

*Announcement 05-03*

*May 20, 2005*

*Amends these Guides: Selling*

### *Condominium Project Acceptance*

Fannie Mae is committed to expanding opportunities for homeownership. Condominium ownership typically offers a more affordable alternative to owning a single-family detached home. To make condominium ownership a possibility for more homebuyers, we have substantially revised our condominium review and acceptance guidelines to:

- enable lenders to determine project acceptance for more projects;
- broaden the eligibility criteria;
- streamline the project acceptance process by reducing the number of requirements and by using technology; and
- modify loan delivery instructions.

The changes will make it faster and easier for lenders to provide financing for borrowers who purchase or refinance condominium units.

The scope of the guideline changes and the revisions to specific eligibility criteria vary depending upon the process by which a condominium project is reviewed. Our previous guidelines provided for project reviews based on project age, completion status, and loan-specific criteria, and were identified with project type codes of A, B, and C. Our new guidelines eliminate the A, B, and C condominium project identifiers and provide lenders with the tools to review and approve most projects. The new guidelines offer the four project acceptance processes listed below by which a loan secured by a condominium unit can be delivered to Fannie Mae. Complete details on these processes, including the unique eligibility criteria associated with each and the factors that determine which process or processes may be used with a project, are provided in this Announcement.

- A. Lender-delegated Limited Review** – Eligibility for Limited Review is based upon certain loan-level characteristics, including LTV, occupancy, and the Desktop Underwriter® (DU™) recommendation, if applicable. To allow more loans to qualify for this process, we have expanded the eligibility criteria for loans that are secured by units in condominium projects that qualify for Limited Review.

**B. Fannie Mae Review (“1028”)** – Certain condominium projects require a more comprehensive review and must be forwarded to Fannie Mae staff for review and acceptance. We have reduced the number of projects that must be submitted to Fannie Mae for review; streamlined the Fannie Mae Review process; simplified the document submission requirements; expanded the eligibility criteria; and reduced the presale requirements on all such projects from 70 percent to 50 percent. In addition, we have increased the total allowable investor concentration within projects and significantly reduced our legal requirements.

**C. Lender-delegated Expedited Review** – We are introducing a new, simplified lender-delegated review process that will be available for most condominium projects. The introduction of Expedited Review significantly reduces the number of projects requiring a Fannie Mae Review. Guidelines for new projects reviewed under Expedited Review eliminate the need for legal review and homeowner’s association budget review and, depending on individual project characteristics, may provide for presale requirements lower than our new Fannie Mae Review standard of 50 percent.

This new Expedited Review process will be supported by the introduction of Condo Project Manager™ (CPM™), a Web-based application that will be available to all lenders on [www.eFannieMae.com](http://www.eFannieMae.com). CPM will provide a clearly defined condominium project acceptance path with a step-by-step process for lenders to enter condominium project data and receive findings on project acceptability. (Condo Project Manager™ and CPM™ are trademarks of Fannie Mae.)

**D. FHA-approved Projects** – We will accept for delivery, without Fannie Mae project acceptance, most loans secured by units in condominium projects on the FHA-approved condominium list.

In this Announcement, we also introduce new project review codes to be used when entering condominium data into the MORNET® delivery system, reiterate our requirements for entering condominium addresses into MORNET (both covered below in Section II, Loan Delivery Instructions), and specify guideline change effective dates (details below in Section III, Effective Dates).

## **Selling Guide Part XII: Project Standards**

All provisions of Selling Guide Part XII applicable to cooperatives and PUDs shall continue to apply. Except for changes described in this Announcement, all provisions of Part XII applicable to condominiums shall continue to apply, including, but not limited to:

- Chapter 1, Section 102, Ineligible Projects. Ineligible projects include:
  - condominium hotels;
  - timeshare or segmented ownership projects;
  - houseboat projects;

- multi-dwelling unit condominiums;
- condominiums that represent a legal, but non-conforming use of the land, if zoning regulations prohibit rebuilding the improvements to current density in the event of their full or partial destruction;
- any project for which the owner's association or developer (if the project has not been turned over to the owner's association) is named as a party to current litigation;
- Chapter 1, Section 105, Warranty of Project Eligibility; and
- Chapter 7, Insurance Requirements

In addition, the following definitions of new and established projects apply:

New projects are projects in which less than 90 percent of the total units have been conveyed to the unit purchasers. New projects also include projects that are not fully complete, such as proposed construction, new construction, or the proposed or incomplete conversion of an existing building to a condominium.

Established projects are projects in which 90 percent or more of the total units have been conveyed to the unit purchasers, and the project is complete.

## **I. Updated Guidelines for Condominium Project Acceptance Processes**

The new guidelines offer the following four project acceptance processes by which a loan secured by a condominium unit can be delivered to Fannie Mae.

### **A. Lender-delegated Limited Review**

A loan secured by a condominium unit may qualify for Limited Review based on the LTV and occupancy characteristics of the loan.

Effective with this Announcement, Fannie Mae will offer broader eligibility criteria for Limited Review of attached condominiums. The following guidelines now apply as the criteria for Limited Review eligibility and thus replace Selling Guide Part XII: Section 104.01, Delivery of Low-Ratio Mortgages Secured by Attached Units.

Limited Review eligibility criteria differ depending upon whether a lender submits the loan through DU or chooses to evaluate the loan outside of DU.

For a loan at any LTV (CLTV) with a DU-Approve recommendation, a Limited Review is permitted if the unit is an owner-occupied principal residence. Limited Review is also permitted for a loan with a DU-Approve recommendation if the unit will be used as an investment property and the loan has a loan-to-value (or CLTV) ratio of 75 percent or less.

For all DU-underwritten or manually underwritten loans, a Limited Review is permitted if the unit is an owner-occupied principal residence and the loan has a loan-to-value (or CLTV) ratio of 80 percent or less. Limited Review is also permitted if the unit will be used as a second home and the loan has a loan-to-value (or CLTV) ratio of 75 percent or less.

When a lender performs a Limited Review, it warrants that the project is not an ineligible project as defined in Selling Guide Part XII: Section 102, Ineligible Projects; that the mortgage it is delivering is not secured by a manufactured home; that the units, common areas, and facilities within the subject legal phase have been completed; and that the project is covered by the required insurance as set forth in Selling Guide Part XII: Chapter 7, Insurance Requirements.

Limited Review: Attached Condominium Units <sup>1</sup>			
Occupancy	Maximum LTV/CLTV%		
	DU Approve <sup>2</sup>	All Other DU Recommendations	Manual Underwriting
Principal Residence	All LTVs/CLTVs	≤ 80%	≤ 80%
Second Home	≤ 75%	≤ 75%	≤ 75%
Investment Property	≤ 75%	Not allowed	Not allowed

<sup>1</sup> The lender warrants that:

- The project is not an ineligible project in accordance with Selling Guide Part XII: Section 102, Ineligible Projects;
- The mortgage is not secured by a manufactured home;
- The units, common areas, and facilities within the subject legal phase have been completed; and
- The project is covered by the required insurance in accordance with Selling Guide Part XII: Chapter 7, Insurance Requirements.

<sup>2</sup>Does not include Expanded Approval Recommendations.

DU will be updated in a future release to reflect these modifications to our eligibility criteria for a Limited Review. However lenders may apply these guidelines immediately.

There are no changes to the Limited Review process for **detached** condominiums as set forth in Selling Guide Part XII: Section 104.02, Delivery of Mortgages Secured by Detached Condominium Units.

## B. Fannie Mae Review (“1028”)

When a lender submits a condominium project to Fannie Mae for review and acceptance, it is referred to as a Fannie Mae Review. (Fannie Mae Reviews have often been referred to as “Type C” or as “1028” reviews, referencing the form that Fannie Mae issues upon final project acceptance.)

Projects that have been reviewed and accepted by Fannie Mae appear on the list of Fannie Mae-Accepted Condominium, Cooperatives, and Planned Unit Developments on [www.eFannieMae.com](http://www.eFannieMae.com). Any lender can deliver loans in condominium projects that appear on this list without further project review, provided the lender verifies that the project is covered by the required insurance as set forth in Selling Guide Part XII: Chapter 7, Insurance Requirements. When a lender delivers a loan secured by a condominium unit in a project that is accepted pursuant to Fannie Mae Review, the lender makes the warranty of project eligibility set forth in Selling Guide Part XII: Section 105, Warranty of Project Eligibility.

Lenders **may** submit any project to Fannie Mae for project acceptance if they want the project to appear on the list of Fannie Mae-Accepted Condominium, Cooperatives, and Planned Unit Developments. Some condominium projects, however, **must** be submitted to Fannie Mae for review and acceptance.

Effective with this Announcement, we have reduced the number of project types that must be submitted to Fannie Mae. The only projects that must be submitted for Fannie Mae review are **new projects** with one or more of the following characteristics:

- The project consists of more than 200 units.
- The project is built on a leasehold estate.
- The project is an apartment-to-condominium conversion that is not gut rehabilitation. (Gut rehabilitation refers to the renovation of a property down to the shell with replacement of all HVAC and electrical components.)

However, if Limited Review eligibility requirements are met for a subject loan, then that loan will be eligible for Limited Review even if the condominium unit is located in a project that has one or more of the three characteristics mentioned above.

A Fannie Mae Review is always required for new and established condominium projects comprised of manufactured homes.

## **1. General Project Underwriting Requirements for Fannie Mae Review**

In addition to reducing the number of project types that must be submitted for a Fannie Mae Review, effective with this Announcement, we have streamlined our condominium project underwriting requirements. When underwriting a project for submission to Fannie Mae, lenders must analyze the project to make sure the following requirements are met:

- For a new project, at least 50 percent of the total units in the project must have been conveyed (or must be under contract to be sold) to principal residence purchasers or second home purchasers. (Prior to this Announcement, we required 70 percent.) For a specific phase (or phases) in a new project, at least 50 percent of the total units in the subject phase(s) considered together with all prior phases must have been conveyed (or must be under contract to be sold) to principal residence purchasers or second home purchasers.
- For an established project, at least 50 percent of the units in the entire project must have been conveyed to principal residence purchasers or second home purchasers (prior to this Announcement, we required 60 percent).
- Consistent with our current requirements, in the case of new and established projects, no single entity, (the same individual, investor group, partnership, or corporation) other than the developer during the initial sales period, may own more than 10 percent of the total units in the project.

- For established projects, control of the homeowner's association must have been turned over to the unit purchasers. We have, however, eliminated the requirement that unit purchasers must have been in control of the association for at least two years.

## **2. Environmental Hazard Assessments**

Phase I and II environmental hazard assessments no longer are required unless the lender identifies an environmental problem through the performance of its project underwriting and/or due diligence. Guidelines for conducting an environmental hazard assessment are provided in Selling Guide Part XII: Chapter 8, Environmental Hazard Assessments.

## **3. Legal Requirements: Lender Representations and Warranties**

The project must comply with our legal requirements, however we have eliminated many of those requirements. The remaining legal requirements are included with this Announcement as Attachment 1 and shall replace Selling Guide Part XII: Chapter 6, Legal Requirements, as it relates to condominiums.

## **4. Forms**

Revisions have been made to several of the forms required for the Fannie Mae Review process. Lenders may download the revised forms from [www.eFannieMae.com](http://www.eFannieMae.com).

- *Application for Project Acceptance* (Form 1026) May 2005
- *Warranty of Presales* (Form 1029) May 2005
- *Final Certification of Substantial Completion* (Form 1081) May 2005
- *Application for Acceptance of Established Project* (Form 1091) May 2005

These forms shall replace all prior versions and should be used as specified in Selling Guide Part XII: Chapter 3, Type C Condominiums.

The following forms are no longer required for submission of condominium projects for Fannie Mae Review:

- *Overall Development Plan/Master Association* (Form 1051); and
- *Warranty of Project Legal Documents* (Form 1054).

## **Other Selling Guide Changes**

The guidelines in Selling Guide Part XII: Chapter 3, Type C Condominiums continue to apply to the Fannie Mae Review process. However, the following Sections are replaced in their entirety by this Announcement:

- Section 301, New Type C Condominium Projects, paragraphs (b) and (d);
- Section 301.01, Underwriting Considerations, Subpart G, Presale Requirements;

- Section 302, Established Type C Condominium Projects, paragraphs (b) and (c); and
- Section 302.01, Underwriting Considerations, Subpart C, Presale Requirements.

### **C. Lender-delegated Expedited Review**

Expedited Review is a new lender-delegated condominium project acceptance process that provides a streamlined, straightforward review process, with the most flexible presale and investor concentration criteria. This process also eliminates the need for legal review and homeowner's association budget review.

When a lender delivers a loan secured by a condominium unit in a project that is accepted pursuant to Expedited Review, the lender makes the warranty of project eligibility set forth in Selling Guide Part XII: Section 105, Warranty of Project Eligibility. In addition, the lender represents and warrants that (i) the project is not an ineligible project as defined in Selling Guide Part XII: Section 102, Ineligible Projects, and (ii) the project is covered by the required insurance as set forth in Selling Guide Part XII: Chapter 7, Insurance Requirements.

Note that Expedited Review is not permitted when a Fannie Mae Review is required, as described in the Fannie Mae Review section above.

The Expedited Review process will be supported by a new project acceptance system available on [www.eFannieMae.com](http://www.eFannieMae.com). The new system, Condo Project Manager (CPM), will provide lenders with a process to enter a streamlined level of project data online, will issue lender-specific project acceptance, and will track the status of delegated project reviews each lender has submitted. Additionally, CPM will provide lenders with access to the list of projects that already have been accepted by Fannie Mae. CPM is scheduled for release in August 2005, and there is no cost to lenders to use the system. A CPM User Guide will be available electronically on [www.eFannieMae.com](http://www.eFannieMae.com) to guide lenders through the registration process and use of the system.

When using CPM, the lender answers a series of questions relating to eligibility criteria such as project completion, property ownership, presales, single investor concentration, project insurance, and other project information. Many of the answers will be based on information contained in the property appraisal. When the lender answers the questions in CPM, the lender represents and warrants that the answers are true and correct. Based on the data the lender enters, the system responds with findings on project acceptability.

CPM may accept the project, decline to accept the project, or prompt the lender to contact the Fannie Mae project acceptance team at 626-396-5100 (Pasadena) or 215-575-1400 (Philadelphia). After further review and inquiry, Fannie Mae's project acceptance team may either accept the project, require the lender to submit the project for Fannie Mae Review, or in some cases, the project acceptance team may decline to accept the project. For accepted projects, the lender must maintain a printed copy of the project acceptance certification in its loan file.



Expedited Review guidelines differ depending upon whether the project is a new project, established project, or two-unit to four-unit project, as follows:

**1. Expedited Review of New Projects (Except Two-Unit to Four-Unit Projects)**

The lender is required to use CPM to obtain project acceptance for new projects under the Expedited Review process. As of the date that CPM becomes available, the changes related to the Expedited Review of new projects shall replace Selling Guide Part XII: Section 202.02, Larger Projects with More Than Four Dwelling Units (“Type B Condominium Projects”).

The more flexible presale and investor concentration criteria for new projects discussed in the Fannie Mae Review section earlier in this Announcement will apply to new projects submitted for Expedited Review. In some cases, however, the CPM system will allow broadened eligibility criteria on a project-level basis with reduced presale requirements.

For new projects, CPM project acceptance will be valid for the submitting lender for a period of six months. The project may be eligible for an extension of project acceptance certification upon submission of updated project data.

**2. Expedited Review of Established Projects and All Two-Unit to Four-Unit Projects**

Effective with this Announcement, changes relating to Expedited Review of established projects shall replace Selling Guide Part XII: Section 201, Type A Projects. The changes relating to Expedited Review of two-unit to four-unit projects shall replace Selling Guide Part XII: Section 202.01, Small Projects with Four or Fewer Dwelling Units (“Type B Condominium Projects”).

The lender is not required to, but may, use CPM to obtain project acceptance for established and two-unit to four-unit projects. Alternatively, the lender may manually underwrite such projects (without using CPM). If the lender manually underwrites such projects, it must represent and warrant that the subject project meets the following eligibility criteria:

- At least 50 percent of the total units in the project must have been conveyed to principal residence purchasers or second home purchasers. However, this 50 percent occupancy requirement does not apply when a lender delivers to us a loan that is secured by a unit that is conveyed to a purchaser who is occupying the unit as a principal residence or second home (i.e. not an investment property). No single entity (the same individual, investor group, partnership, or corporation) may own more than 10 percent of the total units in the project. In the case of two-unit to four-unit condominium projects, all but one unit must have been sold to principal residence or second home purchasers.

- All units, common elements, and facilities within the project—including those that are owned by any master association—must have been completed and the project cannot be subject to additional phasing or annexation.
- Control of the homeowners' association must have been turned over to the unit purchasers (not required on two-unit to four-unit condominium projects).
- The units in the project may be owned in fee simple or leasehold and the unit owners must be the sole owners of and have rights to the use of the project's facilities, common elements, and limited common elements.

For established and two-unit to four-unit projects, CPM project acceptance will be valid for the submitting lender for one year. The project may be eligible for an extension of project acceptance certification upon submission of updated project data.

#### **D. FHA-approved Projects**

Effective with this Announcement, we will purchase or securitize loans secured by condominium units in projects that have been approved by FHA.

When a lender delivers a loan secured by a condominium unit in an FHA-approved project, the lender makes the warranty of project eligibility set forth in Selling Guide Part XII: Section 105, Warranty of Project Eligibility. In addition, the lender must represent and warrant that (i) the FHA approval conditions noted on FHA's Web site, including, but not limited to, presale and occupancy requirements, have been met; (ii) the project is not an ineligible project as defined in Selling Guide Part XII: Section 102, Ineligible Projects; (iii) the project is covered by the required insurance as set forth in Selling Guide Part XII, Chapter 7, Insurance Requirements; and (iv) the project is not comprised of manufactured homes.

Lenders may search for FHA-approved condominium projects by location, name, or project status online at <https://entp.hud.gov/idapp/html/condlook.cfm>. Lenders must maintain printed copies of the FHA-approval documentation in the loan file.

## II. Loan Delivery Instructions

When entering condominium loan data into MORNET®, it is important to identify the project acceptance review type correctly and to enter address data properly.

### A. Project Acceptance Review Type Codes

When delivering loans secured by condominium units, the lender must identify the project acceptance review type in the project type section (start position 331) of the MORNET 2000 character file. These new condominium project types and codes are:

<b>New Project Type Code</b>	<b>Project Acceptance Review Type</b>
P	Limited Review – New Project
Q	Limited Review – Established or Two-Unit to Four Unit Project
R	Expedited Review – New Project
S	Expedited Review – Established or Two-Unit to Four-Unit Project
T	Fannie Mae Review
U	FHA-approved Project

New project type codes will become effective with whole loan or MBS deliveries on or after November 1, 2005, regardless of the MBS issuance date. To accommodate the collection of these new condominium project type codes, we will be modifying both the MORNET MBS Pool Submission System™ and the MORNET Cash Delivery System™. Fannie Mae will monitor lender deliveries to ensure that the new project type codes are being applied correctly and consistently. The *Uniform Underwriting and Transmittal Summary Form* (Form 1008) will be updated with the new project type codes.

Project type codes A, B, and C shall continue to be used temporarily until the new project type codes become effective. For whole loan or MBS deliveries prior to November 1, 2005, regardless of the MBS issue date, the lender must use the specific code based on the project acceptance review type as follows:

<b>Temporary Project Type Code</b>	<b>Project Acceptance Review Type</b>
A	Limited Review or Expedited Review - Established Condominium Project
B	Expedited Project Review - New Condominium Project
C	Fannie Mae Acceptance or FHA-approved Condominium Project

## B. Entering Address Data into MORNET

The proper entry of address data into MORNET is extremely important and a bit challenging because condominium addresses usually have unit numbers. Therefore, we are providing a reminder of the guidelines for the proper entry of address data that also is published in the *Guide to Underwriting with DU*, which is available on [www.eFannieMae.com](http://www.eFannieMae.com), as follows:

- Place the house number at the beginning of the street address field (if there is not a separate field for the house number);
- Enter either complete words for the street suffix (e.g., Avenue or Street) or the appropriate abbreviations in uppercase (AVE, PKWY, or ST), if complete words are not used. See standard in the *Guide to Underwriting with DU*;
- Include apartment, suite, unit number, or letters in the same field as the street name if there is not a separate unit number field;
- Enter a pound symbol (#) before the unit number in the same field as the street number and name;
- Include the city, state, and ZIP Code of the subject property. Enter the appropriate state abbreviation recommended by the U.S. Postal Service;
- Do not use punctuation in addresses (e.g., periods, commas, colons, semicolons, slashes, and asterisks). Dashes are permitted if they apply to the street number or ZIP+4;
- Do not include identifiers such as APT, BLDG, UNIT, or STE in the address or unit number fields;
- Include pre-directional abbreviations (e.g., 123 N Main St) and post-directional (e.g., 123 Broad Street NW) in the street name field; and
- Ensure accurate spelling and typing.

Complete guidelines for the proper entry of addresses and address-related abbreviation tables can be found in Appendix C of *The Guide to Underwriting with DU*.

### III. Effective Dates

The effective dates for the changes described in this Announcement vary depending on the project acceptance review process. Effective with this Announcement, we will purchase or securitize loans secured by condominium units using the following project acceptance processes:

- Lender-delegated Limited Review;
- Fannie Mae Review (“1028”);
- FHA-approved Projects; and
- Lender-delegated Expedited Review of established and two-unit to four-unit projects.

Until CPM is released, new projects will be reviewed using the following processes:

- New projects subject to additional phasing (now called Type C projects) will be subject to the existing guidelines defined in the Guide Part XII: Chapter 3, Type C Condominiums; however, the lender may use the revised documentation/forms and eligibility guidelines related to presale, investor concentration, environmental hazard assessments, and legal review set forth in the Fannie Mae Review section of this Announcement.
- New projects that are not subject to additional phasing (now called Type B projects) will be subject to the existing guidelines defined in the Guide Part XII: Section 202, Type B Condominium Project; however, the lender may use the revised eligibility guidelines related to presale, investor concentration, environmental hazard assessments, and legal review set forth in the Fannie Mae Review section of this Announcement.

Effective upon the release of CPM, which is scheduled for August 2005, we will purchase or securitize loans located in projects that have been accepted using Expedited Review of new projects.

\*\*\*\*

Lenders should contact their Customer Account Team if they have questions about this Announcement, the attachment, or the forms.

Pamela S. Johnson  
Senior Vice President

Attachment

## Attachment

### Legal Requirements - Fannie Mae 1028 Review Process

#### Lender Representations and Warranties

**Compliance with laws** – The condominium project has been created and exists in full compliance with the state law requirements of the jurisdiction where the condominium project is located and all other applicable laws and regulations.

**Limitations on ability to sell/Right of first refusal** – Any right of first refusal in the condominium project documents will not apply to/adversely impact the rights of a mortgagee to:

- Foreclose or take title to a condominium unit pursuant to the remedies in the mortgage;
- Accept a deed or assignment in lieu of foreclosure in the event of default by a mortgagor; or
- Sell or lease a unit acquired by the mortgagee.

#### Amendments to Documents –

- The project documents must provide that amendments of a material adverse nature to mortgagees be agreed to by mortgagees that represent at least 51 percent of the votes of unit estates that are subject to mortgages.
- The project documents must provide for any action to terminate the legal status of the project after substantial destruction or condemnation occurs or for other reasons to be agreed to by mortgagees that represent at least 51 percent of the votes of the unit estates that are subject to mortgages.
- The project documents may provide for implied approval to be assumed when an eligible mortgagee fails to submit a response to any written proposal for an amendment within 60 days after it receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a “return receipt” requested.

**Rights of Condo Mortgagees and Guarantors** - The project documents must give the mortgagee and guarantor of the mortgage on any unit in a condominium project the right to timely written notice of:

- Any condemnation or casualty loss that affects either a material portion of the project or the unit securing its mortgage;
- Any 60-day delinquency in the payment of assessments or charges owed by the owner of any unit on which it holds the mortgage;

- A lapse, cancellation, or material modification of any insurance policy maintained by the owners' association; and
- Any proposed action that requires the consent of a specified percentage of mortgagees.

**First mortgagee's rights confirmed** – No provision of the condominium project documents gives a condominium unit owner or any other party priority over any rights of the first mortgagee of the condominium unit pursuant to its mortgage in the case of payment to the unit owner of insurance proceeds or condemnation awards for losses to or a taking of condominium units and/or common elements.

**Unpaid dues** - Any first mortgagee who obtains title to a condominium unit pursuant to the remedies in the mortgage or through foreclosure will not be liable for more than six months of the unit's unpaid regularly budgeted dues or charges accrued before acquisition of the title to the unit by the mortgagee. If the condominium association's lien priority includes costs of collecting unpaid dues, the lender will be liable for any fees or costs related to the collection of the unpaid dues.

A qualified attorney engaged by the lender must review the project's legal documents to determine whether they are in compliance with the legal requirements. The attorney may be the same person who prepared the legal documents but he or she cannot be an employee, principal, or officer of the developer or sponsor of the project. The attorney's opinion becomes part of any application for a Fannie Mae 1028 Review. If the project's legal documents have not been recorded at the time the lender submits its application for a Fannie Mae 1028 Review, we will accept the attorney's preliminary opinion—although we will not issue a *Final Project Acceptance* letter until we have reviewed the attorney's final opinion. The Fannie Mae Selling Guide, Part XII, Chapter 6, Exhibit 1, provides guidelines that may be used to develop the attorney's opinion. Although we generally do not request the lender to submit the actual legal documents, we may request them before we issue the *final project acceptance letter* under a Fannie Mae 1028 Review.