VA Lenders Handbook (VA Pamphlet 26-7), Chapter 11, Topic 12 — Condominiums

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12. Condominiums Change Date February 22, 2019 • This Chapter has been revised in its entirety. a. Condominium Development Accepted by VA All condominium units, including site condominiums and manufactured home condominiums, must be located in a condominium development that has been accepted by VA prior to loan guaranty. SARs receiving an appraisal for a condominium unit in a development that has not been at least conditionally accepted by VA may not issue the NOV. b. Avoid Unnecessary Appraisal Fee Ensuring that the condominium is accepted by VA before ordering the appraisal is recommended to avoid an unnecessary appraisal fee in the event that the condominium is not accepted by VA. c. Ineligible Property Types Condo-hotel properties where units are placed in a rental pool and “air” condominiums that do not have a homeowners association are not eligible for appraisal as these condominiums do not meet VA guidelines. If a question arises as to whether or not a condominium would be accepted by VA, VA acceptance should be requested (see subsection g of this Topic). d. HUD/FHA Review Process VA no longer accepts HUD/FHA condominium approvals as the condominium approval requirements differ from VA’s requirements. e. Spot Approvals VA does not perform “spot” approvals of individual condominium units within a condominium development. f. Condominium List Available Online A list of VA-accepted condominium developments, with any conditions needed for approval, and condominium ID numbers, may be found at https://vip.vba.va.gov/portal/VBAH/Home under “Featured Items” in “Condo Reports”. Continued on next page VA Pamphlet 26-7, Revised Chapter 11: Appraisal Report 11-17 12. Condominiums, continued g. Documents Needed for Review Lenders seeking VA acceptance of a condominium which has not already been reviewed by VA must establish a record for the condominium in WebLGY and upload the following documents in PDF format in this stacking order: • Declaration • Bylaws • Amendments • Plat Map • Rules and Regulations • Meeting Minutes • Budget • Special Assessment Letter • Litigation Letter • Presale Letter • Any additional documents h. Legal Review Results When the required documents are uploaded, the RLC will request a review by VA’s legal counsel. The RLC will notify the requester of the results of the review and update the status of the condominium in WebLGY. Continued on next page VA Pamphlet 26-7, Revised Chapter 11: Appraisal Report 11-18 12. Condominiums, continued i. Appraisal Requirements In most cases, the appraiser will prepare the appraisal on Fannie Mae Form 1073, Individual Condominium Unit Appraisal Report. Appraisals of manufactured home condominium units must be prepared on Fannie Mae Form 1004C, Manufactured Home Appraisal Report, with the details about the condominium development usually provided in the Project Information Section of the condominium appraisal form included within the appraisal report. Liquidation appraisals of condominium units must be prepared on Fannie Mae Form 1075, Exterior-Only Inspection Individual Condominium Unit Appraisal Report, if interior access was not provided. In the Condominium Appraisal Report, the appraiser will: • indicate which utilities are included in the monthly homeowners association fee, • comment on the adequacy of the monthly assessment, based upon the

appraiser's opinion of the adequacy of the project's budget and a comparison to similar condominium developments, • recommend a fair assessment if the current assessment is considered inadequate, and • report any known pending litigation involving the subject condominium development or its homeowners association. j. Pre-sale Requirement For new condominium developments, a pre-sale requirement of 70 percent must be included on the NOV and satisfied prior to VA loan guaranty. k. Wood- destroying Insect Reports A wood-destroying insect inspection is not required on units in low-rise or high-rise condominiums (units are stacked vertically), unless the appraiser notes a potential infestation problem. For site condominiums and villa/townhome style condominiums where units are side by side, located in a "very heavy" or "moderate to heavy" zone, a wood-destroying insect inspection must be required on the NOV unless evidence of a treatment guarantee has been provided by the homeowners association. VA Pamphlet 26-7, Revised Chapter 11: Appraisal Report 11-19

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