

Condominium Project Approval Overview

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Spot approval

Many conventional loans for both existing/established and new construction/new conversion condominium projects qualify for a spot review which often requires only an appraisal and/or a completed condominium questionnaire. If a spot review is not an option, then the loan/project requires a full project approval.

Full project approvals

Full project approvals require different documentation depending on the type of condominium project. Below is a listing of the required documents for existing/established and new construction/new conversion condominiums.

Existing / established

- Construction is fully complete
- The homeowners association (HOA) has been turned over to the homeowners
- More than 90% of the units have been sold/closed
- FHA: Certificate of occupancy is more than 12 months old

Documents necessary for project approval:

- Condominium questionnaire
- HOA budget and recent financials
- HOA master insurance policies
- Preliminary title report
- Appraisal

Approximate review time: 3-4 days

New construction/ new conversion

- Construction is not 100% complete
- The developer still controls the HOA
- Less than 90% of the units are sold/closed
- FHA: Certificate of occupancy is less than 12 months old

Documents necessary for project approval:

- Condominium questionnaire
- HOA master insurance policies
- Preliminary title report
- Appraisal and substantial completion certification
- Spreadsheet of sales breakdown
- Presale and occupancy certifications
- Actual or proposed HOA budget
- Conditions, Covenants & Restrictions (CC&Rs) document and plat map
- Management agreement and HOA Tax ID

Approximate review time: 3-5 weeks

General project approval guidelines

Parameter	Conventional	FHA
Delinquent HOA dues	15% maximum	15% maximum
Non-residential space	20% maximum	25% maximum
Single-entity ownership (developer rented)	10% maximum	10% maximum (49% if developer)
Budgeted reserves	10% minimum	10% minimum
Concentration limits	No limit	50% maximum new construction; No limit eligible existing projects
Presale (CO < 1 year) and gut rehab conversions	51% to owner occupants	30% to owner occupants
Presale (CO > 1 year) and non-gut rehab conversions	51% to owner occupants	50% to owner occupants
Owner occupancy	51% minimum	50% minimum

This list includes basic project approval guidelines and is not complete. Ask your Wells Fargo Home Mortgage consultant for complete project approval guidelines for your situation.

Condominium Project Approval Overview *(continued)*

Additional condominium resources

Approved project search websites

FNMA	www.fanniemae.com/singlefamily/project-eligibility
FHA	entp.hud.gov/idapp/html/condlook.cfm
VA	vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch

Agency guidelines

FNMA	www.fanniemae.com/singlefamily/project-eligibility?from=hp
FHA	portal.hud.gov/hudportal/documents/huddoc?id=11-22mlguide.pdf
VA	www.benefits.va.gov/warms/pam26_7.asp (Chapter 16)

The top 8 qualifying questions to ask a Homeowners Association

1. If new construction or conversion, how many units have been sold?
2. How many units are investor-owned?
3. Does any single entity own more than 10% of the units?
4. How many units are delinquent on their HOA dues?
5. What percentage of the HOA budget is allocated for reserves?
6. Is the project involved in any litigation?
7. Is any percentage of the project non-residential space?
8. Are there any pending special assessments?

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At Wells Fargo Home Mortgage, we understand today's purchase market and the opportunity condominium sales represent. Count on us to simplify the condominium mortgage process to improve the customer experience and help you sell more homes.

Let's work together!

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