 2023.

Refer to **U.S. Bank's SEL-2023-035** (6/30/23) for complete details regarding the required use of Fannie Mae Condo Project Manager (CPM).

## 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.