



Project Review Policies & Procedures	Division: DTC, Retail/JV & Wholesale
	Department(s): Project Review

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1. Overview

Policy

The purpose of this policy is to define how Newrez LLC and its subsidiaries (collectively, and including Shelter Mortgage Company, L.L.C. and its subsidiaries, "Newrez"), reviews and approves Condominium and Co-op Projects. The quality of loans secured by units in a Condominium or Co-op Project can be influenced by certain characteristics of the project as a whole. As a result, Newrez performs a separate review of Condominium and Co-op Projects; in addition to the standard credit underwriting review. The Newrez Project Review Department (PRD) is responsible for ensuring all Condominium and Co-op Projects meet Investor/Agency/Government entity requirements.

Newrez does not impose a maximum project exposure for conventional conforming condo projects. Newrez's maximum project exposure is limited to 25% for non-agency condo and all co-op projects. All Conventional loans within a project must be registered with the PRD. PUD projects, including attached PUD projects, do not require registration or review by PRD.

Newrez requires that all condo projects must be approved for government products. All condo projects for all HUD/VA products must be approved by the applicable HUD/VA agency. USDA products can be in compliance with either Fannie Mae, Freddie Mac, HUD or VA guidelines.

The type of project review varies based on the Loan Product, Project Construction Type (New or Established), Occupancy Type, and Loan to Value.

Department Contacts

General questions, scenarios, litigation reviews and project review submissions are to be directed to the PRD mailbox (ProjectReview@Newrez.com).

Project level questions should be directed to the PRD Underwriter reviewing the project.

2. Service Level Commitment

Service Level Agreements (SLA)

Reviews are prioritized by the date they are received and then the earliest of financing contingency or closing date. Loans with financing or contingency or closing dates within 3 days or less of submission request are automatically prioritized. SLAs are as follows:

- **FastTracks – 1 day**

The following review types are eligible for FastTrack:

- Detached waivers for conventional, FHA and VA detached in Michigan
- Fannie/Freddie LCOR waivers
- Fannie/Freddie 2-4 waivers
- FHA Streamline Reviews
- VA IRRRLs
- VA Approved
- Fannie Mae non-expired PERS Approved projects
- NRZ non-expired Approvals

- **Limited/Streamline Reviews and Conditions – 2 days**

- **Full Reviews, Co-ops and FHA SUA's – 3 days**

- As we move to each date, reviews are prioritized by:
 - 1st - Limited Reviews/FastTrack
 - 2nd – Conditions
 - 3rd - Full/CPM/Co-op reviews
 - 4th - HOAQ's, Litigation, Miscellaneous
 - Then we will move to the next date
- Fannie Mae Project Eligibility Waivers:
 - Allow 3 – 5 business days for review (rush requests are NOT considered)
 - \$200 non-refundable charge must be approved by the branch manager (retail & call center) or sales manager (wholesale and correspondent) prior to submission
 - ALL outstanding conditions are required prior to submitting the waiver request to Fannie Mae
 - Loan Level Details are not considered in Project Eligibility Waivers
 - Exceptions are NOT permitted on:
 - Limited Reviews
 - New Construction or Recently Converted Non-Gut Projects (Non-Gut conversions where the sponsor still owns more than 20% of the units)

Service Level Commitment, continued

Service Level Agreements (SLA), continued

- Freddie Mac Condo Project Advisor (CPA) unit-level waivers:
 - Allow 2 days for review, rush requests are NOT considered
 - No fee for CPA unit-level waivers
 - ALL outstanding conditions are required prior to submitting the waiver request to Freddie Mac
 - Loan Level Details are not considered in (CPA) unit-level waiver
 - Established Condominium Projects only, Exceptions are NOT permitted on:
 - Streamline Reviews
 - New Construction or Recently Converted Non-Gut Projects that do not meet established project guidelines as outlined [below](#).
 - Co-ops
 - Waivers considered exclusively for one or more of the following categories:
 - Delinquent Assessments
 - Excessive Commercial Space
 - Pending Litigation
 - Owner Occupancy
 - Reserves for capital expenditures and deferred maintenance
 - Excessive single investor concentration
 - Rec Leases
- Smart Products Exception Requests: 3-5 business days:
 - All outstanding conditions are generally required prior to submitting the exception request
- Dream Big Exceptions are not permitted
- All other Non-Agency Exceptions are not permitted

Rush Requests

PRD will complete each review within the published turn times; however, there may be times when a request to expedite a review may be considered. In these instances, prior approval must be granted by the PRD Team Lead or Manager. The Project Review request should still be sent to the PRD mailbox for consideration; if approved, the PRD Team Lead or Manager will flag the request accordingly. Rush requests will be considered based on current capacity to retain service levels.

Once approved, the Rush request will be reviewed within 24 hours of the Rush approval.

**Project Review
Status**

PRD will review the submission to determine eligibility. A decision of one of the following will be issued within the posted SLA:

- **APPROVED**

- Project Review Waivers/Exempt From Review –Fannie/Freddie LCOR, and 2-4 unit condos
 - Project review conditions are cleared
 - The approval is communicated to the requestor
- Limited/Streamline Condo Reviews:
 - Project review conditions are cleared
 - The approval is communicated to the requestor
- CPM/Full Condo and Co-op Reviews:
 - Record and issue the decision on the Project Approval Form
 - Project review conditions are cleared
 - Communicate the decision to the requestor
 - The Final Decision letter will be uploaded to the loan file by PRD
 - If applicable, the CPM Printout will be uploaded to the loan file by PRD

- **INELIGIBLE**

- Communicate the decision to the requestor
- Issue a Notice of Project Ineligibility Letter if we have a valid loan #, pre-reviews without an active loan will be emailed only, no ineligible letter will be issued
- The Notice of Project Ineligible Letter will be uploaded to the loan file and the loan will be decisioned as “Ineligible”

NOTE: If a project is deemed ineligible, the PRD Underwriter must escalate the findings as “2nd Review Required” to a PRD Team Lead or Manager prior to finalizing the decision.

- **CONDITIONS REQUIRED**

- Conditions are communicated via email to all contacts on the review request
- Complicated conditions will first be called out by the PRD Underwriter
- Project Review Conditions are added in the LOS and will print on the next generated CLA

Service Level Commitment, continued

Project Review Status, continued

- The requestor (AM/Processor, Loan Officer, Correspondent or Broker) will be required to obtain any outstanding documentation requested.
 - Reply to conditions email to submit conditions to the PRD mailbox. Conditions should not be sent directly to the PRD Underwriter as they must be logged and assigned.
 - Every effort should be made to submit all conditions to PRD at the same time; single conditions should not be submitted.

NOTE: There are instances when documentation for a single condition will be reviewed; generally, when that item could impact the eligibility of the project

- **2nd REVIEW REQUIRED**

- If an ineligible decision is recommended or a decision cannot be made, the project review is escalated to a PRD Team Lead or Manager
- PRD will notify the requestor of the escalation

Escalations

If an ineligible decision is recommended or a decision or condition is disputed by Sales, Correspondent, Broker or Operations, he/she may contact the PRD Team Lead or Manager to discuss the issue. Agencies may not be contacted directly via email or telephone.

3. Product/Review Types

Review Requirements

The summaries below outline the review process by product type and required documentation for each Newrez product.

Note: Ineligible Property Types for all Products –

- Ground Leases
- Manufactured Home Condos

FNMA & FHLMC Conforming Loan Products

Fannie Mae and Freddie Mac Conforming Loan Products		
Review Type	Review Process	Required Documentation
Fannie Mae or Freddie Mac LCOR Condo Project Waiver	<p>LCOR = DU/LP scored Limited Cash Out Refinance 80% LTV or less (CLTV or HCLTV ratios may be higher) where applicable Fannie Mae or Freddie Mac own the current mortgage</p> <ul style="list-style-type: none"> • The project is not a condotel • All project review conditions are waived, an HOA cert is not required • Liability & Fidelity insurance are not required • Property insurance per Fannie Mae Selling Guide, Section B7, or, Freddie Mac Seller/Service Guide, Section 4703, as applicable • Flood insurance, if in a flood zone, per Fannie Mae Selling Guide, Section B7, or, Freddie Mac Seller/Service Guide, Section 4703 • If Fannie Mae, Classification is Type V • If Freddie Mac, Classification is Exempt From Review • See LCOR Condo Project Waiver section for more details 	<ul style="list-style-type: none"> • Fannie/Freddie Loan Lookup, • HOA Master Property Insurance • HO6, if applicable • Appraisal, when not waived • Flood Cert • Preliminary Title Report
Fannie Mae or Freddie Mac Detached Condo Project Waiver	<ul style="list-style-type: none"> • The project is not a condotel • The project does not contain any manufactured homes • All project review conditions are waived, an HOA cert is not required • Liability & Fidelity insurance are not required • Property insurance per Fannie Mae Selling Guide, Section B7, or, Freddie Mac Seller/Service Guide, Section 4703, as applicable, individual unit property insurance is allowed without review of condo legals • Appraisal may be on 1004 in lieu of 1073 • If Fannie Mae, Classification is Type V • If Freddie Mac, Classification is Exempt From Review • See Detached Project Waiver Section for more details 	<ul style="list-style-type: none"> • Property Insurance (Master HOA or Unit) • HO6, if applicable • Appraisal, when not waived • Flood Cert • Preliminary Title Report

Product/Review Types, continued

FNMA & FHLMC Conforming Loan Products, continued

<p>Fannie Mae or Freddie Mac 2-4 unit Condo Project Waiver</p>	<ul style="list-style-type: none"> • The project is not a condotel • Entire project consists of no more than four units • All project review conditions are waived, an HOA cert is not required • Liability & Fidelity insurance are not required • Property insurance per Fannie Mae Selling Guide, Section B7, or, Freddie Mac Seller/Service Guide, Section 4703, as applicable • If Fannie Mae, Classification is Type V • If Freddie Mac, Classification is Exempt From Review • See 2-4 Unit Project Review Waiver section for more details 	<ul style="list-style-type: none"> • Master HOA Property Insurance, • HO6, if applicable • Appraisal, when not waived • Flood Cert • Preliminary Title Report
<p>Fannie Mae Limited (Type Q) or Freddie Mac Streamline Condo Review</p>	<p>A Limited/Streamline Review is permitted for:</p> <ul style="list-style-type: none"> • Attached Condo in an Established Project and: <ul style="list-style-type: none"> ○ Primary ≤ 90% LTV/CLTV/HCLTV (FL ≤ 75/90/90%) ○ 2nd Home ≤ 75% LTV/CLTV/HCLTV (FL ≤ 70/75/75%) ○ Investor ≤ 75% LTV/CLTV/HCLTV (FL ≤ 70/75/75%) • Project is not ineligible Per Fannie Mae Selling Guide, Section B4-2.1-03, or, Freddie Mac Seller/Service Guide, Section 5701.3, as applicable • Property insurance per Fannie Mae Selling Guide, Section B7, or, Freddie Mac Seller/Service Guide, Section 4703, as applicable <p>The following are NOT eligible for Limited/Streamline Review:</p> <ul style="list-style-type: none"> ○ Newly Constructed attached condos, ○ Newly Converted projects, defined as projects that do not meet established guidelines. ○ See Condo Limited Streamline Review section for more details 	<ul style="list-style-type: none"> • Conventional Condo Questionnaire or HOA Cert waiver per the Questionnaire section below • Litigation Disclosure, if applicable • Master HOA Insurance • HO6, if applicable • Appraisal, when not waived • Flood Cert • Preliminary Title Report

Product/Review Types, continued

FNMA & FHLMC Conforming Loan Products, continued

<p>Fannie Mae <u>Type S - CPM/Full Review Established</u> or Freddie Mac <u>Established Condo Project</u></p>	<p>A CPM/Full Lender review is required for:</p> <ul style="list-style-type: none"> • Attached Condo in an <i>established*</i> project; if: <ul style="list-style-type: none"> ○ Primary Residence > 90% LTV/CLTV/HCLTV (FL > 75% LTV, 90% CLTV/HCLTV) ○ Second Home > 75% LTV/CLTV/HCLTV (FL > 70% LTV, 75% CLTV?HCLTV) ○ Investment Property > 75% LTV/CLTV/HCLTV (FL > 70% LTV, 75% CLTV/HCLTV) • Project is not ineligible Per Fannie Mae Selling Guide, Section B4-2.1-03, or, Freddie Mac Seller/Servicer Guide, Section 5701.3, as applicable • Project meets all guidelines per Fannie Mae Selling Guide B4-2.2-02 or Freddie Mac Selling Guide, Section 5701.5, as applicable • If project does not meet established guidelines per applicable agency, then project is not eligible for this type of review and must be reviewed as a new project. • Property insurance per Fannie Mae Selling Guide, Section B7, or, Freddie Mac Servicing Guide, Section 4703, as applicable • See FNMA CPM/FHLMC Lender Full Review- Established section for more details <p>* An <i>established</i> project must be complete and not subject to further phasing, control of the HOA must be turned over to the unit owners, and at least 75% (Freddie Mac)/90% (FannieMae) of the units must conveyed to unit purchasers. Projects that do not meet all of these criteria must be reviewed as a new project.</p>	<ul style="list-style-type: none"> • Conventional Condo Questionnaire • Litigation Disclosure, if applicable • HOA Budget • Master HOA Insurance • HO6, if applicable • Appraisal, when not waived • Flood Cert • Preliminary Title Report
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Product/Review Types, continued

FNMA & FHLMC Conforming Loan Products, continued

<p>Fannie Mae Type R CPM/Full Review New Project or Freddie Mac New Condo Project</p>	<p>A CPM/Full Lender review is required for:</p> <ul style="list-style-type: none"> • Attached Condo in a Newly Constructed or recently Converted Project; • Project is not ineligible Per Fannie Mae Selling Guide, Section B4-2.1-03, or Freddie Mac Seller/Servicer Guide, Section 5701.3, as applicable • Project meets all guidelines per Fannie Mae Selling Guide B4-2.2-02 or Freddie Mac Selling Guide, Section 5701.5, as applicable • Project also meets all guidelines per Fannie Mae Selling Guide B4-2.2-03 or Freddie Mac Selling Guide, Section 5701.6, as applicable • Property insurance per Fannie Mae Selling Guide, Section B7, or Freddie Mac Servicing Guide, Section 4703, as applicable <p>See the Condo CPM/Full Review Additional Requirements Section for more details</p>	<ul style="list-style-type: none"> • Conventional Condo Questionnaire • Litigation Disclosure, if applicable • HOA Budget • Master HOA Insurance • HO6, if applicable • Declaration, Bylaws, public report, as applicable for new project reviews • Appraisal • Certification of substantial completion • Flood Cert • Preliminary Title Report
<p>Fannie Mae PERS (Type T) or Freddie Mac Reciprocity</p>	<ul style="list-style-type: none"> • Project has an unexpired Final PERS approval • For Freddie Mac Reciprocity, project meets requirements of Freddie Mac Seller/Servicer Guide, Section 5701.9 • All insurance per Fannie Mae Selling Guide, Section B7, or, Freddie Mac Seller/Servicer Guide, Section 4703, as applicable • See the FNMA PERS section for more details 	<ul style="list-style-type: none"> • Unexpired PERS approval • Master HOA Insurance • HO6, if applicable • Appraisal, when not waived • Flood Cert • Preliminary Title Report

Product/Review Types, continued

**FNMA & FHLMC
Conforming
Loan Products,
continued**

<p>Fannie Mae or Freddie Mac Co-op Review</p>	<p>Full Lender Review is required for all Co-ops.</p> <ul style="list-style-type: none"> Limited review is not permitted LCOR Freddie-to-Freddie permitted per Freddie Mac Seller/Servicing Guide, Section 5705.7 FastTrack is eligible for approved unexpired projects Project is not ineligible Per Fannie Mae Selling Guide, Section B4-2.1-03, or, Freddie Mac Seller/Service Guide, Section 5705.3, as applicable Project meets all guidelines per Fannie Mae Selling Guide B4-2.3-02 or Freddie Mac Selling Guide, Section 5705, as applicable If project does not meet established guidelines per applicable agency, then project is not eligible for this type of review and must be reviewed as a new project. Property insurance per Fannie Mae Selling Guide, Section B7, or, Freddie Mac Servicing Guide, Section 4703, as applicable See Co-op Full Review section for more details 	<ul style="list-style-type: none"> Co-op Project Questionnaire per Section 21.2 below Litigation Disclosure, if applicable 2 years Audited Financials HOA Budget Master HOA Insurance HO6, if applicable Appraisal Offering Plan Amendment, if applicable Co-op Lien Search Stock Certificate, refi only
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Product/Review Types, continued

Non-Agency Conventional Products

Non-Agency Conventional Products		
Review Type	Review Process	Required Documentation
Smart Series excluding SmartEdge	<ul style="list-style-type: none"> • For projects ≤ 10, Newrez will finance only one unit • Follow Fannie Mae guidelines for applicable review type • An HOA Cert is required even if project is PERS approved • 50 basis points price adjustment if project does not meet all Fannie project review guidelines and is approved under non-warrantable expanded eligibility • New or Newly converted projects in FL are eligible with a Full review and must meet the following: <ul style="list-style-type: none"> ○ Maximum LTV/CLTV/HCLTV 60% ○ Maximum NPF exposure in any one project is limited to 20% • Non-Warrantable expanded eligibility <ul style="list-style-type: none"> ○ No maximum investor concentration on investor transactions ○ 50% presale requirement, cumulative and per phase • 25% single entity 	Follow Required Documentation for applicable Fannie Mae Review Type
SmartEdge	<ul style="list-style-type: none"> • Minimum 500 square footage • Warrantable Condos <ul style="list-style-type: none"> ○ Follow Fannie Mae guidelines for applicable review type ○ An HOA Cert per Section 25.2 is required even if project is PERS approved ○ New or newly converted projects in Florida are eligible with a Fannie Mae Full Review and must meet the following (PERS not required): <ul style="list-style-type: none"> ▪ Maximum 60% LTV/CLTV ▪ Maximum Newrez exposure in any one project is 20% • Non-Warrantable expanded eligibility <ul style="list-style-type: none"> ○ Not permitted <ul style="list-style-type: none"> ▪ 2-unit second homes ▪ Resale restrictions ▪ detached & 2-4 waivers ▪ limited review ○ No more than two non-warrantable features are permitted ○ Maximum 50% commercial space and must be typical for the market and compatible with the use of the subject project 	Follow Required Documentation for applicable Fannie Mae Review Type for Warrantable Condos. A full review is required for non-warrantable expanded eligibility. Only Fannie Mae Type R, S or T review types for non-warrantable

Product/Review Types, continued

**Non-Agency
Conventional
Products,
continued**

<p>SmartEdge, continued</p>	<ul style="list-style-type: none"> ○ Single Entity Ownership <ul style="list-style-type: none"> ▪ Maximum 49% ▪ Non-gut conversions maximum 65% <ul style="list-style-type: none"> • Vacated units are not permitted to be released (must be listed for sale) • Existing leases do not get extended • No bulk sales over 10% ○ Past Due HOA Dues: Maximum 25% of total units are 60 days or more past due ○ Recreational Leases: Permitted for amenities such as clubhouse, pool, recreational facilities used by unit owners only or collective HOAs (not open to the public). Mandatory golf memberships, beach clubs and dining memberships are not considered acceptable amenities. ○ Investor Concentration: Maximum 75% when the subject is an investment property ○ Non-Incidental Income: May not make up more than 35% of total HOA budgeted income ○ HOA Replacement Reserve <ul style="list-style-type: none"> ▪ < 10% and > 7.5% if current reserve balance exceeds 10% of operating expenses ▪ < 7.5% and > 5.0% if current reserve balance exceeds 20% of operating expenses ▪ < 5.0% if current reserve balance exceeds 50% of operating expenses ▪ Project balance sheet must be provided within 120 days of Note date ○ Completion: The subject property building, and prior legal phases must be substantially complete. Substantially complete includes the common elements as being complete ○ Pre-Sale Requirements <ul style="list-style-type: none"> ▪ Primary Residence <ul style="list-style-type: none"> • 30% of the units must be sold or under contract as a primary residence or second home on the subject phase; or 	
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Product/Review Types, continued

Non-Agency Conventional Products, continued

SmartEdge, continued	<ul style="list-style-type: none"> • 50% of the units must be sold or under contract as a primary residence or second home on the subject building <ul style="list-style-type: none"> ▪ Second Home or Investment Property <ul style="list-style-type: none"> • 30% of the units must be sold or under contract as a primary residence or second home on the subject phase ○ Litigation will be considered on case-by-case basis. Litigation involving structural integrity will not be considered 	
All other Non-Agency	<ul style="list-style-type: none"> • All other Non-Agency products follow Fannie or Freddie guidelines with some additional restrictions, refer to Product Profile • Products where Newrez is not delegated will require an additional 3 days for investor review • NOTE: Some products may have specific requirements to use applicable lender's form(s) 	Follow Required Documentation for applicable project review type and Product Profile

HUD/FHA Products

HUD/FHA Products		
Review Type	Review Process	Required Documentation
FHA Streamline & Detached	<ul style="list-style-type: none"> • HUD Approval not required • No HOA Questionnaire is required • Detached Condos – the entire project must consist of detached units • See the FHA Streamline & Detached section for details 	<ul style="list-style-type: none"> • Property Insurance (Master HOA or Unit) • HO6, if applicable • Appraisal, when not waived • Flood Cert • Preliminary Title Report

Product/Review Types, continued

HUD/FHA
Products,
continued

<p>FHA HRAP/DELRAP Approved</p>	<ul style="list-style-type: none"> • Project must be unexpired HRAP or DELRAP approved on HUD.GOV • Property insurance is not required to have Building Ordinance or Law. • Project must meet the requirements of Appendix B – FHA Approved Condo Questionnaire, or similar, required • The HUD 9991 is no longer required to be completed by the HOA or property manager. However, the lender still must complete the HUD 9991 to order a case number and for insuring. Provide a standard HOA questionnaire. PRD will transfer the information from the HOA Questionnaire to the HUD 9991 if requested. • See the FHA HRAP/DELRAP Approved Projects Section for more details 	<ul style="list-style-type: none"> • Case Number Assignment • Unexpired HUD Approval • HOA Questionnaire • Litigation Disclosure, if applicable • HOA Master Insurance • HO6, if applicable • Appraisal, when not waived • Flood Cert • Preliminary Title Report
<p>FHA Single Unit Approval (SUA)</p>	<ul style="list-style-type: none"> • Must have TOTAL accept to get maximum loan-to-value (LTV) financing; if manual underwrite then LTV is limited to 90% • Project must not have > 10% FHA loan concentration • Project must be established • Project must have 5 or more units • Project must not be an ineligible project per the requirements of HUD Handbook 4000.1, Section II.A.8.iii. • Max Single Unit Approvals in a project is limited to 10% or 2 units for projects consisting of 10 units or less. This is tracked by FHA Connection. • Financing is not allowed in Coastal Barrier Resources System • Leaseholds are ineligible • The HUD 9991 is no longer required to be completed by the HOA or property manager. However, the lender still must complete the HUD 9991 to order a case number and for insuring. Provide a standard HOA questionnaire PRD will transfer the information from the HOA Questionnaire to the HUD 9991 if requested • See the FHA SUA section for more details 	<ul style="list-style-type: none"> • Project Review Submission Checklist • FHA Case Number Assignment • HOA Questionnaire • Current HOA Budget • Current Balance Sheet, dated within 90-days • Commercial Financials, if applicable – See 9991 for details • Master HOA Insurance • Recorded Condo Declarations/Master Deed & Bylaws • Litigation disclosure, if applicable • Appraisal • Flood Cert • Preliminary Title Report • HO6, if applicable

Product/Review Types, continued

VA Products

VA Products		
Review Type	Review Process	Required Documentation
VA	<ul style="list-style-type: none"> • Condo projects, including detached condos, must be VA Approved on US Department of Veterans Affairs • <u>Exceptions: The following reviews do not require VA approval</u> <ul style="list-style-type: none"> ○ <u>Detached Units in Michigan per VA Circular 26-20-36, dated September 18, 2020</u> ○ <u>VA IRRRLs</u> • Property insurance is not required to have Building Ordinance or Law and co-insurance is acceptable • If appraisal discloses HOA litigation, a litigation disclosure and copy of the claim must be sent to the applicable regional VA office for approval prior to loan approval • See the VA Approval section for more details 	<ul style="list-style-type: none"> • VA Condo Approval • HOA Master Insurance • HO6, if applicable • Appraisal • Flood Cert • Preliminary Title Report

USDA Products

USDA Products		
Review Type	Review Process	Required Documentation
USDA	<p>Condo Project must be approved under one of the following project review types:</p> <ul style="list-style-type: none"> • Fannie or Freddie Project Review Waiver for LCOR, Detached or 2-4 Unit Project • Fannie Mae Limited Review • Freddie Mac Streamline Review • Fannie Mae PERS (Type T) or Freddie Mac Reciprocity • Fannie Mae CPM/Type R or S • Freddie Mac Established or new Full Lender Review • HUD – unexpired HUD approval is acceptable for Condo projects, even with conventional financing • VA – unexpired VA approval is acceptable for Condo projects, even with conventional financing 	Follow Required Documentation for applicable review process

Product/Review Types, continued

Bond Loans

Bond Loans		
Review Type	Review Process	Required Documentation
Bond Loans	Condo Project must be approved under one of the following project review types: <ul style="list-style-type: none"> • Fannie or Freddie Project Review Waiver for Detached or 2-4 Unit Project • Fannie Mae Limited Review • Freddie Mac Streamline Review • Fannie Mae PERS (Type T) or Freddie Mac Reciprocity • Fannie Mae CPM/Type R or S • Freddie Mac Established or new Full Lender Review • HUD – unexpired HUD approval • VA – unexpired VA approval 	Follow Required Documentation for applicable review process

4. Comparison Charts

Condo, PUD and Co-op Comparison

Condo	PUD	Co-op
Unit owner owns the space inside the unit	Property owner owns the interior and exterior of the structure and the land	Unit owners own shares of stock in a corporation
Unit owner owns an undivided interest in the common areas	Property owner owns the lot including the ground beneath the structure and possibly the land in front or behind the structure	No real estate is owned by an individual, the HOA owns the fee interest in the entire project, including the units
Legal description includes a unit number and Declaration of Condominium is recorded on Title	Legal description includes a lot number. Common areas are owned by the association of unit owners	Owners get the right to occupy a unit in the building; subject to a long term proprietary lease or occupancy agreement

New & Established Condo and Co-op Project Comparison

Established Project: If <u>all</u> of the following are true	New Project: If <u>any</u> of the following are true
At least 90% Fannie/75% Freddie of the units have been conveyed to unit purchasers;	Fewer than 90% Fannie/75% Freddie of the total units have been conveyed to the unit purchasers
Project is 100% complete (includes units and common areas)	Project is not fully completed or is newly converted
Project is not subject to additional phasing and/or annexation	Project is subject to additional phasing and/or annexation; or
HOA control has been turned over to unit owners	HOA control has not been turned over to unit owners

5. Product Type Codes

Overview PRD will validate the Project Review Classification in the LOS.

Fannie Mae

Product Type Code	Description
E	Established PUD Project
F	New PUD Project
Q	Limited Review – Established Condo Project
R	CPM/Full Review – New Condo Project
S	CPM/Full Review – Established Condo Project
T	Project Eligibility Review Service (PERS)
U	FHA approved condo project
V	Project Review Waived – Detached, 2-4 units, LCOR ≤ 80%
1	Full Review – Co-op project
2	Fannie Mae Review through PERS – Co-op project

Freddie Mac

Product Type Code	Description
Streamline Review	Established condo project
Established Project	Full Review for established projects or Fannie Reciprocity
New Project	Full Review for new projects or Fannie Reciprocity
Exempt From Review	Detached, 2-4 Unit Projects, and Freddie-to-Freddie LCOR (LCOR includes Co-ops)
Reciprocal Project Reviews	<p>HUD HRAP Approved Established Projects are eligible for Freddie Mac delivery</p> <p>Fannie Mae CPM & PERS review is eligible for Freddie Mac delivery</p> <p>NOTE: Units located in FL approved under Fannie Mae CPM have additional LTV restrictions equivalent to Streamlined Review LTV restrictions in FL,</p>
Co-op	Full Review – Co-op project

6. Ineligible Project Characteristics

Condo & Co-op PRD will review the project to ensure it is not ineligible Per Fannie Mae Selling Guide, Section B4-2.1-03, or, Freddie Mac Selling Guide, Section 5701.3 for Condos and 5705.3 for Co-ops, as applicable to the project review type.

7. Project Insurance Requirements

Overview	PRD will review the HOA project insurance policy to ensure the HOA maintains a master or blanket type of insurance policy Per Fannie Mae Selling Guide, Section B7, or, Freddie Mac Servicing Guide, Section 4703, as applicable to the project review type. All conventional loan products must meet Fannie or Freddie guidelines, as applicable, including non-agency. FHA and VA loans follow similar guidelines, see Product/Review Types Section above for details.
Flood Insurance	When flood insurance is required, a flood insurance dec page is required to evaluate the percentage of coverage as related to the flood replacement cost. Flood replacement cost generally includes all items covered in a property/hazard policy in addition to other items such as the building foundation. If it is determined that the flood replacement cost is less than the property/hazard coverage, a gap flood policy in the amount up to the property/hazard policy limit will be required even if the if the replacement cost on the flood insurance policy is 100% of flood coverage per the flood declaration page.
Loan Assessment	Occasionally, a project may have a master property insurance policy with a deductible that exceeds the 5% maximum, due to a higher per unit deductible for named perils specific to a geographic area (<i>e.g.</i> , ice damming). If the deductible of the project's master policy exceeds the 5% maximum due to a per unit deductible, a loss assessment policy on the borrower's homeowner policy will be required for the amount over the 5% per unit maximum.
Insurance Expiration less than 30-days	If the any of the project insurance policies will expire within 30 days of approval or loan closing, a policy renewal that meets Fannie Mae/Freddie Mac guidelines will be made a Prior to Investor (PTI) condition of the loan.

8. Project Waiver Requests

LCOR Condo Project Review Waiver

Requests:

PRD is notified of all LCOR Project Review Waivers through a request submitted to the PRD mailbox: ProjectReview@Newrez.com.

The requestor must include the following in the communication:

- Loan Number (if applicable), Borrower Name, and Condo Project Name in the subject line of the email.
- All supporting documents must be attached to the email or be indexed in the loan file prior to submission.

Eligibility:

PRD reviews the project documents for the following to determine eligibility:

- LTV of loan is 80% or less.
 - Current mortgage is owned by Fannie Mae/Freddie Mac.
 - Product type and AUS decision match (Fannie = DU, Freddie + LP).
 - Project is not a condotel.
 - Insurance meets applicable project insurance requirements (Liability and Fidelity are not required).
 - Appraisal is consistent with all project review documents.
 - Flood Cert is reviewed to determine flood insurance requirement.
 - Preliminary Title Report is reviewed to verify project legal name and any exceptions that may affect project eligibility.
-

Detached Project Review Waiver

Requests:

PRD is notified of all Detached Project Review Waivers through a request submitted to the PRD mailbox: ProjectReview@Newrez.com.

The requestor must include the following in the communication:

- Loan Number (if applicable), Borrower Name, and Condo Project Name in the subject line of the email.
- All supporting documents must be attached to the email or indexed into loan file prior to submission.

Eligibility:

PRD reviews the project documents for the following to determine eligibility:

- Subject unit is a detached unit.
 - Project is not a condotel.
 - Project does not contain manufactured housing
-

Project Waiver Requests, continued

Detached Project Review Waiver, continued

- Insurance meets applicable project insurance requirements per [Project Insurance Requirements Section](#) above (Liability and Fidelity are not required), individual HO3 policy is acceptable in lieu of master HOA insurance.
 - Appraisal, if applicable, is consistent with all project review documents, can be 1073 or 1004 Form.
 - Flood Cert is reviewed to determine flood insurance requirement.
 - Preliminary Title Report is reviewed to verify project legal name and any exceptions that may affect project eligibility.
-

2-4 Unit Project Review Waiver

Requests:

PRD is notified of all 2-4 Unit Project Review Waivers through a request submitted to the PRD mailbox: ProjectReview@Newrez.com.

The requestor must include the following in the communication:

- Loan Number (if applicable), Borrower Name, and Condo Project Name in the subject line of the email.
- All supporting documents must be attached to the email or be indexed into loan file prior to submission.

Eligibility:

PRD reviews the project documents for the following to determine eligibility:

- Project is a 2-4 Unit project
 - Insurance meets applicable project insurance requirements per [Project Insurance Requirements section](#) above (Liability and Fidelity are not required)
 - Appraisal, if applicable, is consistent with all project review documents
 - Flood Cert is reviewed to determine flood insurance requirement, individual flood insurance is allowed
 - Preliminary Title Report is reviewed to verify project legal name and any exceptions that may affect project eligibility
 - NOTE: Review of Declaration & Bylaws required if Property coverage is by the individual unit owner in lieu of a Master HOA Insurance policy
-

9. Condo Limited/Streamline Review

Requests

PRD is notified of all Limited/Streamline Condo Reviews through a request submitted to the PRD mailbox: ProjectReview@Newrez.com.

The requestor must include the following in the communication:

- Loan Number (if applicable), Borrower Name, and Condo Project Name in the subject line of the email.
 - All supporting documents must be attached to the email or indexed into loan file prior to submission.
-

Eligibility

To be eligible for Limited/Streamline review, the project must be established (per [New & Established Condo and Co-op Project Comparison section](#) above) and the unit must be attached. Occupancy and LTV must meet the following:

PRD reviews the project documents for the following to determine eligibility:

- LTV does not exceed maximum per [Product/Review Types section](#) above by state and occupancy
- Confirm 90% Fannie/75% Freddie of the units have been conveyed
- Project is 100% complete including all units and common elements
- Project is not subject to phasing or annexation
- Control of HOA has been turned over to unit owners
- Project does not have ineligible characteristics per [Ineligible Condo Characteristics section](#) above
- Insurance meets applicable project insurance requirements per [Project Insurance Requirements section](#) above (Fidelity and Liability Insurance are not required for Limited/Streamline reviews)
- Appraisal, if applicable, is consistent with all project review documents
- Flood Cert is reviewed to determine flood insurance requirement
- Preliminary Title Report is reviewed to verify project legal name, fee title, and any exceptions that may indicate project has ineligibility characteristics per [Ineligible Condo Characteristics section](#) above

NOTE: If during the review it is determined that the project does not meet the criteria of a Limited/Streamlined review, if eligible, a recommendation to restructure the loan to another product may be made and applicable additional documentation will be required.

10. Condo FNMA CPM/FHLMC Lender Full Review-Established

Requests

PRD is notified of all CPM/Full Reviews through a request submitted to the PRD mailbox: ProjectReview@Newrez.com.

The requestor must include the following in the communication:

- Loan Number (if applicable), Borrower Name, and Condo Project Name in the subject line of the email.
 - All supporting documents must be attached to the email or be indexed into loan file prior to submission.
-

Eligibility

PRD reviews the project for the following:

- Confirm 90% Fannie/75% Freddie of the units have been conveyed.
 - Project is 100% complete including all units and common elements.
 - Project is not subject to phasing or annexation.
 - Control of HOA has been turned over to unit owners.
 - Project does not have ineligible characteristics per [Ineligible Condo Characteristics section](#) above
 - No more than 15% of the total units are 60 or more days delinquent on HOA dues.
 - At least 10% of the Budget is allocated toward replacement reserves annually.
 - At least 50% of the total units must be O/O or 2nd Homes for Investment transactions.
 - Insurance meets applicable project insurance requirements per [Project Insurance Requirements section](#) above.
 - Appraisal completed on Form 1073 and consistent with all project review documents.
 - Flood Cert is reviewed to determine flood insurance requirement.
 - Preliminary Title Report is reviewed to verify project legal name, fee title, and any exceptions that may indicate project has ineligibility characteristics per [Ineligible Condo Characteristics section](#) above.
-

11. Condo CPM/Full Review Additional Requirements for New Projects

Requirements

The following applies to Attached Units in New Construction and Newly Converted Full-Gut Projects.

PRD reviews the project for the following:

- Project or the subject legal phase, must be “substantially complete,” or subject building for Freddie Mac reviews
- At least 50% of the total units in the project or subject legal phase must have been conveyed or are under contract for sale to principal residence or second home purchasers
- Project must meet Condo Project Legal Review requirements, per B4-2.2-03 of the Fannie Mae Selling Guide or Section 5701.6 of the Freddie Mac Selling Guide, as applicable to the review type
- 1 Year Builder Warranty - If not included within the supporting documentation, the PRD will add "UW to Clear" condition for proof of a 1 Year Builder Warranty
- Projects with a Master Association (MHOA):
 - If the subject property's HOA is a sub-association of an MHOA, then the following is needed only IF the MHOA dues are greater than \$50/unit/month.
 - MHOA Master Insurance Policy
 - Limited Review Questionnaire for MHOA
 - MHOA Budget

NOTE: Newly converted, Non-Gut Rehabilitation projects with more than 4 total units must go through Fannie Mae's PERS approval process. Fannie Mae provides for some exceptions to single entity in these cases that may apply, refer to section B4-2.1-03 of the Fannie Mae Selling Guide.

12. Fannie Mae PERS Approved Condo Review

Requests

PRD is notified of all Fannie Mae PERS Approved Condo Reviews through a request submitted to the PRD mailbox: ProjectReview@Newrez.com.

The requestor must include the following in the communication:

- Loan Number (if applicable), Borrower Name, and Condo Project Name in the subject line of the email
 - All supporting documents must be attached to the email or indexed into loan file prior to submission
-

Eligibility

PRD reviews the project documents for the following to determine eligibility:

- Project has an unexpired Fannie Mae PERS Final approval.
 - Insurance meets applicable project insurance requirements per the [Project Insurance Requirements section](#) above.
 - Appraisal, if applicable, is consistent with all project review documents.
 - Flood Cert is reviewed to determine flood insurance requirement.
 - Preliminary Title Report is reviewed to verify project legal name.
 - LP Scored loans/products that meet all of the above are eligible through Freddie Mac Reciprocity with additional LTV restrictions in FL.
-

13. HUD/FHA Condo Review

Requests

PRD is notified of all FHA Approved Condo Reviews through a request submitted to the PRD mailbox: ProjectReview@Newrez.com.

The requestor must include the following in the communication:

- Loan Number (if applicable), Borrower Name, and Condo Project Name in the subject line of the email
 - All supporting documents must be attached to the email or indexed into loan file prior to submission.
-

Eligibility- FHA Streamline and Detached

PRD reviews the project documents for the following to determine eligibility:

- Subject unit is a detached unit and entire project consists of detached units.
 - Project does not contain manufactured housing.
 - Insurance meets applicable project insurance requirements as required by HUD, individual HO3 policy is acceptable in lieu of master HOA insurance on detached units.
 - Appraisal, if applicable, is consistent with all project review documents.
 - Flood Cert is reviewed to determine flood insurance requirement.
 - Preliminary Title Report is reviewed to verify project legal name.
-

Eligibility- FHA HRAP/DELRAP Approved Projects

PRD reviews the project documents for the following to determine eligibility:

- Project has an unexpired HRAP HUD approval.
 - Project or Subject Phase is complete.
 - Project is at least 50% owner occupied for established project or at least 30% presale and owner occupied for new projects.
 - No more than 15% of the total units are 60 or more days delinquent on HOA dues.
 - No single entity owns more than 50% of the total units in the project.
 - Project is not subject to active or pending litigation.
 - Insurance meets applicable project insurance requirements as required by HUD.
 - Appraisal is consistent with all project review documents.
 - Flood Cert is reviewed to determine flood insurance requirements.
 - Preliminary Title Report is reviewed to verify project legal name.
-

**Eligibility- FHA
Single Unit
Approval (SUA)**

PRD reviews the project documents for the following to determine eligibility:

- Case number has been ordered as Single Unit Approval.
 - Must have TOTAL accept to get maximum loan-to-value (LTV) financing; if manual underwrite then LTV is limited to 90%.
 - Project must not have > 10% FHA loan concentration.
 - Project is established.
 - Project has 5 or more units.
 - Project must not be an ineligible project per HUD Handbook 4000.1, Section II.A.8.iii.
 - Project meets all guidelines for budget and insurance requirements per the requirements of HUD Handbook 4000.1, Section II.A.8.iii.
 - Project is not in Coastal Barrier Resources System.
 - Leaseholds are ineligible.
-

14. VA Approved Condo Eligibility

Requests

PRD is notified of all VA Approved Condo Reviews through a request submitted to the PRD mailbox: ProjectReview@Newrez.com.

Eligibility

PRD reviews the project documents for the following to determine eligibility:

- Project has an unexpired VA approval.
 - Insurance meets applicable project insurance requirements as required by VA.
 - Appraisal is consistent with all project review documents and project is not subject to active or pending litigation.
 - Flood Cert is reviewed to determine flood insurance requirements.
 - Preliminary Title Report is reviewed to verify project legal name.
-

15. Co-op Full Review - Established

Requests

The PRD is notified of all Co-op Reviews through a request submitted to the PRD mailbox: ProjectReview@Newrez.com

The requestor must include the following in the communication:

- Loan Number (if applicable), Borrower Name, and Co-op Project Name in the subject line of the email.
 - All supporting documents must be attached to the email and should be indexed into XDOC prior to submission.
-

Eligibility

The PRD reviews the project for the following:

- Confirm 90% of the units have been conveyed
 - Project is 100% complete including all units and common elements
 - Project is not subject to phasing or annexation
 - Developer or sponsor is no longer in control of the co-op corporation
 - Project does not have ineligible characteristics per Section 8 above
 - Project meets all guidelines per Fannie Mae Selling Guide B4-2.3-02 or Freddie Mac Selling Guide, Section 5705, as applicable
 - Insurance meets applicable project insurance requirements per Section 9 above
 - Appraisal must be completed on Form 2090 and consistent with all project review documents
 - A Lien Search is used lieu of a Title, which does not exist on a Co-op unit to search for judgments, and liens against individuals involved in the transaction, the shares, the proprietary lease, and/or the Co-op itself. UCC Filings identify lender interest in the debt.
 - Located in the eligible geographic locations:
 - New York: 5 Boroughs (Bronx, Brooklyn, Manhattan, Queens and Staten Island), Nassau, Suffolk, Westchester and Rockland Counties
 - New Jersey: Bergen, Essex and Hudson Counties
-

16. Co-op Full Review – New Construction/Newly Converted

Eligibility

The following additional requirements apply to Co-op new construction or newly converted full-gut projects.

The PRD reviews the project for the following:

- Not a newly converted non-gut
 - Project or the subject legal phase, must be “substantially complete”
 - Renewal terms of Proprietary Lease
 - Budget is balanced
 - Insurance is no longer in the Sponsor’s name
-

17. Project Review Forms

**Project
Submission
Request Forms**

A completed Project Submission Request Checklist must be included with all initial submissions.

**Project
Questionnaires**

Questionnaires are valid for 6 months for established projects and 30 days for new projects:

- The HOA may utilize services from HomeWisedocs.com, Condocerts.com, First Service Residential, or like companies in lieu of the NewRez Project Questionnaire; however the Project Review Underwriter may condition for additional information if it could impact the eligibility of the project
 - Questionnaires completed by another bank, mortgage company, lender, broker, escrow company, etc. are not generally accepted but the PRD may review on a case-by-case basis, upon request
 - If the HOA Questionnaire expires, a complete new HOA Questionnaire must be received.
 - HOA Questionnaires may be waived for Limited/Streamline Reviews if the Project Information section of the Appraisal is completed and evidence that the HOA is not subject to ineligible litigation is provided. An HOA Questionnaire may not be waived if loan has an appraisal waiver.
 - The HUD 9991 is no longer required to be completed by the HOA or property manager. However, the lender still must complete the HUD 9991 for insuring and to order a case number for an FHA SUA. Provide a standard HOA questionnaire per HOA cert policy in this section. PRD will transfer the information from the HOA Questionnaire to the HUD 9991 if requested.
-

Resources

Fannie Mae Selling Guide	
B4-2.1-01	General Information on Project Standards
B4-2.1-02	Waiver of Project Review
B4-2.1-03	Ineligible Projects
B4-2.2-01	Limited Review Process
B4-2.2-02	Full Review Process
B4-2.2-03	Full Review: Additional Eligibility Requirements for Attached Units in New and Newly Converted Condo Projects
B4-2.2-04	Geographic-Specific Condo Project Considerations
B4-2.2-05	FHA-Approved Condo Review Eligibility
B4-2.2-07	Project Eligibility Review Service (PERS)
B4-2.3-02	Co-op Project Eligibility
B4-2.3-03	Legal Requirements for Co-op Projects
B4-2.3-04	Loan Eligibility for Co-op Share Loans
B4-2.3-05	Geographic-Specific Co-op Project Considerations
B7-3-04	Property Insurance Coverage for Units in Project Developments
B7-3-07	Flood Insurance Coverage
B7-4-01	Liability Insurance
B7-4-02	Fidelity/Crime Insurance
Selling Guide – Part B: Origination Through Closing	
FAQ – Project Insurance Requirements	
FAQ – Project Standards Requirements	

Freddie Mac Seller/Servicer Guide	
Selling Guide: Chapter 5701	Condimimniums
Selling Guide: Chapter 5702	Planned Unit Developments
Servicing Guide: Chapter 4703	Property Insurance
Condominium Resource Page: Condominium Project Reviews	

FHA
Condominium Resource Page: HUD Approved Condos

VA
Condominium Resource Page: US Department of Veterans Affairs

Appendix, continued

Glossary

Select the following link to access the [Glossary](#)

Revision History

Content Owner	Gretchen Rowe		
Date	Revision	Requested / Approved By	Revised/ Published By
06/28/2021	Guideline updates for all products and brand change.	G. Rowe	E. Melniczek
10/15/2019	Added FHA SUA	G. Rowe	G. Rowe
4/26/2019	Retail & TPO	G. Rowe	G. Rowe
1/2/2019	Retired HARP	G. Rowe	G. Rowe
12/6/2018	Create	G. Rowe	G. Rowe

This procedure is subject to a cyclical review every twelve (12) months or as changes occur; however, a risk assessment, audit examination, management or legal request may result in an interim review.

All employees are required to comply with the procedures outlined within this document. Failure to do so may result in disciplinary action.