

Homeowner's Association Cert – Answer Key

Form 25A



1.	All common areas and any recreational facilities are complete for legal phase. If completion is in question, obtain the Final Certification of Substantial Completion (FNMA 1081). If incomplete, provide evidence that developer has posted a surety bond or other financial guaranty of completion. The HOA must be able to support the cost of these amenities.
2.	Additional phasing and add ons allowed.
3.	Legal phase of conversion must be complete.
4.	Developer or unit owners may be in control.
5.	The date when first units made available is used to determine if the project is selling at an acceptable rate. Any project indicating sales may be lagging should have a full project approval completed.
6.	No minimum
7.	Primary and second/vacation home – 50% sold to bona fide purchasers who have either closed or have executed purchase contracts Investment occupied transactions – 70% sold to bona fide purchasers who have either closed or have executed purchase contracts Re-certification = If the number of units sold has decreased by more than 10% from previous HOA 921 cert, a full project approval is required.
8.	Include in presale.
9.	Maximum 40% (of total number of units sold) rental
10.	The number of units sold within the last 60 days should be consistent with the total sales listed on line #6. If sales within the last 60 days are disproportionately lower, determine if a full project review is required.
11.	No more than 10% of units may be owned by one investor.
12.	If over 15%, excessive. Have HOA address reasons, and what they are doing to correct; consider risk.
13.	If "yes", obtain details and consider impact on all units and marketability. (Note: a newer project generally has pending assessments.)
14.	If "yes", obtain details and consider risk. Examples: (1) HOA suing individual owners for unpaid dues is usually acceptable. (2) HOA being sued for a "slip and fall" liability issue will usually be acceptable, so long as suit will not be for more than general liability insurance coverage. (3) HOA suing developer for structural defects is usually not acceptable, unless all repairs are completed and costs paid (so that suit is only to recover paid repair costs).
15.	If "yes", appraiser must address impact on value and marketability.
16.	Reserve fund is not required but recommended, especially on older projects that may have major repairs or maintenance.
17.	Used to calculate fidelity bond insurance
18.	See condo eligibility requirements in section 820.14 of Wells Fargo Funding Seller Guide if project has: <ul style="list-style-type: none"> • Age Restrictions • First Right of Refusal Refer to Freddie Mac Seller/Servicer Guide section 22.23 – 22.25 for other deed or income restrictions (inclusionary zoning).
19.	If no, project is ineligible.
20.	If lease, must meet leasehold guidelines.
21.	If no, project is ineligible.
22.	If yes and responsible for more than 6 months, project is ineligible.
23.	If nightly rental but no other condotel features or services, acceptable for purchase and rate term refinance of primary or 2 nd /vacation home.
24.	<= 25%
25.	If yes, project is ineligible.
26.	HOA must be the named insured
27.	Must be insured to 100% replacement cost
28.	Deductible no more than 5% of total coverage. The total coverage amount should make sense for the size project. Insurance must be in force at loan closing.
29.	If "yes", must carry flood insurance. Must be at least 80% of current replacement or the max available. Deductible cannot exceed \$25,000.
30.	Must be \$1 million per occurrence
31.	Fidelity bond coverage is required for projects over 20 units (or per state requirements). The coverage must equal 3 mos HOA dues + reserves (refer to #15: divide total budgeted for the year by 4 and add reserves) See Wells Fargo Funding Seller Guide section 820.14 for reductions in fidelity bond insurance.
32.	Minimum 10 days