

Monday, November 8, 2021

Bulletin #2021-AC-040

NOTICE TO ALL CUSTOMERS

Important Credit Updates

Fannie Mae Condominium Project Requirements

To ensure the ongoing viability of Condominium Projects and in the wake of aging residential condominium buildings, Fannie Mae is updating the eligibility requirements of Condominium Projects containing attached units via [Lender Letter 2021-14](#).

These changes are effective immediately and apply to new loan submissions and loans in the pipeline that close on or after November 16th, 2021.

- Projects with special assessments will require separate documentation to include the reason for the special assessment, the total amount assessed and total amount per unit, repayment, terms, documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project.
- Projects must provide copies of any reports regarding deferred maintenance, and/or inspections received from a regulating or inspection agency to make repairs due to unsafe conditions. (These requirements do not apply to routine maintenance or repairs to maintain and preserve the condition of the project).
- A reserve study is no longer permitted in lieu of meeting the 10% replacement reserve requirement.
- Fannie Mae is changing the status of projects in their Condo Project Manager (CPM) to “Unavailable” when they become aware of projects that do not meet the eligibility requirements noted; therefore, units located in any project with a CPM status of “Unavailable” is ineligible for financing regardless of when the project review was completed.

The above changes affect all Review or Project Type: Limited Review, CPM Review, Lender Full Project Review, Project Review Waived (applicable to Fannie Mae Owned Limited Cash-Out Refinances) thus appraisal waivers may not be eligible if/when the Underwriter cannot determine that all the eligibility requirements are met, and a full appraisal may be required. Likewise, a Limited Review may not be eligible if/when the Underwriter cannot determine that all the eligibility requirements are met.

The updated Lender Full Project Review Exhibit B and the Condominium Limited-Streamline Review forms are available in the Resource Center for immediate use.

Ginnie Mae Seasoning Requirements

Ginnie Mae provided clarification on their interpretation of the seasoning rules in APM 21-06 “Seasoning Requirements for Refinances of Modified loans” where Ginnie Mae requires lenders to confirm modified government loans meet the seasoning requirements based on the first payment due date after the modification. Consequently, FLCBank has updated the seasoning requirements listed on the FHA, VA, and USDA guidelines accordingly.

USDA Student Loan Update

USDA provided additional clarification via Procedure Notice 554 for changes made to Chapter 11 of the 3555-1 Handbook when comes to Deferred Student Loans under non-fixed payment plans. The changes are noted below, and the USDA guidelines have been updated accordingly:

Non-Fixed Payment on Deferred Student loans i.e. Income-Based Repayment (IBR), Income-Contingent (IC), Graduated, Adjustable, and other types of repayment agreements that are not fixed must use:

- One half (.50) percent of the outstanding loan balance documented on the credit report or creditor verification, when the payment amount is zero,
Or
- The current documented payment under the approved repayment plan with the creditor when the payment amount is above zero.

Elite Express Updates

Effective today, Nov 8th, any loans without an approved credit decision, or with a credit decision but without a rate lock must comply with the following changes:

- 2 Full appraisals are required for loan amounts greater than \$1.5MM
- Business assets are unacceptable sources for reserves (there was no restriction prior to the updates to use business funds as reserves)
- Added cash out limits on Primary Residence and Second Home cash-out refinances of \$500,000 (there was no restriction as to the actual cash out taken by borrowers for these types of transactions)
- The Collateral Underwriter (CU) risk score must be used when determining if a CDA Desk Review is required even if the AUS used for underwriting purposes is Loan Product Advisor (LPA):
 - Appraisals with CU risk scores > than 2.5 require a CDA desk review.

To access our most recently updated Temporary Policies Related to COVID-19 (version 44) please [click here](#).

If you have any questions, please contact your [Account Executive or Client Relations Representative](#).