



Project Standards Requirements

Frequently Asked Questions

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.

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General

Q1. How can lenders use the list of “approved” projects posted on Fannie Mae’s website?

Projects that are approved by Fannie Mae through the Project Eligibility Review Service (PERS) process are listed on the [PERS Approved Project list page](#), as well as on Condo Project Manager™ (CPM™), with an approval expiration date. Any lender that sells loans to Fannie Mae can accept a PERS Final Approval (subject to the expiration date).

Lenders are always responsible to verify and document the project has appropriate insurance (e.g., project, liability, fidelity, flood, etc.) as per Section B7 of the *Selling Guide*. Lenders need special approval to sell co-op loans to Fannie Mae. Fannie Mae does not review insurance policies or documents during the PERS process as we rely on the lender’s complete review of those documents.

Q2. Does Fannie Mae require a unique project identifier?

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

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

A legally phased project requires that a supplement or amendment to the master deed or declaration be recorded in the public records to formally make additions to the project. Lenders are able to approve legal phases for projects provided the subject unit’s legal phase meets all requirements of 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. Lenders are not delegated to review construction or marketing phases,



and new projects completed on a marketing or construction phase basis must be submitted to PERS for review.

Q4. What is a “newly converted” condominium project?

A gut or non-gut rehabilitation condominium 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) in order 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. 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* [B4-2.2-02](#) (Full Review Process).

Q7. Are lenders permitted to use a reserve study if the association does not budget replacement reserves of 10%?

Note: Use of reserve studies to support less than 10% budget reserve allocation have been suspended, please refer to Q28.

Yes. The lender may use a reserve study in lieu of calculating a replacement reserve of 10% provided the following conditions are met:

- The lender obtains a copy of an acceptable reserve study and retains the study and the lender’s analysis of the study in the project approval file;
- The study demonstrates that the project has adequate funded reserves that provide financial protection for the project equivalent to Fannie Mae’s standard reserve requirements;
- The study demonstrates that the project’s funded reserves meet or exceed the recommendation made in the study; and
- The study meets Fannie Mae’s requirements for replacement reserve studies listed in the Fannie Mae *Selling Guide*.

Find additional requirements for reserve studies in the *Selling Guide* [B4-2.2-02](#) (Full Review Process).

Q8. What is the lender’s responsibility with regard to reviewing replacement reserve studies?

Lenders are not required to use reserve studies for project eligibility review. Fannie Mae permits the use of a reserve study as an alternative for projects that may not meet the 10% budgeted reserve requirements. If a lender decides to use a reserve study to determine project eligibility, the lender is expected to have staff that is trained to review and analyze the reserve study.



Lenders may not request that Fannie Mae review reserve studies to determine compliance with requirements with the exception of projects submitted through the PERS process or the Project Eligibility Waiver process. For more information, refer to the *Selling Guide* [B4-2.2-02](#) (Full Review Process).

Q9. Does non-incidentual 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 general public. Therefore, the 15% cap (relative to the project's operating budget) does not apply to this type of income. *Selling Guide* [B4-2.1-03](#) (Ineligible Projects) was updated in November 2015 to remove such lease agreements as an example of income subject to the 15% cap.

Q10. Do the limitations for non-incidentual 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-incidentual business income apply only when the HOA earns income from actively owning or operating a business enterprise.

Q11. 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.

Q12. 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.

Q13. 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).



Deferred Maintenance and Special Assessments

Q14. 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.

Q15. Where can lenders obtain information about special assessments or significant deferred maintenance?

There are various sources that may provide the information including the past six months of the homeowners' association's (HOA's) meeting minutes, financial statements, engineer's reports, other inspection reports, and reserve studies. Parties with an interest in the transaction such as the real estate agent, seller, buyer, or unit owner may provide the documentation.

Q16. What if lenders do not have access to Condo Project Manager to determine if a project is unavailable?

The lender is responsible for verifying the project status in CPM. If the lender does not have access to CPM, they need to contact their aggregator(s) to determine if the project has an unavailable status. Any approved seller/servicer can obtain access to CPM.

Q17. 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 there is no significant deferred maintenance or special assessments?

Fannie Mae is not prescriptive on what documentation lenders obtain to make the determination. Lenders may use sources such as the appraiser, real estate agent, or other inspection reports. The local permitting office may document open permits for repairs on the project level. If the lender is unable to obtain the information to make the determination, loans on units in the project are not eligible for delivery to Fannie Mae.

Q18. What options are there if the association or property manager is not willing to provide information to confirm there is no significant deferred maintenance or information on special assessments?

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, loans on units in the project are not eligible for delivery to Fannie Mae.

Q19. What documentation is required to confirm the acceptability of special assessments?

The lender must place in the loan or project file documentation to support that there is no negative impact to the financial stability, viability, condition, and marketability of the project. Our expectation is that the lender obtains financial documents such as budget, balance sheets, income statements, and aging reports to make the determination.

Q20. If a project has levied 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 allocate for 10% reserves. Special assessments cannot be used in lieu of the 10% budget reserve allocation.

Q21. The Lender Letter states that loans secured by units in any project with a CPM status of “Unavailable” are ineligible for purchase, regardless of the project review type. Does this apply to all ineligible project characteristics when the loan qualifies under the Waiver of Project Review?

Under the Waiver of Project Review, loans secured by units in projects having an “unavailable” status in CPM are not eligible for delivery to Fannie Mae.

Q22. To assess whether the project has significant deferred maintenance, can the lender rely on the appraisal alone, or is Fannie Mae expecting the lender to obtain a condo questionnaire on every project? Are there other actions Fannie Mae expects the lender to take?

Fannie Mae does not recommend that a lender rely on a single source of information to determine the extent of significant deferred maintenance. We never recommend that a lender rely solely on the appraisal to complete its project review as the appraisal typically will not have enough information to meet all project standards requirements. The Lender Letter and these FAQs provide additional guidance and best practices for lenders to research projects that may have significant deferred maintenance and special assessments.

Q23. To assess special assessments, does Fannie Mae expect the lender to obtain the questionnaire on every project? What documentation would Fannie Mae expect the lender to obtain?

The Lender Letter does not prescribe specific documents the lender must obtain to determine whether there are special assessments. Fannie Mae offers suggestions and best practices with the temporary guidance. Fannie Mae will continue to monitor the situation and listen to industry feedback over the next several months to determine policy requirements going forward.

Q24. If the special assessment is related to repairs, but those do not relate to safety/soundness/habitability (which must be fully completed), what documentation does Fannie Mae expect to evidence that the HOA has the ability to fund the repairs?

The lender must obtain financial documents such as current balance sheets, bank statements, reserve study, and/or other documentation that evidences the association can fund the repairs. Fannie Mae will continue to monitor the situation and listen to industry feedback over the next several months to determine policy requirements going forward.

Q25. If the loan is eligible for a Limited Review but the lender obtains the HOA questionnaire, and that questionnaire reveals something that would make the project ineligible if a Full Review was required, does the lender have to consider the issue and deem the project ineligible?

The Lender Letter requires the lender to review for significant deferred maintenance and special assessments regardless of review type. Outside of the requirements in the Lender Letter, if the project otherwise qualifies for a Limited Review, then meeting the requirements of the Full Review is not required as outlined in B4-2.2-01.



Q26. 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 delivery of the loan?

Loans for units in projects listed in CPM as unavailable are not eligible for delivery to Fannie Mae. It is up to the lender to determine when during the loan origination and delivery process they will validate the status.

Q27. How do lenders determine the marketability or condition of the project when DU gives an appraisal waiver?

An appraisal waiver does not relieve lenders of their responsibility to represent and warrant the project meets the requirements of the review type and the requirements in LL-2021-14. If significant deferred maintenance or large special assessments exist, an appraisal may be necessary to determine the impact to marketability.

Q28. Since Fannie Mae has suspended the 10% flexibility of the reserve study for review on the lender level, can lenders still submit a request through PERS?

We are no longer allowing a reserve study to support less than a 10% reserve allocation for established or new projects. We require the budget to include the 10% reserve line-item allocation. However, for established projects only, we may consider the reserve study if it supports the reserve allocation of less than 10% but it must be submitted to PERS. It is no longer an option for the lender to review. For new projects, the budget must include the 10% reserve line item, and we will not make exceptions for this requirement through PERS.

Q29. For a project that is *not* on the Unavailable project list but has characteristics similar to other projects that are on the list (excess commercial space, single entity over 20%, etc.) not related to deferred maintenance, safety, soundness, structural integrity, habitability, or large special assessments, would loans in that project still be eligible for the waiver of project review?

To be eligible for the Waiver of Project Review it must meet the following criteria:

- Meet the criteria for the Waiver of Project Review outlined in B4-2.1-02.
- Meet the terms and conditions of the LL-2021-14.

Q30. Lender Letter LL-2012-14 states that documentation must support no negative impact to the financial stability, viability, condition, and marketability of the project, but most special assessments have some negative impact. Is Fannie Mae stating that if a special assessment exists the project is ineligible?

The spirit of the requirement is that the lender reasonably determine that the special assessment is not having a significant negative impact on the financial stability, viability, condition, and marketability of the project. We are not restricting against all special assessments, but the lender must review to determine acceptability. Special assessments can vary. We require the special assessment to be reviewed to determine the financial impact to the borrower and project overall. It could result in an insignificant impact or it could be significant. It depends on the scenario.

Q31. Per LL-2021-14, if a project is unavailable in CPM, lenders may submit documentation to remove the status. Can lenders submit documentation for Fannie Mae to review even if it may not remove the status?



The intent of the Lender Letter is 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.

Q32. Does the HOA Questionnaire (Form 1076) capture information related to deferred maintenance and special assessments?

Effective Dec. 15, 2021, an addendum to Form 1076 can help to capture this information. Use of Form 1076 is optional.

Condotels

Q33. What do you mean 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 thirty 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.

Q34. 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 [Selling Guide B4-2.1-03, Ineligible Projects – Projects that Operate as Hotels or Motels](#), as updated Oct. 7, 2020.

In very rare cases, if there is a project that has the majority of the units rented on a short-term basis by the individual owners and there are no other characteristics of a condotel (including but not limited to hotel services, marketed as a hotel, or has obtained a hotel rating at the project level), Fannie Mae is willing to discuss the possible eligibility of such a project and review it through the Project Eligibility Review Service. Fannie Mae’s willingness to consider a PERS submission is no guarantee of an approval.

Q35. 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 the Project Eligibility Review Service.

Q36. 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.

Q37. 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.

Q38. What if a condominium 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 condominium project is located in a master PUD resort project, the lender must confirm the subject unit’s condominium project is not operating with any condotel characteristics as outlined in *Selling Guide* [B4.2-1-03](#), and the majority of units within the condominium are not being used for transient or short term rental purposes.

Q39. 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

Q40. If a detached unit is located in a condo project with both attached and detached units, must the detached unit be subject to project review?

No. There are no project review requirements for detached units in condo projects (other than manufactured homes), even if the project also includes attached units. Instead, lenders must confirm all the following requirements are met:

- The project and the unit are in compliance with all other Fannie Mae requirements for property eligibility and appraisal standards.
- The project and the unit have the required insurance as described in Subpart B7, Insurance.
- The detached unit is not a manufactured home. If the project contains manufactured homes, the project may require either a lender-delegated review or a Fannie Mae PERS review. Refer to the *Selling Guide* to determine which review may be required.



- The project is in compliance with the requirements for priority of common expense assessments (see *Selling Guide* [B4-2.2-03](#), Ineligible Projects).

Project review requirements continue to apply to the attached units as per the *Selling Guide*.

Q41. 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.

Q42. Do different requirements apply to a Full Review versus a project review completed through CPM?

No. The policy requirements for projects being reviewed manually under the Full Review process or with the aid of CPM are the same. Although the electronic questionnaire in CPM may not request information concerning every Full Review requirement detailed in the *Selling Guide*, lenders must make sure those projects meet the applicable requirements specified in the *Guide*. These requirements can be found in the *Selling Guide* [B4-2.2-02](#) (Full Review Process) and [B4-2.2-03](#) (Full Review: Additional Eligibility Requirements for New and Newly Converted Condo Projects).

Q43. When conducting a CPM Review, is the lender required to review the project's legal documents and budget?

It depends on the type of project in which the unit is located. The lender must review the legal documents and budget for attached units in a new or newly converted condo project consisting of more than four units being reviewed through CPM. The lender must review the budget for attached units in an established condo project reviewed through CPM. Additional information on requirements for the project's legal documents and budget can be found in the *Selling Guide* [B4-2.2-02](#) (Full Review Process) and [B4-2.2-03](#) (Full Review: Additional Eligibility Requirements for New and Newly Converted Condo Projects).

Q44. 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 in the Fannie Mae *Selling Guide*. 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](#) 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.

Q45. 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 PUD projects consisting of single-wide manufactured homes for review through the standard PERS process.

Q46. What is the review process for manufactured housing?

Established projects consisting of manufactured housing may be reviewed by lender-delegated full review process. If the project is considered a new project, has resale restrictions, shared equity, is a community land trust project, or subject to a leasehold, it must be reviewed through the Fannie Mae PERS process. Multi-width manufactured homes that are part of a PUD project do not require a review.

Q47. What are cohousing communities and are cohousing 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 condominium, 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. Mortgages secured by units in co-housing communities may be eligible for delivery 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.

PERS Submissions

Q48. How can lenders access the required forms for PERS? How should the completed project review documentation be submitted to Fannie Mae?

Required forms are posted on [our website](#). Project review documentation should be submitted electronically to PERS_projects@fanniemae.com.

Q49. We are not a seller/servicer, but is it possible for us to submit project for PERS approval?

No, lenders must be an approved Fannie Mae seller/servicer in order to submit projects to PERS. Lenders that submit projects to PERS are liable for representations and warranties made. Such lenders are under contract with Fannie Mae and are liable for representations and warranties made under the Lender Contract.

Q50. Can a new condo project be approved by Fannie Mae prior to construction of any of the units? If not, at what stage of the completion may we submit the project documentation for Fannie Mae approval?

A project can be submitted at any time, however, if construction is not complete, the project will only be issued a "Conditional Approval," which expires after 9 months. Seller/servicers are therefore advised to submit a project once they determine that "Final Approval" can be requested within a reasonable period of time in order to avoid a Conditional Approval expiring.



Q51. 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 on our website will be changed from Conditional approval to Final approval and all Fannie Mae approved lenders will then be able to sell loans to us secure by units in that project. The Conditional and Final Approval status are not exclusive to the submitting lender. Any lender may leverage that information to originate and close loans in that project. As a reminder, Fannie Mae will not accept delivery of a loan in a project that does not have Final Approval if the lender is using the PERS review as the project status code at delivery. If a lender submits a separate package for a PERS review on an existing Conditional Approval, that package will be considered and if accepted, the lender will be charged for a complete review.

Q52. When Fannie Mae receives the condo documentation for review by PERS, do you have a rule regarding the age of the documents. For example, does the appraisal have to be completed within so many days/months?

Yes, all documents should be completed within 4 months prior to the submission so that we have up-to-date and accurate information available.

Q53. Can we obtain a copy of the 1028 approval of a project if we were not the lender who submitted the project to PERS?

We only send the approval letter to the submitting lender. Other lenders must either use CPM or access the list of approved projects from our [web page](#).

Q54. If the PERS Project Approval submission is rejected is any portion of the fee refundable?

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

Q55. How will we be billed once the review has been completed?

Fees associated with a review are included as part of your online monthly technology billing. If you or your accounting team have not already registered for electronic billing, [Fannie Mae Connect™](#) provides helpful information and instructions on how to do so.

Additional Resources

- Visit the [Condo, Co-op, and PUD Eligibility page](#) on our website for additional resources, including an “At-A-Glance” quick reference on condo project reviews. 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@](#).
- More information about appraising and underwriting condo and co-op projects is also available in [this fact sheet](#).
- Effective Dec. 15, 2021, an addendum to [Form 1076](#) can help lenders capture additional information in support of the [LL-2021-14](#) requirements. Use of Form 1076 is optional.