Selling Guide

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FAQs: Project Standards - General (Sept. 2023)

Project Standards Requirements - General

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. Visit Learn About Project Standards to see all Project Standards and Project Insurance FAQs as well as additional helpful information.

> **Note:** The numbering sequence is from the PDF document that contains all Project Standards Requirements FAQs and have been separated for easier reference by topic. Changes since the last update are marked either **NEW** or **UPDATED**. Minor (non-substantive) wording, number, and heading changes are not marked.

Click below to access Project Standards Requirements related FAQs:

- General
- Projects in Need of Critical Repairs (includes material deficiencies and significant deferred maintenance) and Special Assessments
- Condotels
- Project Reviews
- PERS Submissions

General - FAQs

1. **How can lenders use the list of "approved" projects posted on Fannie Mae's website? UPDATED**

The list of projects "Approved by Fannie Mae" is now in Condo Project Manager (CPM). (The list that was previously located on the Project Eligibility Review Service (PERS) page on fanniemae.com has been retired.) Non-CPM users may request read-only access to perform searches and print reports, but not to certify a Project or Phase. Contact your Corporate or Technology Manager Administrator to gain CPM access.

Even when a project has a Fannie Mae approval, lenders are still responsible for verifying and documenting that the project has appropriate insurance (e.g., project, liability, fidelity, flood, etc.) as required in Part B7 of the *Selling Guide*. Lenders need special approval to sell co-op loans to Fannie Mae.

2. **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 condo's TIN. This information helps to distinguish between projects with similar names and assists with project identification.

3. **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.

4. **What is a "newly converted" condo 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.

5. **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).

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

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.

7. **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 general public. Therefore, the 15% cap (relative to the project's operating budget) does not apply to this type of income.

8. **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.

9. **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.

10. **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.

11. **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).

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