

# Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.  
December 12, 2014 • COR14-114

Alert

**Update**

Reminder

Clarification

Training  
Information

Preview

## Extended Temporary FHA Condo Approval Guidelines

SunTrust Mortgage, Inc. extends the Federal Housing Administration (FHA) Temporary Condominium Approval Guidelines originally announced in 2012-18 and later extended in Mortgage Letter 2014-17. These established guidelines will remain in effect until August, 31, 2016.

### Intended Audience

<b>Origination Processing</b>	Secondary Marketing	<b>Underwriting</b>	<b>Closing Delivery Funding</b>	Compliance Legal	Other
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### Effective Dates

No new effective date.

### Background Information

The Department of Housing and Urban Development (HUD) published Mortgagee Letter 2012-18 (ML12-18) on September 13, 2012 outlining a temporary approval process for condominiums. On August 29, 2014, HUD announced an extension of those temporary guidelines until August 31, 2016. Correspondent lenders should follow the guidance in these mortgagee letters.

### Bulletin Details

#### FHA Temporary Condominium Project Approval Guidelines

We are updating our FHA condominium approval guidelines with the temporary guidance issued by HUD from Mortgage Letter 2012-18.

#### Highlights of the Temporary Guidance

Highlights of the temporary guidance is reflected in the table below.

### Action Required

**Correspondent Lenders, Origination and Processing, Underwriting, Closing, Delivery and Funding Starting December 12, 2014**

Follow published guidelines.

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## Bulletin Details, continued

### Highlights of the Temporary Guidance, continued

Topic	Revised Guideline
Ineligible Condominium Projects	<p>The following project types are ineligible for delivery to SunTrust Mortgage:</p> <ul style="list-style-type: none"> <li>• Projects containing less than two units.</li> <li>• Condominium Hotels (aka “Condotels”)</li> <li>• Manufactured housing projects considered condominiums</li> <li>• Timeshares or segmented ownership projects</li> <li>• Houseboat projects</li> <li>• Multi-dwelling unit projects (more than one unit on a single deed or mortgage)</li> <li>• Projects in which a single person/entity owns more than 50% of the units</li> </ul> <p><b>Notes:</b></p> <ul style="list-style-type: none"> <li>• For all existing or non-gut rehabilitation projects, any investor/entity (single or multiple owner entities) may own up to fifty percent (50%) of the total units at the time of project approval if at least fifty percent (50%) of the total units in the project have been conveyed or are under a bona fide contract for purchase to owner-occupant principal residence purchasers</li> <li>• Unoccupied and unsold units owned by a builder/developer are not considered as investor owned and subject to the requirements unless the unit is currently rented or has previously been occupied.</li> <li>• Eligible non-profit and/or eligible governmental housing programs are subject to the same investor and owner-occupied percentage requirements stated above.</li> <li>• Projects with commercial space in excess of twenty-five percent (25%) or projects that are not deemed primarily residential unless the project has received an exception from HUD following the process outlined in HUD ML 2012-18.</li> <li>• Projects in which more than fifteen percent (15%) of the unit owners are over sixty (60) days delinquent on their association fees/assessments, not including any late fees or other administrative expenses. This includes all units (occupied, investor, bank-owned and vacant).</li> </ul>
Exception Requests for Mixed-Use Developments Unable to Satisfy the 25% and/or 35% Space Requirements	<p>The following guidance must be followed when requesting an exception:</p> <ul style="list-style-type: none"> <li>• Exception requests will only be considered on a case-by-case basis. All requests must be submitted to the Philadelphia HOC. FHA reserves the right to reject any exception request received. Based on the HOC review, additional information and/or documentation may be required. Granting an exception does not change the requirement that the project’s use remains primarily residential, homogenous with residential use and is free of adverse conditions to the occupants of the individual condominium units.</li> </ul>
Insurance Requirements	<p>Condominium projects must be insured under a master insurance policy that meets the following requirements regardless of the project approval method used:</p> <ul style="list-style-type: none"> <li>• Hazard insurance must be no less than 100% replacement coverage.</li> <li>• Gap insurance is not allowed.</li> <li>• General Liability insurance with minimum coverage of \$1,000,000 is required</li> <li>• Fidelity Bond Insurance is required for all Condominium projects with more than 20. Unless a different amount is required under state law, coverage must meet or exceed the sum of three (3) months HOA dues and reserves currently held by the Condominium Association.</li> <li>• If the condominium is professionally managed, either the management company must have its own fidelity bond insurance policy or the condominium association’s fidelity bond policy must either: <ul style="list-style-type: none"> <li>• Specifically name the management company as an agent or insured; or</li> <li>• Include a “Covered Employee” endorsement that states that a person employed by an employment contractor (Management Company) performing services subject to direction and control by the condominium association is covered under the policy.</li> </ul> </li> <li>• Complete copies of policies or policy endorsements referred to as “Crime or Employee Dishonesty” may be required to determine if the appropriate persons are covered.</li> </ul>

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## Bulletin Details, continued

### Highlights of the Temporary Guidance, continued

Topic	Revised Guideline
Certification for Individual Unit Financing (Loan Level Certification)	<ul style="list-style-type: none"><li>For condominium projects appearing on HUD's FHA approved condominiums list, a <i>Certification for Individual Unit Financing Form</i> must be signed by the DE Underwriter prior to closing.</li><li>For the Certification for Individual Unit Financing (Loan Level Certification) to be valid, the following requirements must be met:<ul style="list-style-type: none"><li>For existing or non-gut rehab conversion projects, a minimum of 50% of units must be owner occupied (Second homes and non-owner occupied transactions are not to be included in the occupancy calculation).</li><li>For proposed or under construction condominium projects, a minimum of 30% of units must be conveyed or under ratified contract to owner occupied purchasers.</li><li>The number of units over 60 days past due on association fees cannot exceed 15%</li><li>No single person/entity can own more than 50% of the units within the project.</li><li>FHA's insurance requirements must be met.</li></ul></li></ul>

### Condominium Contact Information

Correspondent lenders should send questions and requests to the [mortgage.condodesk@suntrust.com](mailto:mortgage.condodesk@suntrust.com) email box or continue to call the toll free number at 800.382.2111.

### Revised Material

Click [Condominium and PUD Approval Requirements](#) and [Hazard and Flood Insurance Guidelines](#) to review the revised material.

## Former Guidelines

Previously, SunTrust Mortgage did not publish the temporary guidance issued by HUD.

## Other Resources

Support Group	Description and Contact Information:
Correspondent Relations Coordinator	Specific questions on applying this procedure to specific loan files. Direct contact information for each correspondent relations coordinator is located in General Section 1.01: The Correspondent Division.
Emerging Banker Account Executive	Specific questions on applying this procedure to specific loan files. Direct contact information for each account executive is located in General Section 1.01: The Correspondent Division.
Product Support	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact Product Support at 800.382.2111.

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