

Changes to Processing Site Condominiums Located in the State of Michigan

1. Purpose. The purpose of this circular is to announce changes to processing Site Condominiums for VA loan purposes in the State of Michigan. A Site Condominium is defined as a single family totally detached dwelling (no shared garages or any other attached buildings) encumbered by a declaration of condominium covenants or condominium form of ownership. This is a regional variance for the State of Michigan only. Lenders will process Site Condominium loans in a manner similar to a single-family detached home. All other geographical areas are unaffected by this change.

2. Background. Historically many development projects in Michigan have offered single-family detached housing as Site Condominiums as a way to provide housing through a faster and more efficient development process. Since the developments were entitled as condominiums they were subject to VA Condominium Approval and Processing as outlined in Chapter 16 of the Lenders Handbook. Some program participants have indicated that this disproportionately affects this area and may unnecessarily burden Veterans that may wish to purchase or refinance this type of single-family detached residence.

3. Action. Effective immediately, Site Condominiums in the State of Michigan will be processed in the same manner as a single-family detached home. VA will no longer review legal documentation for Site Condominiums. Lenders will be responsible for ensuring that any Site Condominium proposed as collateral for a VA-guaranteed loan meets the requirements for the State of Michigan.

a. VA will still require that the condominium unit be held in Fee Simple. When a VA-guaranteed loan is used to purchase or refinance a Site Condominium, VA requires that the loan hold the first or superior position and has priority over all other liens or claims.

b. Program participants no longer need to obtain a VA condominium ID or submit condominium association documents into VA for approval of Site Condominiums. When program participants request an appraisal, they will still be required to identify the property as a condominium in item 3A of the WebLGY online appraisal request form 26-1805-1, but will not have to provide a Condominium ID number.

c. Staff Appraisal Reviewers (SAR's) and VA Staff Appraisers will no longer be required to condition NOV item #4 Condominium Requirements when the property is a condominium; however, they will need to clearly identify the case as a "Site Condominium" project on item #20 Other Conditions/Requirements on the NOV.

d. Appraisers are still required to use Fannie Mae forms 1073 for Site Condominiums, and complete the Project Information Section of the condominium appraisal form.

e. Lender will provide letter on company letterhead in WebLGY that Site Condominium meets VA requirements as stated in this circular in order to satisfy item #20 Other Conditions/Requirements on the NOV.

f. VA will provide oversight for this regional variance for the State of Michigan Site Condominium loans as it does to other VA products through the Full File Loan Review (FFLR) process. Moreover, at any time VA may request the Site Condominium documents that were reviewed by the lender to ensure compliance with VA requirements for Site Condominiums as outlined in this circular.

4. Executive Order 13891 Disclosure: The contents of this document are part of the guaranty contract and therefore are intended to have the force and effect of law and are meant to bind the public.

5. Rescission: This Circular is rescinded October 1, 2022.

By Direction of the Under Secretary for Benefits

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Distribution: CO: RPC 2022

SS (26A1) FLD: VBAFS, 1 each (Reproduce and distribute based on RPC 2022)