



**To:** All Customers **From:** Credit Risk  
**Date:** 11/04/21 **Memo #:** 21150  
**Subject:** **Conventional Condo and Coop Requirements- Fannie Mae**

In accordance with Fannie Mae changes to project approval and delivery requirements, the [Conventional Condominium Guidelines](#) and [Conventional Cooperative Guidelines](#) will be updated with the following changes.

### **EFFECTIVE DATES**

#### **BROKER & NON-DELEGATED CORRESPONDENT**

All loan project submissions on or after Monday, November 15, 2021 must adhere to the updated requirements, unless the requirements are indicated as effective immediately. For existing projects on Flagstar approved condominium and cooperative lists, Project Review will review request additional documentation to satisfy the below.

For loans with project approvals completed prior to November 15, 2021, the loan must close and fund no later than Wednesday, December 1, 2021 or be resubmitted to Project Review for determination the updated requirements are being met.

#### **DELEGATED CORRESPONDENT**

Loans not meeting the below requirement must be delivered and purchased no later than Wednesday, December 1, 2021.

### **SIGNIFICANT DEFERRED MAINTENANCE AND UNSAFE CONDITIONS**

Loans secured by units in condo and coop projects with significant deferred maintenance or in projects that have received a directive from a regulatory authority or inspection agency to make repairs due to unsafe conditions are not eligible until the required repairs have been made and documented.

In response, Flagstar's Condominium and Cooperative questionnaires will be updated with the following questions:

- Is there any deferred maintenance?
  - If yes, describe any deferred maintenance in the project.

In the event Flagstar's revised questionnaire (or substantially similar questionnaire) is not provided, an email confirmation from the HOA may be accepted to address the updated questions.

### **SPECIAL ASSESSMENTS**

Any current or planned special assessment, even if paid in full for the subject unit, must be reviewed to determine acceptability. If the special assessment is related to safety, soundness, structural integrity, or habitability all related repairs must be completed or the project is not eligible. Borrowers must qualify with any outstanding special assessment payments.

In response, Flagstar's Condominium and Cooperative questionnaires will be updated with the following questions:

- Is there currently a special assessment or one planned within the next year?

- If yes, describe the purpose of the special assessment, approximate dollar amount and available payment plans.

In the event Flagstar's revised questionnaire (or substantially similar questionnaire) is not provided, an email confirmation from the HOA may be accepted to address the updated questions.

## **RESERVE REQUIREMENTS**

A reserve study will no longer be accepted in lieu of an acceptable 10% budget reserve for condo project. When a full project review is required, the budget must provide for the annual funding of replacement reserves for capital expenditures and deferred maintenance equal to at 10% of the budgeted income of the amount, regardless of the amount of money the HOA has currently collected for reserve funding.

## **CONDO PROJECT MANAGER "UNAVAILABLE" STATUS**

Effective immediately, Fannie Mae has announced all loans secured by units in any project with a CPM status of "Unavailable" are ineligible, regardless of the project review process. Flagstar does not approve condo projects with CPM status of "Unavailable" today.

## **PROJECT ELIGIBILITY WAIVERS**

Effective immediately, Fannie Mae will not issue condo project waivers for significant deferred maintenance, failure to obtain a certificate of occupancy, failure to complete or pass a regulatory inspection, or projects subject to large special assessments as described above. All new requests related to PEWs for project insurance policy deficiencies are suspended.

## **BEST PRACTICES AND REMINDERS**

In the event documentation is obtained (e.g. project questionnaire, appraisal, etc.) indicating deferred maintenance or other conditions that impact the safety, soundness, structural integrity, or habitability, Flagstar may request additional documentation, including but not limited to the following:

- Six months of the project's HOA meeting minutes review for references to items such as improvements, renovations, inadequate reserve funding, budget deficits, and negative cash-flows
- Any available inspection, engineering, or other certification reports completed within the past five years to identify deferred maintenance that may need to be addressed.

As a reminder, appraisers must document special assessments or deferred maintenance that may impact the safety, soundness, structural integrity, or habitability of the unit or the overall project and its amenities.

- Regardless of review type, projects must comply with all policies described in Ineligible Projects, including when completing a Limited Review or an appraisal waiver is used.
- Using an appraisal waiver does not exempt the lender from completing the required project review.

## **ADDITIONAL RESOURCES**

- [Fannie Mae Lender Letter 2021-14](#)
- [Fannie Mae Project Fact Sheet](#)

Refer to the [Conventional Condominium Guidelines](#) and [Conventional Cooperative Guidelines](#) for complete details which may supersede Fannie Mae and Freddie Mac Seller Guides.



## **CUSTOMER SUPPORT**

If you have any questions on the contents on this memo, please email [underwritingsupport@flagstar.com](mailto:underwritingsupport@flagstar.com) or call the Underwriting Support Desk at (866) 945-9872