

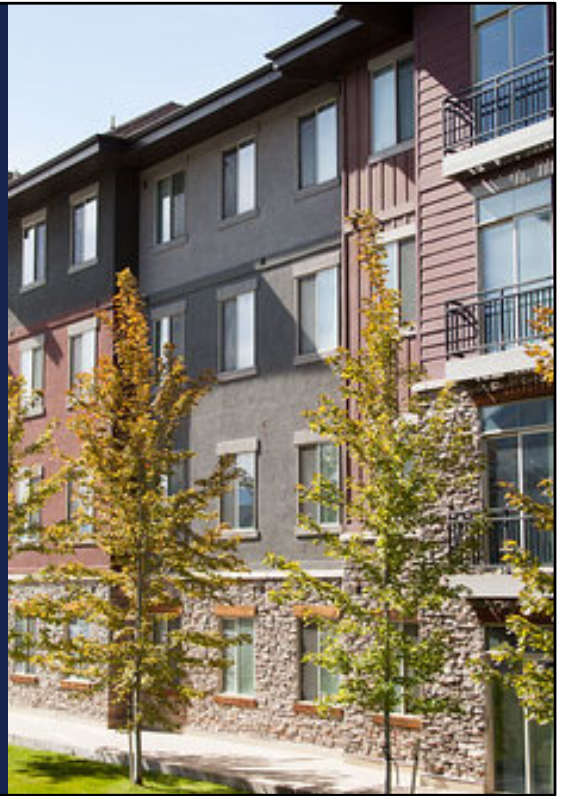
Special Properties

Condominiums and Planned Unit Developments

Single Family Housing Guaranteed Loan Program
(SFHGLP)



November 2020



Welcome to the Special Properties, Condominiums and Planned Unit Developments, training module presented by USDA's Single Family Housing Guaranteed Loan Program.



Let's Review...



Condominiums
and PUDs



HB-1-3555,
Chapter 12,
Section 5



7 CFR 3555.205
and 3555.207

- Special property types such as Condominiums and Planned Unit Developments can provide additional options for homebuyers.
- These types of properties may require additional review by the underwriter and this training module will provide a focused overview of those requirements.

Condominiums

HB-1-3555, Chapter 12.11(A)

1 TYPICAL
Condominium projects typically consist of multi-unit buildings governed by an HOA. Each unit is individually owned with common areas shared by all unit owners.

2 LESS COMMON
It is possible, but less common for condominium projects to consist of detached or attached single family dwellings.

3 HOA DUES
HOA Dues for dwellings in a condominium project must be included in total debt-to-income ratio.

4 ELIGIBILITY
Units are eligible for a guarantee if approved by Fannie Mae, Freddie Mac, HUD or VA.

5 APPLICANTS
Must obtain and maintain individual homeowners' insurance or flood insurance.

6 RIDERS
A Condominium Rider must supplement the Mortgage or Deed of Trust, as applicable.

- Typical condos consist of multi-unit buildings governed by a Home Owner's Association, or HOA.
- Units are individually owned and common areas such as hallways and recreational facilities are owned by all unit owners.
- Less common projects can consist of detached or attached single family dwellings.
- In these cases, it is the HOA and not individual unit owners who are responsible for maintaining the exterior of the dwellings and common areas.
- HOA dues for dwellings are considered debt and must be included in the housing debt-to-income ratio.
- Units in a condo project are eligible for a guarantee if the condo has been approved or accepted by HUD/FHA, VA, Fannie Mae or Freddie Mac. Lenders who meet conditional authority and have staff with expertise in approving condo projects with those agencies, may determine the acceptability of the condo project.
- Applicants remain responsible to obtain and maintain individual homeowners' or flood insurance as applicable.
- The HOA obtains and maintains adequate flood and hazard insurance for the buildings.
- A condominium rider must supplement the Mortgage or Deed of Trust.

- Some examples of ineligible condominiums include:
- Condominium Hotels;
- Timeshares;
- Houseboat Projects;
- And projects with features such as:
- Common Interest Apartments;
- Investment Securities.

Site Condominium Eligibility

HB-1-3555, Chapter 12.11(A)(2)

1 **DETACHED DWELLING**
Single Family totally detached dwelling encumbered by a declaration of condominium covenant or condominium form of ownership.

2 **SHARED STRUCTURES**
Has no shared garage or any other attached buildings such as archways or breezeways.

3 **COMMON AREAS**
Consists of the entire structure, site and air space and is not considered to be common areas or limited common areas.

4 **CONDO RIDER**
A Condominium Rider must supplement the Mortgage or Deed of Trust.

5 **INSURANCE**
Insurance and maintenance costs will be the responsibility of the unit owner.

6 **NON-QUALIFYING UNITS**
Site condominiums that do not meet the criteria must follow Section 12.11.A for condominium approval.

- Project approval may not be required for site condominiums if the following is met:
 1. The Single Family unit is totally detached.
 2. The unit has no shared garage or any other detached buildings.
 3. The unit consists of the entire structure, site and air space and is not considered to be common areas or limited areas.
 4. A condo rider must supplement the Mortgage or Deed of Trust.
 5. The costs of insurance and maintenance are the responsibility of the borrower.
 6. Site condominiums that don't meet these requirements must follow the requirements for condominium approval.

Underwriting with a Condominium Unit

HB-1-3555, Chapter 12.11(A)(3)



Review

- Lender must perform an underwriting review of the condominium project.
- Unit must be approved or accepted by:
 - HUD/FHA
 - VA
 - Fannie Mae, or
 - Freddie Mac

- The lender must perform the underwriting review to ensure that the condominium project meets the approval or acceptance of HUD/FHA, VA, Fannie Mae, or Freddie Mac.

Underwriting with a Condominium Unit

HB-1-3555, Chapter 12.11(A)(3)



Certify

- Lender may certify they have reviewed the documentation and that the condominium complies with the requirements of:
 - HUD/FHA
 - VA
 - Fannie Mae, or
 - Freddie Mac

- Lenders who meet the conditional authority and have staff with applicable expertise will need to provide certification that they have reviewed the necessary documentation to support project approval and that the condominium is in compliance with HUD/FHA, VA, Fannie Mae or Freddie Mac guidelines.

Underwriting with a Condominium Unit

HB-1-3555, Chapter 12.11(A)(3)



Documentation

- Lender may indicate compliance with HUD/FHA, VA, Fannie Mae or Freddie Mac guidelines on the:
 - Uniform Underwriting and Transmittal Summary (FNMA Form 1008, FHLMC Form 1077), and
 - HB-1-3555, Attachment12-B, “Rural Development Condominium Certification”
- Use of the “Condominium Certification” form is optional.

- Lender must indicate compliance by utilizing FNMA Form 1008 or FHLMC Form 1077.
- Use of the Agency’s Rural Development Condominium Certification Form is optional.

Underwriting with a Condominium Unit

HB-1-3555, Chapter 12.11(A)(3)



GUS

- GUS “Accept” Underwriting Recommendation
 - Lender may be requested to present documentation to confirm the unit meets the required eligibility criteria.

- Lenders who utilize the Agency’s automated underwriting system, GUS, and receive an “Accept” underwriting recommendation may be required to show documentation to ensure that the condominium meets the eligibility requirements.

Underwriting with a Condominium Unit

HB-1-3555, Chapter 12.11(A)(3)



Guidance

- Lenders may refer to HUD/FHA, VA, Fannie Mae or Freddie Mac for additional guidance in performing their underwriting review of the project.
- All condominium documentation should remain in the lender's permanent loan file and should be available upon request.

- Lenders may refer to HUD/FHA, VA, Fannie Mae or Freddie Mac for additional guidance in performing the underwriting review.
- All documentation should remain in the lender's permanent loan file and should be made available upon request.

Underwriting with a Condominium Unit

HB-1-3555, Chapter 12.11(A)(3)



Non-Compliant

- If lender fails to certify the unit, full documentation may be requested.
- If there is indication that a unit does not meet the requirements, the Agency will request additional documentation from the lender.
- If the unit does not meet the stated requirements as certified or warranted by the lender, the Agency may refuse to issue a conditional commitment or loan note guarantee.

- If the lender does not provide the certification of the condominium unit, then full documentation may be requested.
- If there is indication that a condo unit does not meet the requirements of HUD, VA, Fannie or Freddie, the Agency will request additional documentation from the lender.
- If the condo unit does not meet the stated requirements as certified by the lender, then the Agency may refuse to issue a conditional commitment or loan note guarantee.

Planned Unit Development

HB-1-3555, Chapter 12.11(B)

A planned unit development (PUD) is a project or subdivision that includes common property that is owned and maintained by a homeowner's association (HOA) for the benefit of use by the individual PUD unit owners.



1

A PUD can consist of condominiums, townhomes or detached single family homes that are served by an HOA.

2

HOA dues for dwellings in a PUD must be included in total debt-to-income calculations.

3

Loans may be guaranteed for PUD single family dwellings the same as for single family dwellings not in a PUD.

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- A planned unit development, or PUD, is a project that includes some common property owned and maintained by an HOA for the benefit of individual owners.
- The mortgage industry, including Government housing programs, does not recognize that PUD dwellings pose any more risk than single family dwellings not part of a PUD.

LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555



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The best way to learn information is to test your knowledge!

QUESTION

Topic

- Question will be bulleted with scenario, or
- Include a statement/question

TRUE/FALSE or other answer options will be displayed



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Each question slide will list:

- the topic
- A question or scenario, and
- potential responses.

ANSWER

Topic

7 CFR Part 3555 and HB-1-3555 references provided

X. Correct Response

- Additional guidance for clarification may be provided



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The answer slide will list:

- The topic
- The reference to the answer from the regulation and handbook
- The correct response, and
- Any additional clarification that may be helpful.

Ready?

LET'S GET
STARTED!



Let's get started!

QUESTION

Special Properties: Condominiums & PUDs

- A condominium is approved by HUD and Fannie Mae.
- It is eligible for a guaranteed loan.

A. TRUE B. FALSE



Read the question on the slide and select a response.

ANSWER

Special Properties: Condominiums & PUDs

3555.205, HB 12.11 A.

A. TRUE

Condominiums must be approved or accepted by at least one of the following entities:

- Fannie Mae
- Freddie Mac
- FHA/HUD
- VA



- True.
- Condominiums are eligible for the SFHGLP if they have been approved or accepted by Fannie Mae, Freddie Mac, FHA/HUD or the VA.

QUESTION

Special Properties: Condominiums & PUDs

- A Condominium Rider must supplement the Mortgage or Deed of Trust.

A. TRUE B. FALSE



Read the question on the slide and select a response.

ANSWER

Special Properties: Condominiums & PUDs

3555.205, HB 12.11 A.

A. TRUE

A Condominium Rider must supplement the Mortgage or Deed of Trust.



- True.
- A condominium Rider must supplement the Mortgage or Deed of Trust.

QUESTION

Special Properties: Condominiums & PUDs

- A condominium timeshare is eligible for a USDA guaranteed loan.

A. TRUE B. FALSE



Read the question on the slide and select a response.

ANSWER

Special Properties: Condominiums & PUDs

3555.205, HB 12.11 A. 1.

B. FALSE

Timeshares, condominium hotels, houseboat properties and other types of condominium projects noted in HB-1-3555, 12.11(A)(1) are not eligible for the guaranteed loan program.



- False.
- Timeshares, condominium hotels, houseboat projects and other types of condominium projects noted in HB-1-3555, Chapter 12.11(A)(1) are not eligible for the guaranteed loan program.

QUESTION

Special Properties: Condominiums & PUDs

- Applicants/Unit Owners are responsible for obtaining individual homeowner's insurance or flood insurance on the condominium or PUD, meanwhile
- Lenders are responsible to ensure that the HOA maintains adequate flood and hazard insurance for the buildings in a condominium project.

A. TRUE B. FALSE



Read the question on the slide and select a response.

ANSWER

Special Properties: Condominiums & PUDs

3555.205, HB 12.11 A.

A. TRUE

Applicants remain responsible to obtain individual homeowner's insurance or flood insurance as applicable.

The lender is responsible for ensuring that the HOA obtains and maintains adequate flood and hazard insurance for buildings in a condominium project.



- True.
- Applicants remain responsible to obtain individual homeowner's insurance or flood insurance as applicable.
- The lender is responsible for ensuring that the HOA obtains and maintains adequate flood and hazard insurance for buildings in a condo project.

QUESTION

Special Properties: Condominiums & PUDs

- Condominiums must be manually underwritten and may not be submitted to the Agency through the Automated Underwriting System, GUS.

A. TRUE B. FALSE



Read the question on the slide and select a response.

ANSWER

Special Properties: Condominiums & PUDs

3555.205, HB 12.11 A. 3.

B. FALSE

Those lenders who utilize the Agency's automated underwriting system, GUS and receive an "Accept" underwriting recommendation may be requested to present documentation confirming the condominium unit meets the eligibility criteria.



- False.
- Lenders may use the GUS automated underwriting system, however, if an "Accept" underwriting recommendation is received, Lenders may be requested to present documentation confirming the condo unit meets the eligibility criteria.

QUESTION

Special Properties: Condominiums & PUDs

- The lender is required to retain all condominium documentation in their permanent loan file.
- The lender must certify the condominium unit meets all requirements of FHA/HUD, VA, Fannie Mae or Freddie Mac.

A. TRUE B. FALSE



Read the question on the slide and select a response.

ANSWER

Special Properties: Condominiums & PUDs

3555.205, HB 12.11 A. 3.

A. TRUE

Participating lenders may certify to Rural Development that they have reviewed the condominium documentation that supports project approval or acceptance and that the condominium is in compliance with FHA/HUD, VA, Fannie Mae or Freddie Mac guidelines.

All condominium documentation should remain in the lender's permanent loan file and should be made available upon request.



- True.
- The lender must perform an underwriting review of the condo project to ensure the unit is approved or accepted by FHA/HUD, VA, Fannie Mae or Freddie Mac.
- The lender must retain all condominium documentation in their permanent loan file and the documentation should be made available upon request.

Way to Go!
LEARNING CHECK
COMPLETED!



Way to go! You have completed the learning checks!

Lender Toolkit



Rural Development has developed numerous tools and resources to assist lenders with originating, processing, and servicing guaranteed loans.

- This training module has provided you with an overview of the key requirements of Condominiums and Planned Unit Developments.
- Complete program requirements and guidance can be found in 7 CFR Part 3555, Subpart E, Sections 3555.205 and .207 and Chapter 12, Section 5, of HB-1-3555.
- Be sure to bookmark these references, save yourself valuable time by using Cntrl-F to quickly search and find answers, and always ensure you are referencing the most current publications.
- The “Program Overview Training” module will assist you in learning how to navigate through all the resources and tools Rural Development has created to assist you.

Have a question on
POLICY?

Contact the PAC team!



Need TRAINING?

Contact the LPA team!



Have a question on a
SPECIFIC FILE?

Contact the OPD!



TOPIC	CONTACT
File-Specific Questions Information to include in email: <ul style="list-style-type: none"> Identify the state the application is located; if applicable; Provide applicant's name and USDA borrower ID, if applicable; GUS loan number, if applicable Include contact information; and Indicate if you would like a call back (otherwise you will receive an email reply) 	Production Team One: SFHGLPONE@usda.gov AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WY, WY Production Team Two: SFHGLPTWO@usda.gov AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK Production Team Three: SFHGLPTHREE@usda.gov CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV Production Team Four: SFHGLPFOUR@usda.gov FL, IN, OH, PA, PR, TN, VA, VI
Lender Approval/Recertification	sfhgld.compliance@usda.gov
Lender Self-Report	sfhgld.compliance@usda.gov
Program Training	sfhgld.lenderpartner@usda.gov
Program Marketing & Outreach	sfhgld.lenderpartner@usda.gov
General Loan Scenario Questions	sfhgld.program@usda.gov
Loan Policy/Regulation/Handbook	sfhgld.program@usda.gov
Loan Servicing	sfhgld.servicing@usda.gov
Technical Issues: GUS	RD.HD@USDA.GOV
Technical Issues: e-Authentication	E-Authentication FAQs: (https://www.eauth.usda.gov/eauth/h/usda/faq) E-Authentication Contact Us: (https://www.eauth.usda.gov/eauth/h/usda/contactus)
Loss Claims	guarantee.svc@usda.gov
Monthly & Quarterly Status Reporting	rd.infaoc.hsb@usda.gov
GUS User Agreements	rd.infaoc.hsb@usda.gov
TOOLS & RESOURCES	
Regulation and Handbook: https://www.rd.usda.gov/resources/gsectures Lender Webpage—Turn times, contact information, and helpful links: https://www.rd.usda.gov/page/sfh-guaranteed-lender USDA LINC—Training modules, user guides, and more useful resources: https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library GovDelivery—Receive notifications regarding origination, servicing, and GUS updates: https://public.govdelivery.com/accounts/USDARD/subscribe/new	

- Users should first look for answers to their questions in the regulation and handbook, but if you still have a question after reviewing your resources, we're here to help.
- All policy and regulation questions regarding the topic we just covered should be sent to our Policy, Analysis, and Communications Branch and
- If you would like to request additional program training, contact our Lender and Partner Activities Branch.


The Single Family Housing Guaranteed Lender webpage was specifically designed for our lending partners and includes information such as:

- Current turn times on new loan applications
- Contact information, and
- Links to program resources such as our 3555 Handbook and the [USDA LINC](#) website.
- Also, don't forget to sign up for our GovDelivery email notifications. Rural Development sends out origination, GUS, and servicing messages to alert lenders of new publications, clarifications, and additional program updates.

Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program and America's rural homebuyers!



www.rd.usda.gov
1 (800) 800-670-6553

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This will conclude the training module. Thank you and have a great day!