



Seller/servicer risk self-assessment

Condo Project Review

The quality of mortgages secured by units in condo, co-op, and planned unit development (PUD) projects can be influenced by certain characteristics of the project or by the project as a whole. Before delivering a loan secured by an individual unit in a project, the lender must determine that the project meets Fannie Mae's eligibility requirements, which are designed to support sustainable homeownership and manage risk.

Lenders that sell mortgage loans secured by units in a condo, co-op, or PUD projects to Fannie Mae are expected to have staff that are knowledgeable about and qualified to evaluate the specific risks presented by these types of projects. The project review is in addition to the review the lender completes for underwriting the borrower, the transaction terms, and the individual unit appraisal.

In this document

- [Self-Assessment Checklist](#)
- [Common Findings and Documentation](#)

Resources

- [Selling Guide B4-2.1-01, General Information on Project Standards](#)
- [Condo Training](#)
- [Condominium Project Questionnaire: Forms 1076 and 1076 Spanish](#)

Self-Assessment Checklist

Required

- ☐ Lender registration for Condo Project Manager™ (CPM™).
- ☐ Staff responsible for managing the condominium project review process are knowledgeable and qualified to evaluate the specific risks presented by all project types.
- ☐ Formal Training processes to ensure responsible staff are knowledgeable regarding Fannie Mae project approval requirements.
- ☐ Process to complete a Lender Certification in Condo Project Manager.
- ☐ Process for reviewing new, newly converted, and established projects to determine eligibility for each review type (Full Review, Limited Review, and Waiver of Project Review).
- ☐ Process to confirm, document, and track condominium project approvals via CPM until the Note Date.
- ☐ Process to confirm, document, and track condominium project delivery restrictions via CPM and Loan Delivery.
- ☐ Process to ensure the Project Type Code and any applicable Special Feature Codes (SFCs) are identified at the time of loan delivery.
- ☐ Process for submitting a Project Eligibility Review Service (PERS) for new or newly converted condo projects, particularly those with attached units, projects with manufactured homes, and certain co-op projects.
- ☐ Process for retention of the condo project documentation supporting the representation and warranty that the project meets Fannie Mae eligibility and made available upon request.
- ☐ Process to address when the project review is waived B4-2.1-02.

Additional checklist items

Recommended

- ☐ Dedicated project review, individual, or team.
- ☐ Process to ensure the project review file has documentation to support the review type.
- ☐ Oversight process to ensure responsible staff is completing processes correctly.
- ☐ If outsourcing project reviews, an oversight process in place to ensure vendor is completing the processes correctly.
- ☐ Use provided Fannie Mae Condominium Project Questionnaire (Forms 1076 and 1076 Spanish) or the lender's own form to determine condo project eligibility.

Common Findings and Documentation

Mortgage Origination Risk Assessment (MORA)

Fannie Mae conducts regular reviews to evaluate compliance with our guidelines and assess operational risks. Reviews are conducted by a team that operates independently of customer account relationship management in Fannie Mae's single-family mortgage business. A Mortgage Origination Risk Assessment (MORA) review is intended to be a joint activity conducted by the review team with active participation of your organization.

The **common findings** and **required documentation** listed below are specific to the topic of this risk self-assessment, Condo Project Review.

Common findings

- The seller/servicer does not have comprehensive written policies and procedures to manage Condominium Project Review process.
- The seller/servicer condominium policies and procedures do not include all the required components.
- The seller/servicer's condominium project review process is not in compliance with Fannie Mae *Selling Guide* Requirements.
- The seller/servicer does not have a process in place to ensure they are completing a Lender Certification in Condominium Project Manager (CPM) as required.
- The seller/servicer does not have a process in place to notify Fannie Mae's Condominium Projects Management team within five business days of becoming aware of any information that could impact the eligibility status reflected in CPM.
- The seller/servicer does not have staff that are knowledgeable and qualified to evaluate project risk.
- The seller/servicer does not have a process in place to ensure the project has the required master insurance coverage.
- The seller/servicer does not have a process in place to ensure the subject unit has the required insurance coverage if required by the condo project's legal documents.

Required documentation for a review

A. Procedures for all condominium project review functions that document at a minimum:

- Full condominium project review process, including any approval checklists.
- Limited condominium project review process, including any approval checklists.
- Training provided to condominium project reviewers.
- Procedures to monitor the quality of project reviews and implement corrective action upon identification of errors.
- An escalation process in place to notify senior management of issues cited and status of corrective action.
- Description of systems and/or reports used to manage the condominium project review process.
- Report of all currently approved condominium projects (with or without loans).
- Report of all declined condominium projects for the last 12 months regardless if the project has a status of "Unavailable" in CPM.

Required documentation for a review (continued)

B. Complete condo project files, including:

- Lender Certification completed in CPM under Lender's Name, if applicable
- Name of Project
- Internal Approval Checklist/Evidence of Review and Approval
- Legal and recorded documents including the covenants, conditions and restrictions, declaration of condominium, or other similar documents that establish the legal structure of the project, as applicable
- Project budgets, financial statements, and reserve studies, as applicable
- Project construction plans for new projects
- Project marketing plans for new projects
- Architects' or engineers' reports, as applicable
- Completion reports, as applicable
- Environmental hazard reports, as applicable
- Attorney opinions, as applicable
- Appraisal reports
- Ground lease documents, when applicable
- Evidence of insurance policies and related documentation
- Condominium project questionnaires

C. Documentation used to determine the project does not have one of the following Ineligible Project Characteristics: [B4-2.1-03, Ineligible Projects](#)

- Operate as Hotels or Motels
- Split ownership Arrangements
- Contain Multi- Dwelling Unit Condos or Co-ops
- Property that is not Real Estate
- Operate as a Continuing Care Community or Facility
- Non-Incidental Business Arrangements
- Commercial Space and Mixed-Use Allocation
- Recreational Leases and Mandatory Memberships
- Live-Work Projects
- Litigation or Pre-litigation Activity
- Single-Entity Ownership
- Projects in Need of Critical Repairs
- Missing or inadequate master (project level) insurance

Corrective actions

Corrective actions should require implementation of required policies and procedures, the identification of a control function to ensure they are updated on a regular basis, training for responsible parties, and validation that the required activities are completed in line with Fannie Mae *Selling* and/or *Servicing Guide* requirements.

What's next?

Use the insights you have gained — especially any gaps identified in your practices and processes — to create a customized action plan.