SELLER/SERVICER RISK SELF-ASSESSMENT

Condo Project Review

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

IN THIS DOCUMENT

- Self-Assessment Checklist
- Common Findings and Documentation

RESOURCES

- *Selling Guide* B4-2, Project Standards
- Condo Training
- Condo Project Questionnaires: Form 1076 and Form 1077

ONE SELLER/SERVICER'S STORY

We've been looking at ways to expand our business and would like to begin originating condo loans. We know it will be a big step in terms of underwriting and risk management. What are the risks regarding the condo loan origination process? What are the considerations for staffing this function? What else do we need to know?

Self-Assessment Checklist REQUIRED

- ☐ Staff responsible for managing the condominium project review process is knowledgeable and qualified to evaluate the specific risks presented by all project types.

- ☐ Process in place to confirm, document, and track condominium project approvals.

- ☐ Procedure for retention of the condo project documentation supporting the representation and warranty that the project meets Fannie Mae eligibility.

- ☐ Process to determine if a condo project is already Fannie Mae approved.

- ☐ Process to submit new, newly converted, and established projects to determine eligibility as required.

- ☐ Process to ensure the correct condo review type is identified at time of loan delivery.

- ☐ Process for determining if a mandatory Project Eligibility Review Service (PERS) review is required.

ADDITIONAL CHECKLIST ITEMS RECOMMENDED

- ☐ Dedicated project review individual or team.

- ☐ Process to track and save project review activity for future reference.

- ☐ Process to ensure the project review file has documentation to support the review type.

- ☐ Formal training processes to ensure responsible staff is knowledgeable regarding Fannie Mae project approval requirements.

- ☐ Oversight process to ensure responsible staff is completing processes correctly.

- ☐ If outsourcing project reviews, an oversight process in place to ensure vendor is completing the processes correctly.

- ☐ Use Fannie Mae provided Condominium Project Questionnaires (Form 1076 and Form 1077) to determine condo project eligibility.

- ☐ Lender registration for Condo Project Manager™ (CPM™) and Credit Variance Administration System (CVAS).

Common Findings and Documentation

MORTGAGE ORIGINATION RISK ASSESSMENT (MORA) AND SERVICER TOTAL ACHIEVEMENT AND REWARDS (STAR)

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

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

COMMON FINDINGS

- The seller/servicer has delivered a loan(s) that requires a condominium project eligibility review by Fannie Mae.

- The seller/servicer does not have a process in place to manage condominium project approvals.

- The seller/servicer's condominium project approval process does not include all Fannie Mae requirements.

- The seller/servicer does not have a process in place to ensure that properties in ineligible projects are not approved.

- The seller/servicer is not following all Fannie Mae requirements in their condominium project approval process.

REQUIRED DOCUMENTATION FOR A REVIEW

A. Procedures for all condominium project review functions which document at a minimum:
- Full condominium project review process, including any approval checklists
- Training provided to condominium project reviewers
- Procedures to monitor the quality of project reviews and implement corrective action upon identification of errors
- Description of systems and/or reports used to manage the condominium project review process
- List of all currently approved condominium projects
- List of all declined condominium projects for the last 12 months

B. Complete condo project files, including:
- Name of Project
- Date of Approval Review
- Homeowners' Association (HOA) Certification

- Internal Approval Checklists/Evidence of Review and Approval
- Documentation used to determine Project Completion
- Documentation used to determine Presale
- Documentation used to determine Budget Reserves
- Documentation used to determine amount of Commercial Space present
- Documentation used to determine that project is not in one of the following ineligible categories:
  - Operating as a hotel or motel
  - Continuing care facility
  - A project that requires mandatory fee-based memberships
  - A project involved in litigation
  - A project that limits or restricts the ability of unit owners to occupy their units

WHAT'S NEXT?

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