Fannie Mae

Project Standards Requirements FAQs

This FAQ document provides responses to common questions related to Fannie Mae's project review methods and policies for determining project eligibility for mortgages secured by units in condo, co-op, and planned unit development (PUD) projects.

Changes since the last update are marked either NEW or UPDATED. Minor (non-substantive) wording, number, and heading changes are not marked.

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General

Q1. **How can lenders determine if a project has the Approved by Fannie Mae status?**

Fannie Mae-approved sellers/servicers can access Condo Project Manager™ (CPM™) to determine if the project is in the Approved by Fannie Mae status by performing a search for the project. Lender Certification Activity reports are available in CPM for use by lenders. Non-CPM users may request read-only access to search project eligibility status, but not to certify a Project or Phase. Contact your Corporate or Technology Manager Administrator to gain CPM access.

> **NOTE:** *All loans must continue to adhere to the property requirements outlined in B2-3-01, General Property Eligibility and property insurance requirements outlined in B7-3-03, Master Property Insurance Requirements for Project Developments, and B7-4 Liability and Fidelity/Crime Insurance Requirements for Project Developments. Lenders need special approval to sell co-op loans to Fannie Mae.*

Q2. **Does Fannie Mae require lenders to obtain a project's IRS Federal Tax Identification Number (TIN)?**

No. However, lenders are encouraged to include the condo or co-op's IRS Federal Tax Identification Number (TIN) in the loan file when available. CPM includes a field to input the condo's TIN. This information helps to distinguish between projects with similar names and assists with project identification.

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Q3. **What is the difference between legal phases and construction or marketing phases?**

A legally phased project is one where the developer describes one or more legal phases in the master deed or declaration recorded in the public records. Some developers may outline the legal phases with the initial recording of the master deed or declaration, while others may annex them in over time with an amendment to the master deed or declaration. Lenders are delegated to approve legal phases under the Full Review process.

Construction or marketing phases typically exist for the developer's convenience and are covered under a single master deed or declaration. Construction phases typically apply to projects with multiple buildings such as low-rise, townhouse, or garden style projects. Marketing phases typically apply to projects with a single mid-rise or high-rise building. Lenders do not have the delegated authority to review construction or marketing phases, and construction or marketing phases are not accepted through the Project Eligibility Review Service (PERS). Projects developed in phases must meet the definition of legally phased. Refer to the Project Eligibility Review Service (PERS) Overview for additional information.

Q4. **What is a "newly converted" condo project?**

A gut or non-gut rehabilitation condo that does not meet the criteria of "established" is considered "newly converted." Newly converted non-gut rehabilitation projects with more than four units must be submitted to Fannie Mae for review through PERS.

Q5. **When calculating presales for new or newly converted projects, do units have to be conveyed (title transferred) to count toward the total number of presales?**

No. Presales are calculated based on both units that are under contract and units that have been conveyed (i.e., title transferred).

Q6. **The homeowners association (HOA) does not maintain records of unit occupancy and can only provide a breakdown of on-site and off-site units. How can the number of second homes be determined?**

When only the breakdown for on-site and off-site units is known, the off-site units must be included in the investor concentration. They cannot be considered second homes unless there is documentation to support the second home occupancy.

Q7. **Have the owner occupancy requirements for new condo project been retired?**

No. The owner occupancy requirement was only retired for established condo projects for investor transactions. Lenders must still determine that new condo projects comply with the presale owner occupancy requirements outlined in the *Selling Guide*, B4-2.2-02, Full Review: Additional Eligibility Requirements for Units in New and Newly Converted Condo Projects.

Q8. **For loan applications prior to August 3, 2026, that qualify under the Limited Review (that has since been retired), have the maximum LTV/CLTV/HCTLV requirements for projects located in Florida changed?**

Lenders must continue to comply with the maximum LTV/CLTV/HCLTV requirements outlined in the Selling and Servicing Policy Archives, B4-2.2-04, Geographic-Specific Condo Project Considerations for the Limited Review, for loans with an application date prior to August 3, 2026. Loans with application dates on or after August 3, 2026, are not eligible for sale to Fannie Mae under the Limited Review process.

Q9. **How is the 10% reserve allocation in the budget calculated?**

To determine whether the association has a minimum annual budgeted replacement reserve allocation of 10%, divide the annual budgeted replacement reserve allocation by the association's annual budgeted assessment income. Additional information concerning reserve calculation can be found in the *Selling Guide,* B4-2.2-01, Full Review Process

Q10. **What are the common funding methodologies for reserve studies?**

Common funding methodologies for reserves include:

- Baseline funding: Reserve cash balance never below $0
- Threshold funding: Reserve cash balance above a specified dollar amount of percent funded amount.
- Full funding: Reserve cash balance at or near 100%.

If a reserve study is used as an exception to the reserve requirement, then lenders will not be able to utilize the baseline funding methodology to determine adequacy of replacement reserves for loans with application dates on or after August 3, 2026. Additionally, the highest recommendation must be used. For example, if a reserve study uses both threshold and full funding methodology, then the lender must ensure that the budget is funding the recommended reserve amount under the full funding methodology.

Q11. **NEW: How will the new reserve requirements effective with loan application on or after January 4, 2027, affect existing Fannie Mae approvals?**

Existing Fannie Mae approvals will not be invalidated solely because of the new reserve requirements. Lenders are not required to obtain an updated budget or complete a new project review if a project has a Fannie Mae Approval and there are no delivery restrictions noted in CPM. However, in accordance with the *Selling Guide*, B4-2.2-01, Full Review Process, if the lender becomes aware of information that could impact the eligibility status, the lender must notify Fannie Mae and provide the relevant data and information as soon as practical and no later than five (5) business day.

If Fannie Mae receives information demonstrating that the project does not meet the applicable reserve requirements, the Approval will be removed. Fannie Mae will not make the project Unavailable solely due to inadequate reserves since loans with application dates prior to January 4, 2027, may still be eligible. Instead, Fannie Mae will remove the Approval and add a delivery restriction requiring loans with application dates on or after January 4, 2027, to meet the reserve allocation requirements set forth in Lender Letter LL-2026-03.

Q12. **NEW: How will the new reserve requirements effective with loan applications on or after January 4, 2027, affect existing lender certifications?**

For loan applications on or after January 4, 2027, lenders may rely on their existing, unexpired lender certification when they demonstrate compliance with the new reserve requirements without obtaining an updated budget, this includes through a qualifying reserve study that supports a reserve allocation below 15%. Otherwise, the lender must obtain current documentation and complete a new certification demonstrating compliance with the applicable reserve requirements.

Q13. **Does non-incidental business income for condo projects include lease agreements with telephone, cable, and Internet companies?**

Income earned by the homeowners' association (HOA) that is the result of lease agreements with telephone, cable, and internet companies does not meet the definition of active ownership or operation of amenities or services available to unit owners and the public. Therefore, the 15% cap (relative to the project's operating budget) does not apply to this type of income.

Q14. **Do the limitations for non-incidental income apply when the HOA is earning money from the leasing of commercial space to a business entity?**

When an HOA receives income because it rents a space located within its project to a business entity, the rental income is not subject to limitations for business income because the HOA is leasing the space and not "actively" operating or owning a business. The limitations for non-incidental business income apply only when the HOA earns income from actively owning or operating a business enterprise.

Q15. **Does Fannie Mae allow shared amenities?**

Shared amenities generally are not permitted between the HOA and a third party such as the developer, sponsor, or management company. Shared amenities are allowed when two or more HOAs share amenities for the exclusive use of the unit owners.

The associations must have an agreement in place governing the arrangement for shared amenities that includes:

- a description of the shared amenities;
- a description of the terms for sharing the amenities;

- provisions for the funding, management, and upkeep of the shared amenities; and
- provisions to resolve related conflicts between the associations.

Q16. **Does Fannie Mae allow the HOA to lease parking spaces for use by condo unit owners?**

Yes. Parking amenities provided under commercial leases or parking permit arrangements with parties unrelated to the developer are acceptable.

Q17. **Does Fannie Mae allow a unit owner's parking space to be financed by the mortgage?**

Yes. Fannie Mae permits the financing of a single or multiple parking space(s) with the mortgage, provided that the parking space(s) and residential unit are included on one deed as evidenced by the legal description in the mortgage. In such cases, the Loan-to-Value, Combined Loan-to-Value, and Home Equity Combined Loan-to-Value ratios are based on the combined value of the residential unit and the parking space(s).

Q18. **New: Are condo and PUD projects that include units with Accessory Dwelling Units (ADUs), eligible for sale to Fannie Mae?**

Units in Condo and PUD projects with ADUs are acceptable if they meet the requirements outlined in the *Selling Guide* B2-3-04, Special Property Eligibility Considerations. For loans utilizing UAD 3.6, the requirements in SB4-1.3-05, Dwelling Exterior, Unit Interior, and Outbuilding Sections of the Appraisal Report, must be met. PUD projects can be reviewed as a primary, one-unit residence. Co-op and Condop projects with ADU units are not eligible.

Projects in Need of Critical Repairs and Special Assessments

Includes material deficiencies and significant deferred maintenance

Q19. **As outlined in the *Selling Guide*, B4-2.1-02, Waiver of Project Review, Fannie Mae to Fannie Mae limited cash-out refinances must be reviewed for critical repairs and evacuation orders. Does this apply to all project types?**

The requirement only applies to condo and co-op projects consisting of eleven or more attached units, and projects with five to ten attached units that are part of a larger development or master association.

However, lenders are still required to ensure the property complies with our requirements outlined in the *Selling Guide*, Chapter B2-3, Property Eligibility Requirements, in which the property must be safe, sound, and structurally secure.

> **NOTE:** *A value acceptance may not be exercised if the lender believes that an appraisal is warranted based on additional information the lender has about the property or subsequent events. If critical repairs or large special*

assessments exist, an appraisal may be necessary to determine the impact to marketability. Refer to the Selling Guide, B4-1.4-10, Value Acceptance for additional information on value acceptance.

Q20. **Under the Waiver of Project Review, lenders are not required to determine compliance with the requirements relating to projects in need of critical repairs and special assessments for loans secured by detached condo units. What if the detached condo unit is located in a condo project consisting of both detached and attached condo units, does the lender need to review the condo project for critical repairs and special assessments?**

If the subject unit is detached, the lender is not required to comply with the requirement to review projects in need of critical repairs and special assessments. However, lenders are still required to ensure the property complies with our requirements outlined in the *Selling Guide,* Chapter B2-3, Property Eligibility Requirements in which the property must be safe, sound, and structurally secure. Additionally, if the project is Unavailable in CPM, the detached unit is not eligible for sale to Fannie Mae. Refer to B4-2.1-02, Waiver of Project Review for further requirements.

NOTE: *A value acceptance may not be exercised if the lender believes that an appraisal is warranted based on additional information the lender has about the property or subsequent events. If critical repairs or large special assessments exist, an appraisal may be necessary to determine the impact to marketability. Refer to the Selling Guide, B4-1.4-10, Value Acceptance for additional information on value acceptance.*

Q21. **UPDATED: As outlined in the *Selling Guide*, B4-2.1-02, Waiver of Project Review, review for critical repairs and special assessments is not required for loans secured by detached units, 2-10-unit projects, and Fannie Mae to Fannie Mae limited cash-out refinances for projects consisting of less than eleven attached units, unless the project consists of five-to-ten units that is part of a larger development or master association. What if the project and property meet the requirements for Waiver of Project Review, but the amenities only, such as the clubhouse, require critical repairs? Is the project ineligible?**

Lenders are still required to ensure the property complies with our requirements outlined in the *Selling Guide,* Chapter B2-3, Property Eligibility Requirements in which the property must be safe, sound, and structurally secure. If the lender discovers during the normal underwriting process, a circumstance that impacts the common areas/amenities, the lender must perform additional due diligence to ensure there is no negative impact to marketability as outlined in the *Selling Guide*, B4-1.1, General Appraisal Requirements. Additionally, if the project is Unavailable in CPM, the unit is not eligible for sale to Fannie Mae. Refer to B4-2.1-02, Waiver of Project Review for further requirements.

NOTE: *A value acceptance may not be exercised if the lender believes that an appraisal is warranted based on additional information the lender has about the property or subsequent events. If critical repairs or large special assessments exist, an appraisal may be necessary to determine the impact to marketability. Refer to the Selling Guide, B4-1.4-10, Value Acceptance for additional information on value acceptance.*

Q22. **Revised Policy states that critical repairs include "any project that failed to pass state, county, or other jurisdictional mandatory inspections, or certifications specific to structural safety, soundness, and habitability." Are there any exceptions for excluding municipal inspections?**

No, municipal inspections are not excluded from the policy. Projects that have failed to pass any local regulatory inspection(s) are not eligible.

NOTE: *Local regulatory inspections may not encompass all the components of the project/building(s) that require review for critical repairs. For example, a façade inspection report is not a substitute for a building condition report or inspection as it most likely does not contain information related to the condition for all the building structural elements. Lenders may need to review additional documentation to determine that the other building structural elements are not in need of critical repairs.*

Q23. **Are there any options if a project has not obtained the required recertification by the local jurisdiction?**

No. The recertification process must be complete with evidence the project has passed all the required inspections. Typically, the local jurisdiction will issue a letter indicating the project has passed the recertification process.

Q24. **What if a jurisdiction classifies a project as unsafe, non-compliant, or other similar rating. Does that mean the project is ineligible?**

Yes. Any project that fails to pass state, county, or other jurisdictional mandatory inspections and/or certifications specific to structural soundness, safety and habitability is not eligible as outlined in the *Selling Guide*, B4-2.1-03, Ineligible Projects.

Q25. **What if a jurisdiction classifies a project as safe or other similar rating, but there are critical repairs that have not been completed. Is the project ineligible?**

The project remains ineligible until critical repairs have been completed. Our policy requires lenders to conclude the project is safe, does not need critical repairs, and passes any regulatory inspection. The policy is not specific to any jurisdiction and should be applied consistently across all jurisdictions as applicable.

Q26. **How can lenders obtain information about critical repairs, material deficiencies, significant deferred maintenance, and special assessments?**

There are various sources that may provide the information, including the homeowners' association's (HOA's) meeting minutes, financial statements, engineer's reports, or other documents as outlined in the *Selling Guide*, B4-2.1-03 Ineligible Projects. These sources are neither prescriptive nor exhaustive. Lenders are responsible for determining which documents they need to review. Parties with an interest in the transaction such as the real estate agent, seller, buyer, or unit owner may also provide the documentation.

Q27. **When the HOA or management company returns a project questionnaire that does not answer questions related to critical defects and significant deferred maintenance or states the information is unknown or not applicable, are lenders required to obtain additional documentation to support no critical repairs are required?**

The GSE Condo Questionnaire and the associated addendum are optional forms.

- Lenders often use their own forms or find other types of documentation to help them complete the project underwriting.
- When a lender is using a questionnaire during their underwriting process and the questionnaire does not provide the information the lender needs to make the representation and warranty that the project meets our eligibility guidelines, then the lender will need to obtain additional information or documentation to make the determination.
- Our *Selling Guide,* B4-2.1-03, Ineligible Projects, provides examples of additional documentation that may be helpful to review. If the lender is unable to make the determination that the project is not in need of critical repairs, then loans on units in the project are not eligible for sale to Fannie Mae.

Q28. **If a lender is reviewing a small project under the Limited Review process that does not have a budget and financial records or a reserve study, how can the lender determine if there are no critical repairs or special assessments?**

Fannie Mae is not prescriptive on what documentation lenders obtain to make the determination See Q26 above for various sources that may provide this information. If the lender is unable to obtain the information to make the determination, loans on units in the project are not eligible for sale to Fannie Mae.

> NOTE: ***Loans with application dates on or after August 3, 2026, are not eligible for sale to Fannie Mae under the Limited Review process.***

Q29. **What options are there if the association or property manager is not willing to provide a copy of any inspection report completed within the past three years, information to confirm the project is not in need of critical repairs, or information on special assessments?**

The lender must obtain and review a copy of any inspection completed within the past three years. The lender may be able to obtain the information from parties that have an interest in the transaction: buyer, seller, real estate agent, or unit owner for a refinance. If the lender is unable to obtain the information to make the determination or obtain the required inspection reports, loans on units in the project are not eligible for sale to Fannie Mae.

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Q30. **Guidelines related to projects in need of critical repairs state lenders must review structural and/or mechanical inspections that have been completed within 3 years of the lender's project review date. What if an inspection has not been completed? Is the project ineligible?**

No. We do not require that an inspection be completed for any project. However, if one has been completed within 3 years prior to the project review date, then it must be reviewed. If an inspection has not been completed, lenders are still required to review other sources of documentation to ensure the project is not in need of critical repairs. See Q26 above for various sources that may provide this information. If the lender is unable to obtain the information to make the determination, loans on units in the project are not eligible for sale to Fannie Mae.

Q31. **If a project has imposed a special assessment, does the budget also have to include a 10% reserve requirement?**

If the lender is completing a Full Review, the budget must show the project has allocated 10% for reserves. Special assessments cannot be used in lieu of the 10% budget reserve allocation.

Q32. **When the HOA indicates that a special assessment may be required in the future but is not yet planned or approved, what action must the lender take?**

If a special assessment is not yet planned or approved, but it is disclosed that one will most likely be required in the future, the lender must determine the project is not in need of critical repairs as outlined in the *Selling Guide*, B4-2.1-03, Ineligible Projects. The lender is not expected to evaluate the special assessment details that have not been implemented by the association.

Q33. **Policy states, "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)." Can Fannie Mae provide further definition of "unfunded"? Would special assessments that are not yet paid in full be considered funded or unfunded? Are association loans an acceptable source of funding for repairs?**

By unfunded we mean the HOA does not have the funds in place to pay for the repairs and must postpone the remediation. It is acceptable if the HOA imposes a special assessment or obtains a loan to fund the repairs. However, if the special assessment is related to safety, soundness, structural integrity, or habitability, all related repairs must be fully completed.

Q34. **What are some examples to help make the determination as to whether an outstanding repair is routine or critical?**

Fannie Mae is not prescriptive on what constitutes a critical repair, however some examples include but are not limited to any mold, water intrusion or potentially damaging leaks, advanced physical deterioration of load bearing structures, failure of roof, unsafe balconies, foundation, or parking structure issues, that if left uncorrected, could result in critical

element or system failure. Routine repairs are preventative in nature or part of normal capital replacements (e.g., focused on keeping the project fully functioning and serviceable) accomplished within the project's normal operating budget or through a special assessment and are similar to proactive maintenance repairs. A delay in the repair would not result in critical element or system failure.

Q35. **Policy states "if damage or deferred maintenance is isolated to one or just a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the improvements, then this project eligibility requirement does not apply". Is there a percentage guidance that can be provided to define "few"? If repairs are required to a single building in the project but other buildings do not require repairs, would this be acceptable?**

There is no specific percentage guidance, and lenders should evaluate based on the overall size of the projects. For example, if three units are damaged in a 6-unit project the exception would not apply as most of the units in the project are impacted. However, three units in need of repairs in a 600-unit project would indicate the damage or deferred maintenance is isolated to just a few units. Lenders must still ensure that the outstanding repairs do not affect the overall safety, soundness, structural integrity, or habitability of the project. This policy applies regardless of the number of buildings impacted.

NOTE: *The same guidance applies to evacuation of just a few units.*

Q36. **If only a portion of a project is impacted by an insurable loss (such as fire), can we sell loans secured by units in other portions of the project that are not impacted to Fannie Mae?**

A project impacted by a disaster must meet our requirements relating to projects in need of critical repairs, which includes material deficiencies, significant deferred maintenance, and special assessments. See Q35 above for additional information.

NOTE: *All loans must continue to adhere to the property requirements outlined in B2-3-01, General Property Eligibility.*

Q37. **Policy states that lenders must review any structural or mechanical inspection report completed within 3 years. Can Fannie Mae clarify what inspections are included in this requirement? Would it be any inspection completed or only mandatory inspections?**

The lender must review a complete and true copy of any structural or mechanical inspection report (not just mandatory inspections) that has been completed within the past three years.

Q38. **Is it acceptable for the association to take out a loan to fund critical repairs?**

Yes, it is acceptable. Regardless of the means of funding, loans in projects in need of critical repairs remain ineligible until the repairs have been completed.

Q39. **To assess whether the project needs any critical repairs (which includes material deficiencies and significant deferred maintenance), can the lender rely on the appraisal alone?**

No. A lender should not rely solely on the appraisal to complete its project review as the appraisal may not have or disclose information on critical repairs. Refer to *Selling Guide,* B4-2.1-03, Ineligible Projects, for example documents that may be helpful when reviewing for critical repairs.

Q40. **Are special assessments calculated independent of regular maintenance (HOA) fees/assessments or are they added together when calculating delinquency of no more than 15% of units 60 or more days delinquent?**

Delinquency for maintenance fees/assessments and special assessments are calculated separately. For example, 12% of unit owners are delinquent on regular maintenance fees/assessments and 6% are delinquent on special assessments. The delinquency is not added to a total of 18% but is separately calculated as 12% and 6%.

Q41. **If there are multiple special assessments, is the delinquency calculated separately for each special assessment?**

Yes. Each special assessment is calculated separately. For example, 10% are delinquent on a special assessment that started in 2025, and 8% are delinquent on a special assessment that started in 2026. The special assessment delinquency is 10% and 8% respectively, not 18%.

Q42. **If a loan is eligible for a Limited Review, is the lender required to validate that the project also meets the requirements for another review type?**

No. As long as the project and loan meet all of the requirements for a Limited Review, which includes verifying that there are no ineligible characteristics as outlined in the *Selling Guide,* B4-2.1-03, Ineligible Projects, the lender may use the Limited Review process and is not required to validate that the project also meets the eligibility of another review type. However, as stated in the "Note" under the *Selling Guide*, B4-2.1-03, Ineligible Projects, List of Ineligible Project Characteristics, loans secured by units in projects with an Unavailable status in CPM are not eligible for purchase by Fannie Mae, regardless of project review type. Fannie Mae may update a project status to Unavailable in CPM when we become aware that a project does not comply with our *Selling Guide* requirements or presents other risk factors. For example, when a loan is eligible for a Limited Review but is secured by a unit in a project with an Unavailable status in CPM due to the project not meeting certain requirements, such as budget reserves or HOA delinquency, the loan is not eligible for sale to Fannie Mae.

> NOTE: ***Loans with application dates on or after August 3, 2026, are not eligible for sale to Fannie Mae under the Limited Review process.***

Q43. **If the loan is eligible for a Limited Review (which includes verifying that there are no Ineligible Characteristics as outlined in *Selling Guide,* B4-2.1-03, Ineligible Projects), does the lender still have to review the project for critical repairs (including material deficiencies and significant deferred maintenance) and special assessments?**

Yes, as outlined in the *Selling Guide,* B4-2.1-03, Ineligible Projects, lenders are required to review the project for critical repairs, and review of special assessments to determine they are not related to critical repairs.

> NOTE: ***Loans with application dates on or after August 3, 2026, are not eligible for sale to Fannie Mae under the Limited Review process.***

Q44. **If the loan has closed but not yet been delivered is the lender still required to verify the project has not been updated to the Unavailable status in CPM prior to sale of the loan?**

The project must continue to be eligible as of the note date and must not be in the Unavailable status in CPM, unless the loan has received and retained an Approve/Eligible recommendation and a CPM Approved by Fannie Mae message in DU. As outlined in the *Selling Guide,* B4-2.1-01, General Information on Project Standards: "Loans must be delivered to Fannie Mae within 120 days following the note date. When the elapsed time between note date and delivery date exceeds this limit, the lender may deliver the loan only if the project continues to meet Fannie Mae project eligibility requirements at the time of delivery."

Q45. **How do lenders determine the marketability or condition of the project when Desktop Underwriter® (DU®) offers value acceptance?**

Exercising a value acceptance offer does not relieve lenders of their responsibility to represent and warrant that the project meets the requirements of the review type, and the requirements outlined in the *Selling Guide*, B4-2.1-03, Ineligible Projects. If critical repairs or large special assessments exist, an appraisal may be necessary to determine the impact to marketability. Refer to the *Selling Guide* B4-1.4-10, Value Acceptance for additional information on value acceptance.

Q46. **What if lenders do not have access to CPM to determine if a project is in the Unavailable status in CPM?**

The lender is responsible for verifying the project status in CPM. If the lender does not have access to CPM, they may need to contact their aggregator(s) to determine if the project is in the Unavailable status. Any Fannie Mae-approved seller/servicer can obtain access to CPM. Non-Fannie Mae-approved correspondents can also obtain access to CPM as outlined in the CPM Non-Seller Access Quick Guide.

Q47. **If a project is in the Unavailable status in CPM, can lenders submit documentation to have the status re-evaluated?**

If a lender has completed a review of the project and has documentation to prove the eligibility issues are resolved, they can submit it to Fannie Mae for review and possible removal of the Unavailable status. Lenders will need to complete a review of the documentation and explain why they believe the project now meets Fannie Mae guidelines. Refer to the Condo Project Manager User Guide in the CPM Help Center for more information on submitting these requests through CPM.

Q48. **Does the HOA Questionnaire (Form 1076) capture information related to deferred maintenance and special assessments?**

Effective Dec. 15, 2021, an addendum to Form 1076 helps capture this information. Use of Form 1076 is optional; however, lenders are responsible for obtaining documentation to support the review for deferred maintenance and special assessments if Form 1076 is not used.

Q49. **What if the HOA or co-op board has discussed the possibility of termination but has neither voted nor is in the process of voting?**

The project may still be eligible if the HOA or co-op board has not voted or is not in the process of voting on termination. This is an indication that the lender should look for other potential ineligible reasons causing the project to discuss termination as a possible solution, although that discussion alone would not make a project ineligible.

Q50. **What if the HOA or co-op board has an upcoming vote (or has scheduled a vote) for a possible termination?**

The project is ineligible if the HOA or co-op board is in the process of voting to terminate. A board is considered to be in the process of voting once the board has decided to conduct a vote with the unit owners for a possible termination.

Q51. **How do I know if the HOA or co-op board has voted or is in the process of voting to terminate, dissolve, file for bankruptcy, or is in the process of deconversion?**

Lenders may want to add questions about termination and insolvency to their questionnaires. Lenders should review the HOA or co-op board's meeting minutes, property seller disclosure, or any document filed by the project to determine if there are any actions or characteristics that could affect eligibility based on the requirements of the *Selling Guide*.

Condotel

Q52. **What is meant by "primarily transient in nature?"**

A project is primarily transient in nature if the predominant use of the units is short-term rentals of less than 30 days. Projects that have no other condotel characteristics, but which permit unit owners to offer short-term rentals on a seasonal basis while they reside in the units during a significant portion of the year, do not meet the criteria of "primarily transient in nature" under the condotel policy.

Units leased on a long-term basis as the primary residence of the lessor are not considered transient in nature.

Q53. **Does primarily transient in nature stand alone? If it is the only condotel characteristic of the project, does it make the project ineligible?**

Yes. In most cases, projects that are primarily transient will also have one or more additional characteristics as listed in the *Selling Guide,* B4-2.1-03, Ineligible Projects – Projects that Operate as Hotels or Motels. However, even if it is the only condotel characteristic, the project is ineligible.

Q54. **If a project is professionally managed by a hotel or resort management company that facilitates short-term rentals for other projects and the subject project has no other characteristics of a condotel, is this project ineligible?**

It depends. Projects that are professionally managed by hotel or resort management companies are likely to hire these firms to facilitate short-term rentals for the unit owners. In rare cases, some projects may choose these entities for professional management services that do not include rental or other condotel characteristics. In that case, Fannie Mae would be willing to discuss the possible eligibility of those projects and may review them through PERS.

Q55. **What if "resort" is part of the name only in the master association legal documents but not in the sub- association legal documents?**

In most cases, the project would be ineligible. The master association governs the sub-association, and typically when the master is marketed or operated as a resort project the sub-associations follow suit.

However, in certain projects the master association includes the name resort only as a naming convention. In those cases, the lender must determine that the project is not being marketed or operated as a transient resort and the "resort" name is not a reflection of its current use.

Q56. **Fannie Mae guidelines state a project is ineligible if it has a legal or common name that contains hotel, motel, or resort, unless the use of hotel, motel, or resort is a reference to a historical use of the building and not reflective of its current use as a residential condo or co-op project. Does this mean a project with a legal or common name that contains "resort," but is not a reference to a historical use of the building, is automatically ineligible?**

It depends. If the name includes "resort" as a naming convention only, it may be acceptable. The lender is expected to perform additional review to confirm the project is not being marketed or operated as a transient resort primarily for short-term rentals, and the "resort" name is not a reflection of its current use.

Q57. **What if a condo is located within a master PUD resort project but is not operating with any hotel characteristics other than allowing short-term rentals? Is it ineligible?**

If a condo project is located in a master PUD resort project, the lender must confirm the subject unit's condo project is not operating with any condotel characteristics as outlined in the *Selling Guide,* B4.2-1-03, Ineligible Projects, and the majority of units within the condo are not being used for transient or short-term rental purposes.

Q58. **What if a single unit or very small percentage of the units have advertised their unit for rent on travel websites and have been assigned a "hotel" rating? Does this make the project ineligible?**

If the unit is assigned a rating that is specific to the unit and the rating does not apply to the entire project, the project may be eligible provided it meets all of Fannie Mae's project eligibility requirements for the review type that is used to determine project eligibility. In all cases, the lender must determine that the project is not a condotel or other similar transient-use project.

Project Reviews

Q59. **Under the Waiver of Project Review, projects that consist of 5-10 attached units located in a Master Association are not eligible under the Waiver of Project Review. What review type can be used?**

For a 5-to-10 unit attached condo project that is part of a Master Association, the project must be reviewed under the Full Review process outlined in B4-2.2-01,and B4-2.2-02 if also a new project.

Q60. **Are there any scenarios where a 5-to-10 unit attached condo project that is part of a Master Association is eligible to be delivered under the Waiver of Project Review?**

A 5-to-10 unit attached condo project that is part of a Master Association is only eligible to be delivered under the Waiver of Project Review if the loan meets the requirements for a Fannie-

to-Fannie Limited Cash Out Refi as referenced in the *Selling Guide*, B4-2.1-02, Waiver of Project Review

Q61. **Under the Waiver of Project Review, projects consisting of 2-10 units qualify under the Waiver of Project Review. Does this include newly converted non-gut projects, or do they still require submission to PERS if the project consists of 5 or more attached units?**

Only newly converted non-gut projects consisting of 11 or more attached units require submission to PERS.

Q62. **If a detached unit is located in a condo project with both attached and detached units, is the detached unit subject to project review?**

When a detached unit is located in a project with attached units, the detached unit must meet the requirements under the Waiver of Project Review as outlined in B4-2.1-02 including confirming the project is not in CPM with the status of Unavailable.

> **NOTE:** Project review requirements continue to apply when the subject unit is attached per the *Selling Guide*.

Q63. **How can a lender determine the number of units a single entity owns in a project when completing a Limited Review?**

The lender is responsible for obtaining the information on single-entity ownership concentration from a reliable source, including, but not limited to, the HOA, management company, or title company.

> **NOTE:** ***Loans with application dates on or after August 3, 2026, are not eligible for sale to Fannie Mae under the Limited Review process.***

Q64. **Per the *Selling Guide,* B4-2.1-03, Ineligible Projects, a project meets the definition of single-entity ownership when a single entity (the same individual, investor group, partnership, or corporation) owns more than 20% of the units in projects with 21 or more units, or two units in a project with five to 20 units. Does the definition of single entity include spouses?**

Yes, we consider a "partnership" to include a legal relationship between the entities, including spousal or domestic partnership, either personal or professional.

Q65. **What is the lender's responsibility for the review of legal documents? Must lenders obtain an attorney's opinion or memorandum regarding the legal documents for new projects?**

For attached units in new condo projects (containing more than four units), Fannie Mae requires lenders to validate that the condo project's legal documents are in compliance with the requirements outlined in the *Selling Guide,* B4-2.2-02, Full Review: Additional Eligibility Requirements for Units in New and Newly Converted Condo Projects. Except for new projects

submitted for Fannie Mae review via PERS, obtaining a written determination of compliance from an attorney is optional.

For new and newly converted condo projects submitted for Fannie Mae review via PERS, a qualified attorney engaged by the lender must review the legal documents and determine that they are in compliance with Fannie Mae's requirements. The determination must be documented in writing but does not need to be a formal legal opinion. The lender must complete Form 1054, Warranty of Condominium Project Legal Documents, and attach the attorney review as part of the PERS submission process. Fannie Mae reserves the right to require a review of the legal documents for an established condo project submitted for Fannie Mae review via PERS.

Q66. **When reviewing a new condo project for compliance with the Rights of Condo Mortgagees and Guarantors as outlined in the *Selling Guide*, B4-2.2-02, Full Review: Additional Eligibility Requirements for Units in New and Newly Converted Condo Projects, what mortgagee notification rights must be included in the project documents?**

The project documents must give the mortgagee and guarantor of the mortgage on any unit in a condo project the right to timely written notice of:

- any condemnation or casualty loss that affects either a material portion of the project or the unit securing its mortgage;
- any 60-day delinquency in the payment of assessments or charges owed by the owner of any unit on which it holds the mortgage;
- a lapse, cancellation, or material modification of any insurance policy maintained by the homeowners'
- association; and
- any proposed action that requires the consent of a specified percentage of mortgagees.

The *Selling Guide* states the mortgagee must receive timely written notice. The mortgagee cannot be required to provide a prior written request for such notification. The language can, however, indicate that the borrower is obligated to provide the HOA with the name of their mortgage holder, to support the HOA in maintaining accurate and up-to-date records for notification purposes.

Q67. **UPDATED: Can lenders submit a PUD project through the PERS process?**

Not generally. In most cases, the evaluation of PUD projects remains a lender-delegated function (i.e., project review is not required for most PUD projects). However, Fannie Mae requires lenders to submit any PUD project consisting of single-width or multi-width manufactured homes subject to a community land trust, ground lease, or shared equity arrangement, for review through the PERS process.

Q68. **What type of project review is required for manufactured housing in a project?**

Refer to the *Selling Guide*, B4-2.1-01, General Information on Project Standards – Project Review Methods, for project review requirements. The Manufactured Home Project Review Guide also provides information to assist in determining the type of project review required for manufactured homes.

Q69. **What are co-housing communities and are co-housing units eligible for Fannie Mae financing?**

Co-housing communities are typically characterized by private unit ownership within a community that has explicit arrangements for shared community life and the responsibility for and ownership of common elements and amenities. While these types of communities are often marketed to consumers as co-housing communities, they are typically legally organized as a condo, co-operative, or PUD project. Other legal structures may also exist for co-housing communities, which may not meet Fannie Mae eligibility requirements, such as common interest apartments. Loans secured by units in co- housing communities may be eligible for sale to Fannie Mae provided the co- housing project and the subject property unit meet all *Selling Guide* provisions including any applicable policies related to project standards, deed restrictions, and insurance.

Q70. **Are loans required to adhere to delivery restrictions in CPM for all review types?**

Any applicable delivery restriction in CPM must be adhered to, based on the review type. For example, if the project has a delivery restriction related to insurance, it will apply to all review types (including Waiver of Project Review) since all review types include the requirement to review for insurance.

Q71. **What are lenders responsible for when using the Approved by Fannie Mae status on a project in CPM?**

When a condo or co-op project has an Approved by Fannie Mae status in CPM or has received the CPM Approved by Fannie Mae message in DU, the lender is responsible for confirming all borrower and property eligibility requirements (including those outlined in B2-3-01General Project Eligibility) are met. Fannie Mae has completed the project review and lenders are not required to review for project eligibility including Ineligible Project types outlined in B4-2.1-03. Lenders are required to validate that the project and unit have the required insurance coverage as described in *Selling Guide* Chapter B7, Insurance.

They are also required to notify Fannie Mae if they discover a circumstance that might cause the project to be ineligible. The notification must occur within five business days of such a discovery. These requirements can be found in *Selling Guide* B4-2.2-01, Full Review Process: Additional Obligations of the Lender for Projects Approved by Fannie Mae.

Q72. **NEW: How should lenders proceed when they determine a project does not meet the Waiver of Project Review requirements due to an eligibility issue such as inadequate insurance, operating as**

a condotel, or other eligibility characteristics outlined in the *Selling Guide* B4-2.1-02, Waiver of Project Review?

Lenders are required to report ineligible project characteristics for projects with a Fannie Mae Approval as outlined in the *Selling Guide* B4-2.2-01, Full Review Process. For projects without a Fannie Mae Approval, reporting is optional, including projects reviewed under the Waiver of Project Review. If a lender reports an ineligible characteristic under the Waiver of Project Review as outlined in B4-2.1-02, and the project is not in CPM, the lender must first submit an **Add Project** request in CPM. Once the project has been added, the lender can submit a **Project Status Review** request.

> **NOTE:** *Do not submit requests to add a PUD project (including those consisting of manufactured homes) to CPM. Fannie Mae will add PUD projects to CPM only when a PERS review has been completed. Lenders are still required to confirm the project is not in the Unavailable status in CPM for all review types as outlined in B4-2.1-02 Waiver of Project Review.*

Q73. **What does it mean when a project has an Approved by Fannie Mae status but there is also a delivery restriction on the project and/or individual phase(s), that states the project must have an "Approved by Fannie Mae" status for loans to be delivered?**

This delivery restriction means the project requires a Fannie Mae approval due to one or more eligibility characteristics that requires Fannie Mae review. The delivery restriction is applied at both the project and phase levels after Fannie Mae completes the initial review. If the **project** has a current Fannie Mae approval, this delivery restriction has already been satisfied, and nothing further is required, regardless of whether an individual phase does or does not reflect a Fannie Mae approval (green check mark). If the Fannie Mae approval has expired or the project has a Conditional Approval, the delivery restriction must be adhered to, and the project must reflect the Approved by Fannie Mae status. Refer to Q74 for additional information on phases.

Q74. **What are the requirements when a project has an Approved by Fannie Mae status but there is also a delivery restriction that states "Loans delivered to Fannie Mae must be in a legally recorded phase as documented in the master deed or declaration, or through a recorded amendment or annexation agreement. The phase must be in CPM, and the lender must confirm construction completion and presale compliance per *Selling Guide* requirements"?**

If the subject unit is located in a legal phase that is not already in CPM, lenders must request that the legal phase be added to the project record through the Lender Request function in CPM. Refer to the Condo Project Manager User Guide available in the CPM Help Center for information on using this functionality. If the legal documents require the legal phase to be added to the project through an amendment or annexation agreement, then the recorded document must be provided when requesting the phase be added to CPM. While this phase

will not reflect the Approved by Fannie Mae status (will not have the green check mark next to the phase) or be open for certification, it will be documented in the record.

When Fannie Mae has approved a project that is legally phased (the approval is on the **project** level), lenders are responsible for reviewing and retaining documentation confirming the phase or building(s) are substantially complete, have been legally annexed into the project, and that cumulative presale requirements have been satisfied and provide them to Fannie Mae upon request. This means Fannie Mae is delegating review of presale and completion for legal phases to the lender.

If the phase is in CPM with a Fannie Mae approval (green check mark next to the **phase**), then the phase has already been approved by Fannie Mae and lenders are not required to verify completion, presale or annexation but must adhere to any additional delivery restrictions.

When the project has obtained the Fannie Mae approval, but the phase is in CPM with no Fannie Mae status, or the phase has a Conditional Approval (blue triangle) or Conditional Approval Expired, then lenders are still responsible for complying with the delivery restriction to verify completion, presale and annexation along with any additional delivery restrictions.

When the project has obtained the Fannie Mae approval, but the phase is **not** in CPM, the lender must request the phase be added and lenders are responsible for complying with the delivery restriction to verify completion, presale and annexation along with any additional delivery restriction(s).

Both the 6-digit CPM project ID and the 9-digit CPM phase ID must be provided at delivery.

> **NOTE:** *Any approved seller/servicer may review additional legal phases when the project has received the Approved by Fannie Mae status in CPM.*

Q75. **If a new project does <u>not</u> reflect an Approved by Fannie Mae status, but has a status of "No Fannie Mae Review" or "Pending PERS Review" on the project level but there are legal and or construction/marketing phases with an Approved by Fannie Mae status, can loans in the approved phases be sold to Fannie Mae?**

Yes, if the legal, construction or marketing phase reflects the Approved by Fannie Mae status (indicated by a green check mark next to the phase name in CPM) then loans can be sold to Fannie Mae under the phase approval until the phase approval expires in CPM.

Q76. **When a project reflects the "Conditional Approval" or "Conditional Approval Expired" status in CPM, are lenders able to perform a review under the lender delegated review process?**

It depends. If the lender certification option is available in CPM, then lenders can certify the project and/or phases if applicable. If the certification option is not available, then the

project is not open for lender certification and most likely the project requires submission to PERS for consideration.

> **NOTE:** *If the project meets the requirements for an established project, then the project may be eligible for the Waiver of Project Review but must meet all the applicable requirements based on the review type.*

Q77. **Are there any options for obtaining an exception for a loan in a project that doesn't meet eligibility requirements now that the Project Eligibility Waiver process has been retired?**

Yes, the Project Eligibility Review Service (PERS) is available for projects that may warrant an exception, provided there are sufficient mitigating factors. In general, PERS requirements are stricter and PERS should only be used for unique situations that warrant exception consideration. For detailed guidance on eligibility and submission requirements, refer to B4-2.2-04, Project Eligibility Review Service (PERS).

PERS Submissions

Q78. **How can lenders access the required forms for PERS? How should the completed project review documentation be submitted to Fannie Mae?**

Refer to the *Selling Guide*, B4-2.2-04, Project Eligibility Review Service (PERS) for information on submitting projects to PERS. The Project Eligibility Review Service (PERS) Overview also provides additional guidance on PERS submissions.

Q79. **Will the PERS forms be updated to reflect changes to phasing as referenced in Q3?**

Yes, but until the forms are updated, they should be completed based on the entire project. For example, Form 1054 Warranty of Condominium Project Legal Documents, should be completed based on review of the master deed or declaration (not on the phase level). Form 1081, Final Certification of Substantial Project Completion, should be based on all phases, describing the phases that are already complete with a schedule of the phases yet to be completed.

Q80. **Can lenders that are not Fannie Mae seller/servicers submit projects for PERS approval?**

No, only approved Fannie Mae seller/servicers may submit projects to PERS. Lenders that submit projects to PERS are liable for representations and warranties. Approved seller/servicers are under contract with Fannie Mae and are liable for warranties made under the Lender Contract.

Q81. **Can a lender submit outstanding conditions required to obtain a Final Approval on a project even though they were not the lender who obtained the Conditional Approval?**

No, the submitting lender is responsible for satisfying the conditions of that submission. When the conditions are satisfied, the status of the project in CPM will be changed from Conditional approval to Approved by Fannie Mae and all Fannie Mae approved lenders will then be able to sell loans to us secured by units in that project with the status of Approved by Fannie Mae.

Q82. **What are the requirements for new projects being submitted to PERS that will be constructed in legal phases?**

When a new project consisting of legal phasing is submitted to PERS, Fannie Mae will conduct a review of the overall project and documentation to determine whether a PERS review is required. A copy of the phasing schedule should be submitted for information, but legal phases are delegated to the lender and do not require separate submission to PERS. If approved, the project record in CPM will be updated to reflect the *Approved by Fannie Mae* status on the project level. A delivery restriction will apply that requires the lender to obtain an annexation or amendment adding the subject phase or building(s) to the project, evidence of completion, and confirmation presale has been met. The lender must confirm the phase has been added to the CPM record. Refer to Q74 above for additional information. Any approved seller/servicer may review the legal phase.

Q83. **When Fannie Mae receives the condo documentation for PERS review, is there a rule regarding the age of the documents? For example, does the appraisal have to be completed within so many days/months?**

Yes, applicable documents should be completed within four months prior to the submission so that we have up-to-date and accurate information available.

Q84. **Can a lender obtain a copy of the Conditional or Final approval letter for a project if they were not the lender that submitted the project to PERS?**

We only send the Conditional or Final approval letter to the submitting lender. Other lenders can access the list of Fannie Mae-approved projects in CPM.

> **NOTE:** *All loans must continue to adhere to the property requirements outlined in B2-3-01, General Property Eligibility and property insurance requirements outlined in B7-3-03, Master Property Insurance Requirements for Project Developments, and B7-4 Liability and Fidelity/Crime Insurance Requirements for Project Developments.*

Q85. **If the PERS Project Approval submission is rejected, is any portion of the fee refundable?**

Once the PERS fee has been decisioned with a formal letter to the lender, the fee is charged to the lender and is not refundable.

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Q86. **How are lenders billed once the review has been completed?**

Fees associated with a review are included as part of the lender's online monthly technology billing. Fannie Mae Connect™ provides information about electronic billing access.

Additional Resources

- Visit the Condo, Co-op, and PUD Eligibility webpage for additional resources, including Condo Project Eligibility in Desktop Underwriter FAQs and Condo Project Standards training. You may also direct questions to your customer account team; the Selling Guide Support Center at 1-800-2FANNIE (1-800-232-6643) – Options 1, 2; or visit Fannie Mae's Ask Poli®.
- Form 1076, Condominium Project Questionnaire (also available in Spanish), is optional for lender use to collect project information. Form 1076 includes an addendum to help lenders capture additional information in support of *Selling Guide* requirements.
- Visit the Condo Project Manager page for CPM resources including CPM FAQs