



## Condo - PUD Project Review Manual

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***Important note: If agency guidelines, product guidelines or AUS requirements are more restrictive, you must always comply with those requirements.***

## Section 1: PRMG Project Approval

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<b>Overview</b>	<p>A condominium is a form of ownership characterized by holding title to a single unit together with a proportionate undivided ownership interest in the common elements. Common elements typically include land, roofs, floor, walls, lobbies, and community spaces and facilities. The common elements are usually maintained but not owned, by a non-profit homeowner's association.</p> <p>A PUD is a project or subdivision that consists of common property and improvements that are owned and maintained by an HOA for the benefit and use of the individual PUD units. For a project to qualify as a PUD for the purposes of this policy, all of the following requirements must be met: each unit owner's membership in the HOA must be automatic and non-severable, the payment of assessments related to the unit must be mandatory, common property and improvements must be owned and maintained by an HOA for the benefit and use of the unit owners, and the subject unit must not be part of a condo or co-op project.</p> <p>PRMG does not require utilization of an approved Condo/PUD list, but must represent and warrant that projects meet PRMG's published guidelines. However, for condos, the underwriter and funder must ensure that the condo does not appear on investor's Do Not Lend list. If additional information is needed, contact your manager for information on how to verify this information.</p>
<b>PRMG's Condominium Project Review Process</b>	<p>PRMG must complete project reviews on loans underwritten by PRMG. Refer to the Product Guidelines for information and restrictions on the reviews that are allowed with the specific product.</p> <ul style="list-style-type: none"><li>•PRMG will only complete Limited/Streamlined Reviews on loans that are underwritten by PRMG that are eligible for limited/streamlined review.</li><li>•PRMG will only complete a CPM /Lender Full Reviews when submitted to <a href="mailto:condoreviews@prmg.net">condoreviews@prmg.net</a> with the Condo Review Submission form and required documentation and an approval on the project is issued through Condo Reviews. The Condo</li></ul>

	<p>Review Submission form can be found on the Resource Center or at the following link:  <a href="http://www.eprmg.net/PRMGFullCondoReview.pdf">http://www.eprmg.net/PRMGFullCondoReview.pdf</a></p> <ul style="list-style-type: none"> <li>• Except with Senior Management approval, PRMG will not submit projects that need Fannie Mae's PERS (Project Eligibility Review Service) to be completed for submission for PERS approval. In general, the project must be on Fannie Mae's PERS approved list prior to delivering Loan to the investor. If senior management approves a PERS review, the cost for this process would be the responsibility of the broker/borrower. The underwriter must confirm that no changes have occurred since PERS approval that would make the project ineligible.</li> <li>• PRMG will not accept projects having Resale Restrictions, except age restricted restrictions</li> <li>• The Condo/PUD Project Questionnaire or an alternative questionnaire containing the contact name and number of the person completing the form is included and all applicable condo documents. All condo documents must be sent together. PRMG will not accept process reviews with missing documentation.</li> <li>• Typically, project reviews will only be completed on loans submitted and approved by underwriting.</li> </ul>
<p><b>Types of Condo Reviews</b></p>	<p><b>Fannie Mae:</b></p> <ul style="list-style-type: none"> <li>• Limited Review</li> <li>• Full Review (with or without a CPM)</li> <li>• Fannie Mae PERS Approval</li> </ul> <p><b>Freddie Mac:</b></p> <ul style="list-style-type: none"> <li>• Streamlined Review</li> <li>• Full Review</li> <li>• Fannie Mae PERS Approval</li> </ul>
<p><b>Waiver of Project Review for Fannie Mae to Fannie Mae Limited Cash-Out Refinances</b></p>	<ul style="list-style-type: none"> <li>• For loans using DU approvals, the project eligibility review is waived for all Fannie Mae owned loans that are being refinanced as a limited cash-out refinance with the following conditions. Must confirm: <ul style="list-style-type: none"> <li>• the property is currently Fannie Mae Owned and information can be verified by the current servicer (if the lender is not the servicer), Fannie Mae's Loan Lookup tool (<a href="http://www.fanniemae.com">www.fanniemae.com</a>) or any other source as confirmed by the lender;</li> <li>• the loan-to-value (LTV) ratio is no higher than 80% (CLTV or HCLTV ratios may be higher);</li> <li>• the project has the required project-related property and flood insurance coverage; and</li> <li>• the project is not a condo hotel or motel, houseboat</li> </ul> </li> </ul>

	<b>project, or a timeshare or segmented ownership project.</b>
<b>Fannie Mae Condo Review Requirements</b>	<p><b>Attached condo unit in a new or newly converted project, including an attached unit in a condo project that includes a mixture of attached and detached units:</b></p> <ul style="list-style-type: none"> <li>• Full Review (completed with or without using Condo Project Manager™ (CPM™), or</li> <li>• Fannie Mae Review through the Project Eligibility Review Service (PERS)</li> </ul> <p><b>Attached condo unit in an established project including an attached unit in a condo project that includes a mixture of attached and detached units:</b></p> <ul style="list-style-type: none"> <li>• Limited Review only for a unit that is a principal residence with an LTV ratio ≤ 90%, or second home with an LTV ratio ≤ 75% (additional restrictions in Florida).</li> <li>• Full Review (with or without CPM)</li> </ul> <p><b>Detached condo unit in a new or established project, including a detached unit in a condo project that includes a mixture of attached and detached units:</b></p> <ul style="list-style-type: none"> <li>• Limited Review</li> </ul> <p>Note: There are no LTV ratio or occupancy restrictions for Limited Review eligibility for detached condo units.</p> <p><b>Attached or detached unit in a new or established two- to four-unit condo project Based on the mortgage transaction and project characteristics, two- to four-unit condo projects may be reviewed using either:</b></p> <ul style="list-style-type: none"> <li>• Limited Review, or</li> <li>• Full Review (with or without CPM).</li> </ul> <p><b>PERS Approval Required for Following Items:</b></p> <ul style="list-style-type: none"> <li>• Condo or co-op project that contains manufactured homes</li> <li>• PUD project that contains single-wide manufactured homes</li> <li>• Newly-converted non-gut rehabilitation project (projects with attached units only) that contain more than four residential units</li> <li>• New or newly converted condo project (not meeting the definition of an established product - at least 90% of the total units in the project have been conveyed to the unit purchasers; the project is 100% complete, including all units and common elements; the project is not subject to additional phasing or annexation; and control of the HOA has been turned over to the unit owners) consisting of attached units located in Florida</li> </ul>
<b>Freddie Mac Condo Review</b>	Streamlined Reviews for Established Projects

<b>Requirements</b>	<p>Full Established Condominium Project Reviews  New Established Condominium Project Reviews  2-4 Unit Condominium Project Reviews  Detached Condominium Project Reviews  Reciprocal Reviews (Fannie Mae Full Lender Review or PERS Approval)</p>
<b>Types of PUD Reviews</b>	<ul style="list-style-type: none"> <li>• Limited</li> <li>• Full</li> </ul>
<b>Ineligible Project Criteria</b>	<p>Refer to <a href="#">Section 9 – Fannie Mae Project Eligibility</a> or <a href="#">Section 10 – Freddie Mac Project Eligibility</a> for a summary of guidelines.</p>
<b>Project Risk Overview</b>	<p>Project eligibility risk is a risk that is distinct from the credit risk presented by individual borrowers. Units located in a project present risks that are also distinct from the risks associated with properties that are not part of a homeowners’ association (HOA) or project.</p> <p>These risks include the following:</p> <ul style="list-style-type: none"> <li>• the financial stability and viability of the project;</li> <li>• the condition and marketability of the project;</li> <li>• limitations on the unit owner’s ability to control the decision-making for the project, occupy the unit, or utilize the project’s amenities and common elements;</li> <li>• dissolution of the project and the unit owner’s resulting rights and responsibilities;</li> <li>• project-level litigation;</li> <li>• project-level misrepresentation and fraud;</li> <li>• the inability to cure a mortgage default due to restrictions in the project documents such as, but not limited to, right of first refusal provisions; and</li> <li>• insurance coverage that is inadequate to protect the project from unexpected losses.</li> </ul>
<b>Project Documentation</b>	<p>The documentation needed to complete a project review may differ depending on the project and review type. Lenders are responsible for determining the documentation needed to ensure that the project meets all eligibility requirements. Project documentation may include, but is not limited to, the following:</p> <ul style="list-style-type: none"> <li>• legal and recorded documents including the covenants, conditions and restrictions, declaration of condominium, or other similar documents that establish the legal structure of the project;</li> <li>• project budgets, financial statements, and reserve studies;</li> <li>• homeowners’ association (HOA) certification;</li> <li>• project construction plans;</li> <li>• architects’ or engineers’ reports;</li> </ul>

	<ul style="list-style-type: none"><li>•completion reports;</li><li>•project marketing plans;</li><li>•environmental hazard reports;</li><li>•attorney opinions;</li><li>•appraisal reports; and</li><li>•evidence of insurance policies and related documentation.</li></ul> <p>Sources for project information include, but are not limited to, appraisers, HOAs, management companies, real estate brokers, insurance professionals, and project developers. Lenders are responsible for the accuracy of any information obtained from these sources.</p>
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## Section 2: Limited/Streamlined Condo Project Review

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<p><b>Description</b></p>	<p>Limited/Streamlined Review guidelines allow the lender to evaluate and approve condo projects using limited documentation. Eligibility is based on specific loan level criteria, including LTV, occupancy and the method by which the loan is evaluated and decisioned.</p> <p>A limited review is performed with a DU approval and a streamlined review is performed with a LP approval.</p> <ul style="list-style-type: none"> <li>•The Limited Review Condo Questionnaire (or similar) should be completed and submitted for a limited review.</li> <li>•If property is an established project a limited review can be performed if the project is 100% complete including common areas.</li> <li>•If the property is a detached condo, a limited/streamlined review is allowed on all transaction types.</li> </ul>
<p><b>Overview</b></p>	<p>A Condominium project is a real estate project in which each unit owner has title to a unit in a building, an undivided interest in the common areas of the project, and sometimes the exclusive use of certain limited common areas. PRMG lends on individual units within the project.</p>
<p><b>Delivery Requirements</b></p>	<p>Projects must be approved within the 180 days preceding the date of the note, and loans must be delivered to the investor within 120 days of the project approval date.</p> <p>PRMG must provide a completed copy of the Certification of Project Eligibility and Approval form, or similar form that provides the required information, to document the type of project approval and the project approval date.</p>
<p><b>Condo Located Within a PUD</b></p>	<p>If a Condominium Unit is located within a PUD project, the property must meet both Condominium and PUD project eligibility and approval requirements.</p>
<p><b>New and/or Established Condominium Projects</b></p>	<ul style="list-style-type: none"> <li>•<b>New Projects:</b> A project for which one or more of the following is true: fewer than 90% of the total units in the project have been conveyed to the unit purchasers; the project is not fully completed, such as proposed construction, new construction, or the proposed or incomplete conversion of an existing building to a condo; the project is newly converted; or the project is subject to additional phasing or annexation.</li> <li>•<b>Established Projects</b> A project for which all of the following are</li> </ul>

	<p>true: at least 90% of the total units in the project have been conveyed to the unit purchasers; the project is 100% complete, including all units and common elements; the project is not subject to additional phasing or annexation; and control of the HOA has been turned over to the unit owners.</p> <p>•<b>Two- to four-unit condo project A</b> is a project comprised of two, three, or four residential units in which each unit is evidenced by its own title and deed. A two- to four-unit condo project may be either a new or an established project and may be comprised of attached and/or detached units.</p>
<b>Ineligibility Criteria</b>	Refer to <a href="#">Section 9 – Fannie Mae Project Eligibility</a> or <a href="#">Section 10 – Freddie Mac Project Eligibility</a> for a summary of guidelines.
<b>Eligibility Criteria Florida</b>	<p><b>New Projects in Florida:</b> All new or newly converted (not meeting the definition of an established product - at least 90% of the total units in the project have been conveyed to the unit purchasers; the project is 100% complete, including all units and common elements; the project is not subject to additional phasing or annexation; and control of the HOA has been turned over to the unit owners) attached projects in Florida require mandatory submission to Fannie Mae's PERS process, and are not eligible for Limited/Streamlined Review.</p> <p>•<b>All other transactions in the state of Florida</b>, must comply with program guidelines.</p>
<b>Eligibility Criteria</b>	<p>Limited/Streamlined Review <b>Non-Florida</b> Condos – <b>all Conventional Products:</b></p> <ul style="list-style-type: none"> <li>• Max 90% LTV/CLTV/HCLTV for owner occupied properties</li> <li>• Max 75% LTV/CLTV/HCLTV for second homes</li> <li>• Not eligible for investment properties</li> </ul> <p>Limited (Fannie Mae) Review <b>Florida</b> Condos – <b>all Conventional Products:</b></p> <ul style="list-style-type: none"> <li>• Max 75% LTV/90% CLTV/ 90% HCLTV for owner occupied properties</li> <li>• Max 70% LTV/75% CLTV/75% HCLTV for second homes</li> <li>• Not eligible for investment properties</li> </ul> <p>Streamlined (Freddie Mac) Review <b>Florida</b> Condos – <b>all Conventional Products:</b></p> <ul style="list-style-type: none"> <li>• Max 75% LTV/CLTV/HCLTV for owner occupied properties</li> <li>• Max 70% LTV/CLTV/HCLTV for second homes</li> <li>• Not eligible for investment properties</li> </ul>
<b>Fannie Mae (DU) Attached and Detached Condo Limited Review</b>	<p><b>Attached Condo Units</b></p> <p>To be eligible, PRMG must warrant that the project meets Fannie</p>



<p><b>Requirements</b></p>	<p>Mae Limited Review Requirements, summarized here (always defer to Fannie Mae Seller Guide):</p> <ul style="list-style-type: none"> <li>• The project is not an ineligible project. (see <a href="#">Section 9 – Fannie Mae Project Eligibility</a>);</li> <li>• The project does not consist of manufactured homes. Note: Manufactured housing projects require a Fannie Mae PERS review.</li> <li>• If the subject unit is a detached unit, the unit securing the mortgage must be 100% complete.</li> <li>• The appraisal of the subject unit meets all applicable appraisal requirements, as stated in Fannie Mae Seller Guide, section B4-1, Appraisal Requirements.</li> <li>• The unit securing the mortgage satisfies all insurance requirements as summarized in Insurance <a href="#">Section 8</a>. See Fannie Mae Seller Guide, Subpart B7, Insurance, including all provision applicable to condo projects in Chapter B7–4, Additional Project Insurance as well.</li> <li>• Note, per Fannie Mae, provided the project and loan transaction are eligible for and meet all of the eligibility requirements of the Limited Review process, the lender is not required to validate that the project also meets the eligibility requirements of another project review type. However, in the event the lender becomes aware of a circumstance that would cause the project or transaction to be ineligible under a Limited Review, the lender must use one of the other project review methods to determine project eligibility and the project must meet all of the eligibility requirements of that selected alternate project review type.</li> </ul> <p><b>Detached/Site Condo Units</b></p> <p>Detached or "Site Condominiums" consist of units that physically resemble a traditional detached single-family dwelling. The project may be new or established. For a detached Condominium unit to be eligible for a Limited Project Approval, the lender must warrant the above eligibility criteria described under Attached Condos have been met.</p>
<p><b>Freddie Mac (LP) Attached Condo Streamlined Review Requirements</b></p>	<p>Condominium Units in Attached Condominium Projects must meet the following requirements and underwriter must complete a condo warranty as described in the Freddie Mac Sellers Guide, which can be found at the following link: <a href="http://www.freddiemac.com/sell/guide/">http://www.freddiemac.com/sell/guide/</a>. Underwriter must always comply with requirements as stated in the Freddie Mac</p>

	<p>Seller guide on attached condos for this review, and are summarized here, but should be verified to the Freddie Mac Seller Guide:</p> <ul style="list-style-type: none"><li>• The Condominium Unit must be located in an Established Condominium Project, which is a Condominium Project in which: (1) The Condominium Project (all Condominium Units, Common Elements and Amenities) and related facilities owned by any Master Association are complete and not subject to any additional phasing ; (2) At least 90% of the total units in the project have been conveyed to the unit purchasers other than the developer; (3) The unit owners control the Homeowners Association</li><li>• There are no Manufactured Homes in the Condominium Project</li><li>• A Condominium Project containing a mix of attached and detached units is eligible for a streamlined review if it meets the requirements in this section.</li><li>• The Mortgage must be originated on a spot loan basis and not as part of multiple originations of Mortgages secured by units in the same Condominium Project and sold to Freddie Mac by the same Seller.</li><li>• The following additional Freddie Mac requirements as described in Seller Guide at <a href="http://www.freddiemac.com/sell/guide/">http://www.freddiemac.com/sell/guide/</a> must be met.</li><li>• The project must not be an ineligible project. See Section 5701 from Freddie Mac Seller Guide.</li><li>• The project has insurance that meets the applicable insurance requirements of <a href="#">Section 8</a> and Section 8202 of Freddie Mac Seller Guide.</li><li>• The Condominium Unit must be covered by a title insurance policy that meets requirements of Section 4702 of Freddie Mac Seller Guide.</li><li>• When control of the Homeowners Association has been or will be turned over to the unit owners, the unit owners must have an undivided fee simple ownership interest in the land on which the project is located or have a leasehold interest in the land on which the project is located. Any ground lease must meet the requirements of Section 5704 of Freddie Mac Seller Guide.</li><li>• The unit owners must be the sole owners of, and have the right to the use of, the Common Elements and Amenities, including all buildings, roads, parking and Amenities. The developer must not retain any ownership</li></ul>
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	<p>interest in the Common Elements (except as a unit owner). The Common Elements, including Amenities such as parking and recreational facilities, must not be subject to a lease between the unit owners or the HOA (as lessee) and the developer or any affiliate of the developer (as lessor). Parking or other Amenities provided under commercial leases or permit arrangements with parties unrelated to the developer are acceptable.</p> <ul style="list-style-type: none"> <li>• Limited Common Elements are portions of Common Elements reserved for use by one or more unit owners but not all unit owners. Limited Common Elements are defined in the Project Documents, and may include, but are not limited to, balconies or patios serving a single unit, assigned parking spaces or storage bins. Limited Common Elements that are purchased as part of the Condominium Unit may be financed as part of the Mortgage, and the cost of such Limited Common Elements may be included when determining the sale price and loan-to-value (LTV) ratio. Only Limited Common Elements may be financed along with the Condominium Unit. Facilities serving the Condominium Unit which are made available to the Condominium Unit by a permit, license or lease (other than in a leasehold condominium), must not be financed as part of a Mortgage, and the cost of the use of such facilities may not be included when determining the sale price and LTV ratio.</li> <li>• The Lender must not be aware of any change in circumstances since its review of the project that would result in the project no longer satisfying Freddie Mac requirements.</li> <li>• The Lender must retain all documentation related to the review of the Condominium Project. Upon request, the Lender must provide Freddie Mac the project information and documentation.</li> </ul>
<p><b>Freddie Mac (LP) Detached Condo Review</b></p>	<p>Condominium Units in Detached Condominium Projects must meet the following requirements and underwriter must complete a condo warranty as described in the Freddie Mac Sellers Guide, which can be found at the following link: <a href="http://www.freddiemac.com/sell/guide/">http://www.freddiemac.com/sell/guide/</a>. Underwriter must always comply with requirements as stated in the Freddie Mac Seller guide on detached condos for this review, and are summarized here but should be verified to the Freddie Mac Seller Guide:</p>

	<ul style="list-style-type: none"><li>• The Condominium Project must meet the definition of a Detached Condominium Project, which is a Condominium Project comprised solely of detached, 1-unit dwellings</li><li>• The Condominium Project must not include Manufactured Homes</li><li>• All Condominium Unit Mortgages must be sold to Freddie Mac no later than six months after the Lender’s determination that the Condominium Project meets Freddie Mac requirements.</li><li>• Freddie Mac reserves the right to conduct its own review of the Condominium Project for Condominium Unit Mortgages delivered to Freddie Mac.</li><li>• The project must not be an ineligible project. See Section 5701 from Freddie Mac Seller Guide.</li><li>• The project has insurance that meets the applicable insurance requirements of <a href="#">Section 8</a> and Section 8202 of Freddie Mac Seller Guide.</li><li>• The Condominium Unit must be covered by a title insurance policy that meets requirements of Section 4702 of Freddie Mac Seller Guide.</li><li>• When control of the Homeowners Association has been or will be turned over to the unit owners, the unit owners must have an undivided fee simple ownership interest in the land on which the project is located or have a leasehold interest in the land on which the project is located. Any ground lease must meet the requirements of Section 5704 of Freddie Mac Seller Guide.</li><li>• The unit owners must be the sole owners of, and have the right to the use of, the Common Elements, including all buildings, roads, parking and Amenities. The developer must not retain any ownership interest in the Common Elements (except as a unit owner). The Common Elements, including Amenities such as parking and recreational facilities, must not be subject to a lease between the unit owners or the HOA (as lessee) and the developer or any affiliate of the developer (as lessor). Parking or other Amenities provided under commercial leases or permit arrangements with parties unrelated to the developer are acceptable.</li><li>• Limited Common Elements are portions of Common Elements reserved for use by one or more unit owners but not all unit owners. Limited Common Elements are defined in the Project Documents, and may include, but</li></ul>
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	<p>are not limited to, balconies or patios serving a single unit, assigned parking spaces or storage bins. Limited Common Elements that are purchased as part of the Condominium Unit may be financed as part of the Mortgage, and the cost of such Limited Common Elements may be included when determining the sale price and loan-to-value (LTV) ratio. Only Limited Common Elements may be financed along with the Condominium Unit. Facilities serving the Condominium Unit which are made available to the Condominium Unit by a permit, license or lease (other than in a leasehold condominium), must not be financed as part of a Mortgage, and the cost of the use of such facilities may not be included when determining the sale price and LTV ratio.</p> <ul style="list-style-type: none"> <li>• The Lender must not be aware of any change in circumstances since its review of the project that would result in the project no longer satisfying Freddie Mac requirements.</li> <li>• The Lender must retain all documentation related to the review of the Condominium Project. Upon request, the Lender must provide Freddie Mac the project information and documentation.</li> </ul>
<p><b>Documentation Requirements</b></p>	<ul style="list-style-type: none"> <li>• <b>Insurance:</b> See <a href="#">Section 8</a>.</li> <li>• Appraisal <ul style="list-style-type: none"> <li>◦ Appraisal format as determined by AUS is acceptable, unless restricted by the program guidelines. If an appraisal is not required by the AUS, a Completed Condo/PUD Questionnaire must be obtained along with any other alternative documentation required to perform project review and warrant that all project eligibility criteria are met.</li> </ul> </li> </ul>
<p><b>Project Coding</b></p>	<p>One of the following Project Type codes must be assigned:</p> <p><b>Fannie Mae (DU):</b>  <b>Limited Review</b> – Established Project (including detached and 2-4 Unit Projects)  •Q (Fannie Mae)</p> <p><b>Limited Review</b> – New Detached Projects consisting of detached units only:  •P (Fannie Mae)</p> <p><b>Freddie Mac (LP):</b>  Streamlined Review</p>

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## Section 3: CPM Review

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<b>Description</b>	<p>The CPM Expedited Project Review process is a component of the full review process and is a tool that can be used during the process of a full review. This tool is performed by the third party vendor who completes the Full Lender Review. Information about the Full Lender Review can be found in <a href="#">Section 4</a>.</p> <p>Projects that have been reviewed and accepted by Fannie Mae are on the Fannie Mae-Accepted Condominiums project list at <a href="http://www.efanniemae.com/">http://www.efanniemae.com/</a>.</p> <p>If the project is new, or if it is not on the list and the loan does not qualify under the Limited Review process, the project may be submitted to Fannie Mae's Condo Project Manager (CPM) system. CPM is an online approval process that also tracks the status of delegated project reviews. CPM is available online at <a href="http://www.eFannieMae.com">www.eFannieMae.com</a>.</p>
<b>Information on Using the CPM Application</b>	<p>Use the following link to view the CPM User Guide: <a href="http://www.eprmg.net/FannieMaeCPMUserGuide.pdf">www.eprmg.net/FannieMaeCPMUserGuide.pdf</a></p> <p>Information on how to use Fannie Mae's CPM application (including a recorded tutorial) can be found in the Condo Product Manager section on the Fannie Mae Website at <a href="http://www.efanniemae.com">www.efanniemae.com</a>.</p> <p>Additionally, a PDF of the recorded tutorial can be found at the following link: <a href="http://www.eprmg.net/FannieMaeCPMInformation.pdf">www.eprmg.net/FannieMaeCPMInformation.pdf</a></p>

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## Section 4: Lender Full Condo Review

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<p><b>Description</b></p>	<p>The Lender Full Review process is for those projects that do not qualify for approval under Limited/Streamlined Review guidelines. The Lender Full Review process may include the CPM Expedited Review.</p> <p>PRMG requires all projects that do not qualify for a limited/streamlined review or are not Fannie Mae PERS approved to be submitted to <a href="mailto:condoreviews@prmg.net">condoreviews@prmg.net</a> with the Condo Review Submission form and required documentation and an approval on the project is issued through Condo Reviews. The Condo Review Submission form can be found on the Resource Center or at the following link: <a href="http://www.eprmg.net/PRMGFullCondoReview.pdf">http://www.eprmg.net/PRMGFullCondoReview.pdf</a></p>
<p><b>Overview</b></p>	<p>A Condominium project is a real estate project in which each unit owner has title to a unit in a building, an undivided interest in the common areas of the project, and sometimes the exclusive use of certain limited common areas. PRMG lends on individual units within the project.</p>
<p><b>Documentation Requirements</b></p>	<p>Projects must be approved within the 180 days preceding the date of the note, and loans must be delivered to the investor within 120 days of the project approval date.</p> <p>PRMG must provide a completed copy of the Certification of Project Eligibility and Approval form, or similar form that provides the required information, to document the type of project approval and the project approval date.</p> <p>For projects approved using Fannie Mae's CPM, attach a copy of the CPM Project Acceptance Certification.</p> <p>The HOA Condo Questionnaire (or similar) should be completed and submitted for a Lender Full Review, as well as with all other documentation as is listed on the Condo Review Submission form .</p>
<p><b>Condo Located Within a PUD</b></p>	<p>If a Condominium Unit is located within a PUD project, the property must meet both Condominium and PUD project eligibility and approval requirements.</p>
<p><b>New and/or Established Condominium Projects</b></p>	<p>•<b>New Projects:</b> A project for which one or more of the following is true: fewer than 90% of the total units in the project have been conveyed to the unit purchasers; the project is not fully</p>



	<p>completed, such as proposed construction, new construction, or the proposed or incomplete conversion of an existing building to a condo; the project is newly converted; or the project is subject to additional phasing or annexation.</p> <ul style="list-style-type: none"> <li>•<b>Established Projects</b> A project for which all of the following are true: at least 90% of the total units in the project have been conveyed to the unit purchasers; the project is 100% complete, including all units and common elements; the project is not subject to additional phasing or annexation; and control of the HOA has been turned over to the unit owners.</li> <li>•<b>Two- to four-unit condo project</b> A is a project comprised of two, three, or four residential units in which each unit is evidenced by its own title and deed. A two- to four-unit condo project may be either a new or an established project and may be comprised of attached and/or detached units.</li> </ul>
<b>Ineligibility Criteria</b>	Refer to <a href="#">Section 9 – Fannie Mae Project Eligibility</a> or <a href="#">Section 10 – Freddie Mac Project Eligibility</a> for a summary of guidelines.
<b>Eligibility Criteria Florida</b>	<ul style="list-style-type: none"> <li>•<b>New Projects in Florida:</b> All new or newly converted (not meeting the definition of an established product - at least 90% of the total units in the project have been conveyed to the unit purchasers; the project is 100% complete, including all units and common elements; the project is not subject to additional phasing or annexation; and control of the HOA has been turned over to the unit owners) attached projects in Florida require mandatory submission to Fannie Mae's PERS process, and are <b>not eligible for Lender Full Review.</b></li> </ul>
<b>Eligibility Criteria</b>	<p>To be eligible for Lender Full Review:</p> <ul style="list-style-type: none"> <li>•The project may not be an ineligible project (see <a href="#">Section 9 – Fannie Mae Project Eligibility</a> or <a href="#">Section 10 – Freddie Mac Project Eligibility</a>) per Fannie Mae or Freddie Mac and PRMG guidelines.</li> <li>•Lender Full Review project approvals are valid for 180 days.</li> <li>•The project is not a newly converted non-gut rehabilitation project (These projects are only eligible via the PERS process.).</li> </ul>
<b>Fannie Mae Eligibility Requirements</b>	<ul style="list-style-type: none"> <li>•The project must not be an ineligible project. (See <a href="#">Section 9 – Fannie Mae Project Eligibility</a>.)</li> <li>•The project must not be a manufactured housing project. Note: Manufactured housing projects require a Fannie Mae PERS review.</li> <li>•The unit securing the mortgage satisfies all Fannie Mae's insurance requirements in Subpart B7, Insurance, including all provisions applicable to condo projects in Subpart B7-4, Additional Project Insurance.</li> <li>•The appraisal of the subject unit must meet all applicable</li> </ul>

	<p>appraisal requirements.</p> <ul style="list-style-type: none"> <li>•No more than 15% of the total units in a project may be 60 days or more past due on their common expense assessments (also known as HOA dues). For example, a 100–unit project may not have more than 15 units that are 60 days or more past due.</li> </ul> <p>Note: In a two- to four-unit project, no unit owners may be 60 or more days past due on their HOA common expense assessments. This ratio is calculated by dividing the number of units with common expense assessments that are past due by 60 or more days by the total number of units in the project.</p> <ul style="list-style-type: none"> <li>•Lenders must review the HOA projected budget to determine that it is adequate (i.e., it includes allocations for line items pertinent to the type of condo project), and provides for the funding of replacement reserves for capital expenditures and deferred maintenance that is at least 10% of the budget.</li> <li>•To determine whether the association has a minimum annual budgeted replacement reserve allocation of 10%, the lender must divide the annual budgeted replacement reserve allocation by the association’s annual budgeted assessment income (which includes regular common expense fees). The following types of income may be excluded from the reserve calculation: incidental income on which the project does not rely for ongoing operations, maintenance, or capital improvements; income collected for utilities that would typically be paid by individual unit owners, such as cable TV or Internet access; income allocated to reserve accounts; and special assessment income.</li> <li>•The lender may use a reserve study in lieu of calculating the replacement reserve of 10% provided the following conditions are met: the lender obtains a copy of an acceptable reserve study and retains the study and the lender’s analysis of the study in the project approval file, the study demonstrates that the project has adequate funded reserves that provide financial protection for the project equivalent to Fannie Mae’s standard reserve requirements, the study demonstrates that the project’s funded reserves meet or exceed the recommendations included in the reserve study, and the study meets Fannie Mae’s requirements for replacement reserve studies listed at the end of this section. Note: These requirements for a budget review, replacement reserves, and reserve study are not applicable to two- to four-unit projects.</li> <li>•For projects in which the units are not separately metered for utilities, the lender must determine that having multiple units on a single meter is common and customary in the local market where the project is located, and confirm that the project budget</li> </ul>
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	<p>includes adequate funding for utility payments. Note: These requirements are not applicable to two- to four-unit projects.</p> <ul style="list-style-type: none"> <li>•The project must be located on contiguous parcels of land. It is acceptable for a project to be divided by public or private streets. The structures within the project must be within a reasonable distance from each other. Common elements and facilities, such as recreational facilities and parking, must be consistent with the nature of the project and competitive in the marketplace. Unit owners in the project must have the sole ownership interest in, and rights to the use of the project’s facilities, common elements, and limited common elements, except as noted below. Shared amenities are permitted only when two or more HOAs share amenities for the exclusive use of the unit owners. The associations must have an agreement in place governing the arrangement for shared amenities that includes the following: a description of the shared amenities subject to the arrangement; a description of the terms under which unit owners in the project may use the shared amenities; provisions for the funding, management, and upkeep of the shared amenities; and provisions to resolve conflicts between the associations over the amenities. Examples of shared amenities include, but are not limited to, clubhouses, recreational or fitness facilities, and swimming pools. The developer may not retain any ownership interest in any of the facilities related to the project. The amenities and facilities—including parking and recreational facilities—may not be subject to a lease between the unit owners or the HOA and another party. Parking amenities provided under commercial leases or parking permit arrangements with parties unrelated to the developer are acceptable.</li> <li>•Fannie Mae permits the financing of a single or multiple parking space(s) with the mortgage provided that the parking space(s) and residential unit are included on one deed as evidenced on the legal description in the mortgage. In such cases, the LTV, CLTV, and HCLTV ratios are based on the combined value of the residential unit and the parking space(s).</li> <li>•Phase I and II environmental hazard assessments are not required for condo projects unless the lender identifies an environmental problem through the performance of its project underwriting or due diligence. In the event that environmental problems are identified, the problems must be acceptable, as described in E-2-03, Suggested Format for Phase I Environmental Hazard Assessments (06/28/2011).</li> <li>•For investment property transactions on attached units in</li> </ul>
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	<p>established projects (including two- to four-unit projects), at least 50% of the total units in the project must be conveyed to principal residence or second home purchasers. This requirement does not apply if the subject mortgage is for a principal residence or second home. Financial institution-owned REO units that are for sale (not rented) are considered owner-occupied when calculating the 50% owner-occupancy ratio requirement. When the project does not meet the owner-occupied ratio of 50%, an investment property transaction will only be eligible if the lender submits the project to Fannie Mae for review under PERS and the project is approved, for additional information), or for a single-loan project eligibility waiver and the waiver is approved.</p> <ul style="list-style-type: none"><li>•If the project was a gut rehabilitation project, all rehabilitation work involved in a condo conversion must have been completed in a professional manner. “Gut rehabilitation” refers to the renovation of a property down to the shell of the structure, including the replacement of all HVAC and electrical components (unless the HVAC and electrical components are up to current code). For a conversion that was legally created during the past three years, the architect’s or engineer’s report (or functional equivalent), that was originally obtained for the conversion must comment favorably on the structural integrity of the project and the condition and remaining useful life of the major project components, such as the heating and cooling systems, plumbing, electrical systems, elevators, boilers, roof, etc. Note: If the project is a newly converted non-gut rehabilitation project with more than four residential units, lenders must submit the project to Fannie Mae for review and approval.</li></ul> <p>For newly converted two- to four-unit non-gut rehabilitation projects, the following requirements apply: All rehabilitation work involved in a condo conversion must have been completed in a professional manner. A current reserve study prepared by a qualified, independent professional company, accompanied by an engineer's report, or functional equivalent, must comment favorably on the structural integrity of the project and the remaining useful life of the major project components. The project budget must contain line items for the following: reserves that adequately support the costs identified in the reserve study, even if the study recommends budgeting reserves greater than 10% of the project’s income; funds to cover the total cost of any items identified in the reserve study or engineer's report that need to be replaced within 5 years from the date of the study must be deposited in the HOAs reserve</p>
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	<p>account, in addition to the amount stated immediately above; and a utility contingency of at least 10% of the previous year's utility costs if the utilities are not separately metered. Note: Newly converted gut rehabilitation projects must follow the standard gut rehabilitation requirements listed under the eligibility requirements above.</p> <p><b>Replacement Reserve Studies</b></p> <ul style="list-style-type: none"> <li>• Reserve studies may be used to determine the appropriate level of reserves the HOA must maintain to ensure the project's long-term success. Reserve studies will also provide useful information regarding the adequacy of the HOAs current reserve funds and offer recommendations to meet funding goals in the event the HOA has under-reserved for its needs in the past. The lender may review the most current reserve study or a reserve study update provided it has been completed within three years of the date on which the lender approves the project.</li> <li>• Reserve studies must be prepared by an independent third party that has specific expertise in completing reserve studies. This expertise may include any of the following: a reserve study professional with reserve study credentials, a construction engineer, a certified public accountant who specializes in reserve studies, or any professional with demonstrated knowledge of and experience in completing reserve studies.</li> <li>• While Fannie Mae does not require that a standard format be used for the reserve study, the following items must be addressed: all major components and elements of the project's common areas for which repair, maintenance, or replacement is expected; the condition and remaining useful life of each major component; an estimate of the cost of repair, replacement, restoration, or maintenance of major components; an estimate of the total annual contributions required to defray costs (minus the existing reserves funded for this purpose), including inflation; an analysis of existing funded reserves; and a suggested reserve funding plan. Note: Individual states may have various statutes concerning the use and content of reserve studies. Fannie Mae requires that a reserve study used by the lender in its analysis meet or exceed requirements set forth in relevant state statutes.</li> </ul>
<p><b>Fannie Mae Additional Requirements for Attached Units in New and Newly Converted Condo Projects.</b></p>	<ul style="list-style-type: none"> <li>• The project, or the subject legal phase, must be "substantially complete" unless other completion arrangements have been approved by Fannie Mae through the PERS review process. There may not be more than one legal phase per building. "Substantially complete" means that a certificate of occupancy or other substantially similar document has been issued by the</li> </ul>

	<p>applicable governmental agency for the project or subject phase; and all the units and buildings in the legal phase in which the unit securing the mortgage is located are complete, subject to the installation of buyer selection items, such as appliances.</p> <p>Note: Fannie Mae does not require the installation of typical buyer selection items such as appliances, floor coverings, counter tops, or light fixtures that are common and customary for the market, although buyer selections that involve the modification of a unit floor plan must be complete. Lenders are expected to obtain appropriate documentation to verify that all buyer selection items for the unit being financed are properly installed prior to closing.</p> <p><b>Two- to four-unit projects:</b> All units, common elements, and facilities within the project must be 100% complete and not subject to additional phasing even when the project is a new or newly converted project.</p> <ul style="list-style-type: none"><li>•At least 50% of the total units in the project or subject legal phase must have been conveyed or be under contract for sale to principal residence or second home purchasers. For a specific legal phase or phases in a new project, at least 50% of the total units in the subject legal phase(s), considered together with all prior legal phases, must have been conveyed or be under contract for sale to principal residence or second home purchasers. For the purposes of this review process, a project consisting of one building cannot have more than one legal phase.</li></ul> <p><b>Two- to four-unit projects:</b> All but one unit in the project must have been conveyed or be under contract for sale to a principal residence or second home purchaser.</p> <ul style="list-style-type: none"><li>•Individual units in new condo projects must be available for immediate occupancy at the time of loan closing.</li></ul> <p><b>Not Applicable to Two- to Four-Unit Condo Projects:</b></p> <ul style="list-style-type: none"><li>•If the project is part of a larger development, and the unit owners are required to pay monthly assessments of more than \$50 to a separate master association for that development, lenders must review the overall development plan for the master association to evaluate the acceptability of the project.</li><li>•The overall development plan of the project must be reviewed and the following must be acceptable: consistency of future and existing improvements, time limitations for expansion, and reciprocal easements between legal phases.</li><li>•For projects (or the subject legal phase) that are only substantially complete rather than 100% complete, lenders must</li></ul>
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determine that acceptable completion assurance arrangements that guarantee the future completion of all project facilities, common elements, and limited common elements have been provided. These assurance arrangements may include cash deposits, letters of credit, assignments of certificates of deposit, or assignments of other assets that can be easily converted to cash. Similar arrangements must be provided to support assurances against construction and structural defects. The assurances must protect each unit against defects that become apparent within one year from the date of its settlement, and cover all common facilities for one year from the date on which units that represent at least 60% of the votes in the HOA have been transferred.

- The developer or sponsor should provide for and promote the unit owners' early participation in the management of the project.
- The project must meet the condo project legal document requirements in the following section.

**Condo Project Legal Document Review Requirements for Attached Units in New or Newly Converted Projects**

The following are Fannie Mae's requirements for the review of the condo project's legal documents for attached units in new and newly converted condo projects containing more than four residential units.

•**Limitations on Ability to Sell/Right of First Refusal** Any right of first refusal in the condo project documents will not adversely impact the rights of a mortgagee or its assignee to: foreclose or take title to a condo 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 or its assignee.

•**Rights of Condo Mortgagees and Guarantors** The project documents must give the mortgagee and guarantor of the mortgage on any unit in a condo 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 homeowners' association; and any proposed action that requires the consent of a specified percentage of mortgagees.

	<ul style="list-style-type: none"> <li>•<b>First Mortgagee’s Rights Confirmed</b> No provision of the condo project documents gives a condo unit owner or any other party priority over any rights of the first mortgagee of the condo 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 condo units and/or common elements.</li> <li>•<b>Amendments to Documents</b> Required provisions related to amendments to project documents are as follow: <ul style="list-style-type: none"> <li>•The project documents must provide that amendments of a material adverse nature to mortgagees be agreed to by mortgagees that represent at least 51% of the votes of unit estates that are subject to mortgages.</li> <li>•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% of the votes of the unit estates that are subject to mortgages.</li> <li>•The project documents may provide for implied approval to be assumed when a 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. Notwithstanding the foregoing, project documents that were recorded prior to August 23, 2007, may provide for implied approval to be assumed when a mortgagee fails to submit a response to any written proposal for an amendment within 30 days after it receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a return receipt requested.</li> </ul> </li> </ul>
<p><b>Freddie Mac Eligibility Requirements</b></p>	<p><b>All Projects:</b></p> <ul style="list-style-type: none"> <li>•The project must not be an ineligible project, see Freddie Mac Seller Guide Section 5701 and/or <a href="#">Section 10 – Freddie Mac Project Eligibility</a></li> <li>•The project must have insurance that complies with the applicable requirements of Freddie Mac Seller Guide Section 8202.</li> <li>•The Condominium Unit must be covered by a title insurance policy that complies with requirements of Freddie Mac Seller Guide Section 4702.</li> <li>•When control of the Homeowners Association (HOA) has been or will be turned over to the unit owners, the unit owners must have either (i) an undivided ownership interest in the land on which the project is located or (ii) a leasehold interest in the land on which the project is located.</li> </ul>



	<ul style="list-style-type: none"> <li>•The unit owners must be the sole owners of, and have the right to the use of, the Common Elements, including all buildings, roads, parking and Amenities. The developer must not retain any ownership interest in the Common Elements and Amenities, except as a unit owner.</li> <li>•If a Condominium Project is on a leasehold estate, the lease must comply with the requirements of Freddie Mac Seller Guide Section 5701.</li> </ul> <p><b>Existing Projects:</b></p> <ul style="list-style-type: none"> <li>•All units, Common Elements and Amenities must be complete.</li> <li>•There are no Manufactured Homes in the Condominium Project</li> <li>•Owner-occupancy requirements for Established Condominium Projects: If the property will be used as a Primary Residence or second home, there is no owner-occupancy requirement for the Condominium Project; If the property will be used as an Investment Property, at least 50% of the total number of Condominium Units in the Condominium Project must have been conveyed to purchasers (other than the developer or a successor to the developer) who occupy their unit as a Primary Residence or second home</li> <li>• Project budget requirements for Established Condominium Projects: The project's budget must be consistent with the nature of the project and appropriate assessments must be established to manage the project; There must be appropriate allocations for line items pertinent to the type and status of the Condominium Project; There must be adequate funding for insurance deductible amounts; At least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project's age, estimated remaining life, and replacement cost of major Common Elements; (a) The replacement reserve percentage is determined by dividing: (1) the annual budgeted replacement reserve allocation by (2) the HOA's annual budgeted assessment income (including regular common expense fees); (b) The calculation may exclude: (1) special assessment income, (2) income in reserve accounts, (3) incidental income not relied upon for maintenance, operations or capital improvements and (4) amounts collected from unit owners (but usually paid individually by them) for items or utilities such as internet access.; A Seller may rely on a reserve study instead of the project budget providing a replacement reserve of at least 10%, provided the conditions listed below are met</li> <li>• Delinquent assessments for Established Condominium Projects:</li> </ul>
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No more than 15% of the total number of units in a project are 30 or more days delinquent on the payment of their HOA assessments.

**Requirements when a Seller relies on a project reserve study for Established Condominium Projects**

•The reserve study must comply with the following requirements:

(1) The reserve study generally must include: (a) An inventory of major components of the project; (b) Financial analysis and evaluation of current reserve fund adequacy, and (c) Proposed annual reserve funding plan. (2) A reserve study's financial analysis must validate that the project has appropriately allocated the recommended reserve funds to provide the Condominium Project with sufficient financial protection comparable to Freddie Mac's standard budget requirements for replacement reserves; (3) The reserve study's annual reserve funding plan, which details total costs identified for replacement components, must meet or exceed the study's recommendation and conclusion; (4) The most current reserve study (or update) must be dated within 36 months of the Seller's determination that a Condominium Project is eligible (see Section 42.2(a)(2)); (5) The reserve study must be prepared by an independent expert skilled in performing such studies (such as a reserve study professional, a construction engineer, a certified public accountant who specializes in reserve studies or any professional with demonstrated experience and knowledge in completing reserve studies); (6) The reserve study must meet or exceed requirements set forth in any applicable state statutes; (7) The reserve study must comment favorably on the project's age, estimated remaining life, structural integrity and the replacement of major components.

•If the Seller relies on a reserve study that meets the requirements of this section, the project's budget must contain appropriate allocations to support the costs identified in the study.

•The Seller must obtain and retain in the Mortgage file a copy of the reserve study. The Seller must also perform an analysis of the study and retain this analysis in the Mortgage file

**New Projects:**

•Project completion requirements: The subject legal phase (or the subject building) and any prior legal phases in which units

	<p>have been offered for sale are substantially complete.</p> <p>"Substantially complete" indicates that the Common Elements are complete and the units are complete subject to the selection of buyer preference items.</p> <ul style="list-style-type: none"> <li>•There are no Manufactured Homes in the Condominium Project</li> <li>•Owner-occupancy requirements for New Condominium Projects: At least 70% of the total units in the project (or at least 70% of the sum of the subject legal phase and prior legal phases) must have been conveyed or must be under contract to purchasers other than the developer (or its successor) who will occupy the units as their Primary Residences or second homes. Legal phases are defined by the Project Documents. Construction phases developed for the convenience of the developer are not necessarily legal phases. For the purpose of calculating owner-occupancy for this project review process, a project consisting of one building cannot have more than one legal phase and any one building in a Condominium Project comprised of multiple buildings cannot be subject to more than one legal phase.</li> <li>•Project budget requirement for New Condominium Projects The HOA assessments must begin once the developer has ceased to pay operating expenses attributable to the Condominium Project, whether or not all units have been sold. When any unit owner other than the developer pays assessments, the developer must pay the assessments attributable to the unsold units. The project's budget (or its projected budget if the project has not been turned over to the unit owners) must be consistent with the nature of the project and appropriate assessments must be established to manage the project. There must be appropriate allocations for line items pertinent to the type and status of the Condominium Project; There must be adequate funding for insurance deductible amounts; At least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project's age, estimated remaining life, and replacement cost of major Common Elements If the project was recently converted, the developer must have initially funded a working capital fund in an amount consistent with the estimated remaining life of the Common Elements (a) The replacement reserve percentage is determined by dividing: (1) the annual budgeted replacement reserve allocation by (2) the HOA's annual budgeted assessment income (including regular common expense fees); (b) The calculation may exclude: (1) special assessment income, (2) income in reserve accounts, (3) incidental income not relied upon for maintenance, operations or capital improvements and</li> </ul>
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	<p>(4) amounts collected from unit owners (but usually paid individually by them) for items or utilities such as internet access.; A Seller may rely on a reserve study instead of the project budget providing a replacement reserve of at least 10%, provided the conditions listed below are met</p> <ul style="list-style-type: none"> <li>•Delinquent assessments for New Condominium Projects No more than 15% of the total number of units in a project are 30 or more days delinquent in the payment of their HOA assessments</li> <li>•Compliance with laws: The Condominium Project has been created and exists in full compliance with the applicable State law, the requirements of the jurisdiction in which the Condominium Project is located, and with all other applicable laws and regulations governing creation of the Condominium Project.</li> <li>•Limitations on ability to sell/Right of first refusal Any right of first refusal in the Project Documents will not adversely impact the rights of a mortgagee or its assignee 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 or its assignee</li> <li>•Conversions: For a Condominium Project conversion, which is a Condominium Project with a prior use, the following requirements must be met: The licensed engineer must state that the project is structurally sound, and the condition and remaining useful life of the major project components are sufficient to meet the residential needs of the project, and that the licensed engineer has found no evidence that any of these conditions are not met. Major components include the roof, elevators and mechanical systems such as HVAC, plumbing and electricity. All rehabilitation work involved in a Condominium Project conversion must be completed in a professional manner; If the conversion was a partial rehabilitation, the Seller must have verified that all repairs affecting soundness and habitability are complete, replacement reserves have been allocated for all capital improvements, and the underwriter has determined that the reserves are sufficient to fund the improvements</li> <li>•Mortgagee consent: 1. The Project Documents or applicable State law must provide that amendments of a material adverse nature to First Lien mortgagees be agreed to by mortgagees that represent at least 51% of the unit votes (based on one vote for each first Mortgage owned) subject to First Lien Mortgages 2. The Project Documents or applicable State law must provide that</li> </ul>
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any action to terminate the legal status of the project or to use insurance proceeds for any purpose other than to rebuild, must be agreed to by First Lien mortgagees that represent at least 51% of the unit votes (based on one vote for each first Mortgage owned) that are subject to First Lien Mortgages 3. The Project Documents may allow implied approval to be assumed when the then current mortgagee of record fails to submit a response to any written proposal for an amendment within 60 days after the then current mortgagee of record actually receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested

- Rights of Condominium mortgagees and guarantors: The Project Documents, applicable State law, or any applicable insurance policy must give the mortgagee and guarantor of the Mortgage on any unit in a Condominium Project the right to timely written notice of: 1. Any condemnation or casualty loss that affects either a material portion of the Condominium Project or the unit securing its Mortgage 2. Any 60-day delinquency in the payment of assessments or charges owed by the owner of any unit for which it holds the Mortgage 3. A lapse, cancellation, or material reduction of any insurance policy maintained by the HOA 4. Any proposed action that requires the consent of a specified percentage of mortgagees

- First mortgagee's rights confirmed: The Project Documents must not give 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 proceeds from termination, or insurance proceeds or condemnation awards for losses to or a taking of Condominium Units and/or Common Elements.

- Marketing units in the Condominium Project: The sales program developed for marketing units in a project must recognize and provide procedures for complying with all laws pertaining to the advertising and sale of real estate, the form and content of sales contracts and the method for handling deposits connected with the sale. When the Project Documents allow the HOA to retain the right of first refusal (i.e., the right to provide a substitute buyer or to have the first option to purchase a unit), that right cannot be exercised in any way that constitutes unlawful discrimination, or that is likely to impair the marketability of the units in the project.

**Requirements when a Seller relies on a project reserve study for New Condominium Projects**

	<ul style="list-style-type: none"> <li>•The reserve study must comply with the following requirements: (1) The reserve study generally must include: (a) An inventory of major components of the project; (b) Financial analysis and evaluation of current reserve fund adequacy, and; (c) Proposed annual reserve funding plan; (2) A reserve study's financial analysis must validate that the project has appropriately allocated the recommended reserve funds to provide the Condominium Project with sufficient financial protection comparable to Freddie Mac's standard budget requirements for replacement reserves (3) The reserve study's annual reserve funding plan, which details total costs identified for replacement components, must meet or exceed the study's recommendation and conclusion; (4) The most current reserve study (or update) must be dated within 36 months of the Seller's determination that a Condominium Project is eligible (see Section 42.2(a)(2)); (5) The reserve study must be prepared by an independent expert skilled in performing such studies (such as a reserve study professional, a construction engineer, a certified public accountant who specializes in reserve studies, or any professional with demonstrated experience and knowledge in completing reserve studies); (6) The reserve study must meet or exceed requirements set forth in any applicable state statutes; (7) The reserve study must comment favorably on the project's age, estimated remaining life, structural integrity and the replacement of major components</li> <li>•If the Seller relies on a reserve study that meets the requirements of this section, the project's budget must contain appropriate allocations to support the costs identified in the study.</li> <li>•The Seller must obtain and retain in the Mortgage file a copy of the reserve study. The Seller must also perform an analysis of the study and retain this analysis in the Mortgage file.</li> </ul> <p><b>2- to 4-Unit Condominium Projects</b></p> <ul style="list-style-type: none"> <li>•The Condominium Project must comply with the definition of a 2- to 4-Unit Condominium Project, which is a project that is comprised of at least two, but no more than four, 1-unit dwellings that are each separately owned with separate legal descriptions</li> <li>•All units and Common Elements in the project and in any Master Association must be complete</li> <li>•All but one unit in the Condominium Project must have been</li> </ul>
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	<p>conveyed to purchasers (other than the developer) who occupy their units as Primary Residences or second homes</p> <ul style="list-style-type: none"> <li>•The Condominium Project must not include Manufactured Homes</li> </ul> <p><b>Detached Condominium Projects (covered under Streamlined Review Above), but must meet the following requirements</b></p> <ul style="list-style-type: none"> <li>•The Condominium Project must comply with the definition of a Detached Condominium Project, which is a Condominium Project comprised solely of detached, 1-unit dwellings</li> <li>•The Condominium Project must not include Manufactured Homes</li> </ul>
<p><b>Documentation Requirements</b></p>	<ul style="list-style-type: none"> <li>•Completed Condo/PUD Project Questionnaire</li> <li>•<b>Insurance:</b> The project must be covered by appropriate hazard, general liability, fidelity bond if more than 20 units and, if applicable, flood insurance as shown in <a href="#">Section 8</a> and Agency requirements.</li> <li>•Appraisal <ul style="list-style-type: none"> <li>◦Appraisal format as determined by DU/LP is acceptable unless restricted by program guidelines. If an appraisal is not required by the AUS, alternative documentation must be obtained to perform project review and warrant that all project eligibility criteria are met.</li> </ul> </li> <li>•Proposed annual budget or most recent audited financial statements</li> <li>•Public Offering Plan or equivalent (e.g., the Declarations, CC&amp;Rs, the Master Deed and Bylaws) and any amendments for new and newly converted projects</li> <li>•Engineer's or Architect's Report for newly converted projects.</li> <li>•Ground lease, if applicable</li> <li>•<b>Waiver of Right of First Refusal:</b> Verification is only required if it is brought to PRMG's attention that our rights may be impaired. Any right of first refusal in the Condominium Project Documents may not adversely impact the rights of a mortgagee or its assignee to: <ul style="list-style-type: none"> <li>◦Foreclose or take title to a Condominium Unit pursuant to the remedies in the Mortgage, or</li> <li>◦Accept a deed or assignment in lieu of foreclosure in the event of default by a mortgagor, or</li> <li>◦Sell or lease a unit acquired by the mortgagee or its assignee.</li> </ul> </li> </ul>
<p><b>Project Coding</b></p>	<p><b>Project Code:</b></p> <ul style="list-style-type: none"> <li>•Lender Full Review – New Projects (including 2-4 unit projects): Fannie Mae Type R</li> </ul>

	<p>Freddie New Project – <b>J</b> (<b>NOTE:</b> projects with less than 5 units are not eligible as new projects.)</p> <ul style="list-style-type: none"><li>• Lender Full Review – Established Projects (including 2-4 Unit Projects):</li></ul> <p>Fannie Mae Type – <b>S</b></p> <p>Freddie Mac Established Project</p> <p>Freddie Mac New Project</p> <p>Freddie Mac 2-4 Unit Project</p> <p>Freddie Mac Detached Project</p>
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## Section 5: Fannie Mae PERS Condo Review

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<p><b>Description</b></p>	<p>Fannie Mae reintroduced their project review function under the name of PERS – Project Eligibility Review Service.</p> <p><b>NOTE:</b> Brokers/Borrowers will be charged a fee for any project submitted to PERS, regardless of the final decision and is only allowed with Senior Management Approval.</p>
<p><b>Overview</b></p>	<p>A Condominium project is a real estate project in which each unit owner has title to a unit in a building, an undivided interest in the common areas of the project, and sometimes the exclusive use of certain limited common areas. PRMG lends on individual units within the project.</p> <p>PRMG requires Florida attached condos not subject to limited review to have either a valid PERS approval, Special Approval Designation or Lender Full Reviews. Lender Full Reviews are allowed when submitted to <a href="mailto:condoreviews@prmg.net">condoreviews@prmg.net</a> with the Condo Review Submission form and required documentation and an approval on the project is issued through Condo Reviews. The Condo Review Submission form can be found on the Resource Center or at the following link:  <a href="http://www.eprmg.net/PRMGFullCondoReview.pdf">http://www.eprmg.net/PRMGFullCondoReview.pdf</a></p>
<p><b>Approved Projects</b></p>	<p>Fannie Mae publishes its listing of accepted condo projects with their applicable expiration date, searchable by state, on <a href="http://www.efanniemae.com">www.efanniemae.com</a>.</p>
<p><b>Delivery Requirements</b></p>	<p>Projects with Final Project Acceptance will be valid until the expiration date.</p> <p>The note date must be prior to the expiration date of the project certification.</p> <p>The underwriter must confirm that no changes have occurred since PERS approval that would make the project ineligible.</p> <p>There is no delivery timeframe tied to this review process.</p>
<p><b>Ineligibility Criteria</b></p>	<p>Refer to <a href="#">Section 9 – Fannie Mae Project Eligibility</a> or <a href="#">Section 10 – Freddie Mac Project Eligibility</a> for a summary of guidelines.</p>
<p><b>Eligibility Criteria – Florida</b></p>	<ul style="list-style-type: none"> <li>• <b>New Projects in Florida:</b> All new or newly converted attached projects in Florida require mandatory submission to Fannie Mae's PERS process.</li> <li>• PRMG must check the PERS approved project list at <a href="http://www.eFanniemae.com">www.eFanniemae.com</a>.</li> <li>• <b>All Projects in Florida</b> are restricted to LTV/CLTV per program guidelines.</li> </ul>
<p><b>Eligibility Criteria</b></p>	<p>The use of the PERS service is optional in all cases except the</p>

	<p>following projects that must be submitted to PERS to determine eligibility:</p> <ul style="list-style-type: none"> <li>•Attached, new and newly converted condo projects located in Florida;</li> <li>•Newly converted, non-gut rehabilitation condo projects; and</li> <li>•PRMG must perform a basic review to determine if the project satisfies Fannie Mae’s eligibility requirements prior to submission for PERS review.</li> <li>•PRMG must ensure that the developer, builder, management company, or HOA will continue to provide project information to Fannie Mae as requested without charge. If the information is not provided, Fannie Mae reserves the right to withdraw its PERS approval.</li> <li>•PRMG must provide evidence of project approval for the above-indicated new or newly converted projects, for which Fannie Mae PERS approval is required</li> </ul>
<p><b>Documentation Requirements</b></p>	<ul style="list-style-type: none"> <li>•Project Eligibility Review Service Document Checklist (Fannie Mae Form 1030)</li> <li>•Application for Project Approval (Fannie Mae Form 1026)</li> <li>•Warranty of Condominium Project Legal Documents (Fannie Mae Form 1054) with attached attorney review.</li> <li>•Completed Condo/PUD Project Questionnaire</li> <li>•<b>Insurance:</b> The project must be covered by appropriate hazard, general liability, fidelity bond if more than 20 units and, if applicable, flood insurance as shown in <a href="#">Section 8</a>.</li> <li>•Appraisal</li> <li>•Public Offering Plan or equivalent (e.g., the Declarations, CC&amp;Rs, the Master Deed and Bylaws) and any amendments</li> <li>•Engineer's or Architect's Report for newly converted projects.</li> <li>•Ground lease, if applicable</li> <li>•<b>Waiver of Right of First Refusal:</b> Verification is only required if it is brought to PRMG's attention that our rights may be impaired.</li> </ul>
<p><b>Project Coding</b></p>	<p>Project Code:</p> <ul style="list-style-type: none"> <li>•<b>T:</b> Fannie Mae Review</li> </ul>

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## Section 6: Fannie Mae Special Approval

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	<b>Fannie Mae Special Approval</b>
<b>Description</b>	<p>Fannie Mae's Special Approval designation applies to established condominium projects in Florida that may not meet Fannie Mae's standard project approval eligibility requirements, but have been approved by Fannie Mae for purchase and refinance transactions. Fannie Mae reviews the project and assigns the Special Approval designation. Note: Fannie Mae determines which projects are eligible. Projects cannot be submitted to Fannie Mae for this type of approval.</p> <p>PRMG requires Florida attached condos not subject to limited review to have either a valid PERS approval or Special Approval Designation.</p>
<b>Project Approval Process</b>	<p>Special Approval designations are effective for 9-, 12- or 18-months. Mortgage loans secured by units in projects with this designation must be delivered within three months following the expiration date of the project's designation.</p>
<b>Delivery Requirements</b>	<p>The Project Certification Form or similar form must be used with all condo loans.</p>
<b>Eligibility Criteria</b>	<p>This type of project approval is available for new purchase and refinance transactions that meet the following requirements:</p> <ul style="list-style-type: none"> <li>• Only allowed on specific products</li> <li>• Loans must be agency-salable</li> <li>• The property must be a Primary Residence.</li> <li>• See product profile for max LTVs</li> <li>• The project must have the required insurance coverage as defined below.</li> </ul> <p>The project must appear on the list of projects with the Special Approval designation on Fannie Mae's website, at the following link:  <a href="https://www.efanniemae.com/sf/refmaterials/approvedprojects/index.jsp?from=hp">https://www.efanniemae.com/sf/refmaterials/approvedprojects/index.jsp?from=hp</a>. A copy of the screen print from the website must be included in the loan file.</p> <p>Refinance Transactions Only: The existing mortgage must currently be Fannie-Mae-owned or securitized. User must confirm eligibility using the Fannie Mae Loan Lookup feature at the following link:  <a href="http://loanlookup.fanniemae.com/loanlookup/">http://loanlookup.fanniemae.com/loanlookup/</a>. A copy of the screen print from the website showing "Match Found" must be</p>

	<p>included in the loan file. This is a Fannie Mae requirement.</p> <p><b>Ineligible</b></p> <ul style="list-style-type: none"> <li>•Non-agency transactions</li> </ul>
<b>Documentation Requirements</b>	<p><b>Insurance:</b> Fannie Mae will verify that all project level and master policy insurance is in place.</p> <p><b>Appraisal:</b> Appraisal format as determined by DU/LP is acceptable. If an appraisal is not required by the AUS, alternative documentation must be obtained to perform project review and warrant that all project eligibility criteria are met.</p> <p>The lender is required to verify that borrower-provided required insurance is in place for the individual unit, such as hazard or flood insurance coverage for a detached condominium unit, or HO-6 coverage for an attached unit.</p>
<b>Project Coding</b>	<p><b>Project Code:</b></p> <ul style="list-style-type: none"> <li>•T: Fannie Mae Special Approval for Florida Condos</li> </ul>

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## Section 7: PUD Project Requirements

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<b>Description</b>	<p>A planned unit development (PUD) is a real estate project or subdivision in which each unit owner holds title to a lot and the improvements on the lot, and there is common property and improvements that are owned and maintained by a homeowners' association for the benefit and use of the individual PUD units. The homeowners pay a fee to the homeowners' association to maintain the Common Elements for their benefit. Common Elements include but are not limited to parking lots, walkways, lighting, elevators, boilers, hallways, foyers, and legal ingress and egress to individual units, and Amenities such as swimming pools, spas, gardens, beach access, golf courses or golf club memberships, and ski areas or ski passes.</p> <p>This section applies to attached and detached PUDs that are utilizing Conventional products.</p> <p><b>Project Review is <u>not</u> required for:</b></p> <ul style="list-style-type: none"><li>•Detached units</li></ul> <p>Fannie Mae PUD projects are classified as <b>Type E</b> (established PUD projects) or <b>Type F</b> (new PUD projects). Zoning is not a basis for classifying a project or subdivision as a PUD.</p> <p>Freddie Mac projects are classified as Established Projects or New Projects.</p> <p>For a project to qualify as a PUD, the homeowners' association must require automatic, non-severable membership for each individual unit owner, and provide for mandatory assessments. Zoning is not a basis for classifying a project or subdivision as a PUD.</p> <p>Once the project is classified as a PUD, additional project review is based on the unit or project characteristics as indicated in the following sections.</p> <p>PRMG must represent and warrant that the PUD project meets all investor/Agency guidelines.</p>
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<b>Delivery Requirements – Attached PUD</b>	Attached projects must be approved within the 180 days preceding the date of the note, and loans must be delivered to the investor within 120 days of the project approval date. PRMG must provide a completed copy of the Certification of Project Eligibility, or similar form, and Approval form, or similar form that provides the required information: <ul style="list-style-type: none"> <li>•Borrower name and address</li> <li>•Project Approval Date</li> <li>•Project Type</li> </ul>
<b>Condo Located Within a PUD</b>	If a Condominium Unit is located within a PUD project, the property must meet both Condominium and PUD project eligibility and approval requirements.
<b>Ineligibility Criteria</b>	Refer to <a href="#">Section 9 – Fannie Mae Project Eligibility</a> for a summary of guidelines.
<b>Fannie Mae Attached PUD Review</b>	<ul style="list-style-type: none"> <li>•Insurance allowed per Fannie Mae, see Seller Guide Subpart B7</li> <li>•Must meet Fannie Mae PUD requirements</li> <li>•A Full Lender Review on attached PUDs must be performed and PRMG must confirm that: <ul style="list-style-type: none"> <li>• The appraisal of the unit meets all appraisal requirements in Fannie Mae Seller Guide Chapter B4-1, Appraisal Requirements.</li> <li>•The individual unit securing the mortgage must be complete (PRMG does not allow for Postponed Improvements.</li> <li>•The unit securing the mortgage satisfies all Fannie Mae's insurance requirements in Subpart B7, Insurance, including all provisions applicable to PUD projects in Seller Guide Chapter B7-4, Additional Project Insurance.</li> <li>•The PUD project must be in compliance with Fannie Mae's policy for priority liens (see B4-2.1-02, Ineligible Projects)</li> <li>•Note: Any unit located in a condo project within a larger PUD project or master association must meet the applicable requirements for condo projects. Attached PUD/Condo Warranty form is available in the Resource Center</li> </ul> </li> </ul>
<b>Freddie Mac Attached PUD Review</b>	<ul style="list-style-type: none"> <li>•Must meet Freddie Mac PUD requirements</li> <li>•A Planned Unit Development is a real estate project in which each unit owner holds title to a lot and the improvements on the lot, and the homeowners association holds title to the Common Elements. The unit owners have a right to the use of the Common Elements, and pay a fee to the homeowners association to maintain the Common Elements for their benefit</li> <li>•If a Condominium Unit is located in a PUD, must comply with the Condominium requirements and warranties in Section 5701 of Freddie Mac Seller Guide and the PUD requirements and warranties in Section 5702.</li> </ul>

	<ul style="list-style-type: none"> <li>•If the PUD unit or any PUD Common Element is on a leasehold estate, must comply with the leasehold estate requirements in Section 5704 of Freddie Mac Seller Guide and the PUD requirements and warranties in Section 5702.</li> <li>•The appraiser must report the Planned Unit Development's legal name, the Homeowners Association assessments, and the property rights for each comparable sale; and must compare them to the subject Planned Unit Development. The appraiser must also identify the Common Elements/Amenities available to the unit owners, comment on their condition, and analyze how they compare to the Common Elements/Amenities of competing Planned Unit Developments.</li> <li>•Comparable sales for a unit in a Planned Unit Development may be detached 1-unit dwellings that are not subject to CC&amp;Rs, are in the same market, and compete for the same purchasers. The appraiser must support the use of 1-unit dwellings not subject to CC&amp;Rs as comparable sales, and must analyze and report the impact the deed restrictions have on marketability and value.</li> <li>•The property insurance requirements in Sections 8202 of Freddie Mac Seller Guide must be met.</li> </ul>
<b>Insurance Requirements</b>	See Insurance <a href="#">Section 8</a>
<b>Document Requirements</b>	<p><b>Appraisal:</b></p> <p>An appraisal, and if required, a Condo/PUD Project Questionnaire to perform the project review, for all attached units.</p> <p>The appraisal format as determined by DU or LP is acceptable, unless restricted by the program guidelines. If an appraisal is not required by the AUS, alternative documentation must be obtained to perform project review and warrant that all project eligibility criteria are met.</p> <p>Note: Documentation relied on to perform the project review must be retained in the loan file.</p> <p><b>Insurance:</b> Evidence of all required insurance.</p>
<b>Appraisal Requirements – Attached PUD</b>	<p>The following requirements apply to Attached PUDs:</p> <p>The appraiser must report the Planned Unit Development's legal name, the Homeowners Association assessments, and the property rights for each comparable sale; and must compare them to the subject Planned Unit Development. The appraiser must also identify the Common Elements/Amenities available to the unit owners, comment on their condition, and analyze how</p>

	<p>they compare to the Common Elements/Amenities of competing Planned Unit Developments.</p> <p>Comparable sales for a unit in a Planned Unit Development may be detached dwellings that are not subject to CC&amp;Rs, are in the same market, and compete for the same purchasers. The appraiser must support the use of dwellings not subject to CC&amp;Rs as comparable sales, and must analyze and report the impact the deed restrictions have on marketability and value.</p>
<b>Coding</b>	<p><b>Project Classification:</b></p> <p><b>Fannie Mae:</b>  <b>Type E</b> - established PUD projects  <b>Type F</b> - new PUD projects</p> <p><b>Freddie Mac:</b>  Established Project  New Project</p>

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## Section 8: Insurance Requirements

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<p><b>Overview</b></p>	<p>Before PRMG delivers a loan on an individual unit in any condominium project or in an attached PUD project for purchase, PRMG must verify that the unit is covered by the project's blanket hazard and flood insurance policies. All coverages must be consistent with local, state, and federal insurance laws. This is in addition to all standard insurance requirements for the individual unit. This applies to all condominium projects whether approved by Fannie Mae, FHA or PRMG.</p> <p>Proof of insurance should be obtained up-front and included in the project review package to avoid closing delays.</p> <p>All insurance must meet requirements as outlined in applicable Agency Seller Guide</p>
<p><b>Fannie Mae Property/Flood Insurance Coverage</b></p>	<p><b>Coverage for Units in Project Developments</b>  Fannie Mae generally does not require individual insurance policies for a condo unit that secures a first mortgage. However, if the legal documents for the project allow for unit insurance policies for each first mortgage that Fannie Mae purchases or securitizes in a condo, Fannie Mae will accept the individual unit insurance policies that meet the requirements in B7-3-06, Evidence of Property Insurance (07/29/2014), and Chapter B7-3, Property and Flood Insurance.</p> <p><b>Required Coverage for Condo or PUD Projects</b>  This section covers property insurance requirements for insurance policies covering the common elements of condo and PUD projects—the project's blanket or master policy. Acceptable policies must provide coverage for either an individual project or multiple affiliated projects. The insurance policy must at a minimum protect against fire and all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily covered for similar types of projects, including those covered by the standard "all risk" or "special form" endorsement. If the policy does not include an "all risk" or "special form" endorsement, Fannie Mae will accept a policy that includes the "broad form" covered causes of loss. The applicable requirements are:</p> <ul style="list-style-type: none"> <li>•PUD Requirements — The HOA must maintain a property</li> </ul>

	<p>insurance policy, with premiums being paid as a common expense. The policy must cover all of the common elements except for those that are normally excluded from coverage, such as land, foundation, and excavations. Fixtures and building service equipment that are considered part of the common elements, as well as common personal property and supplies, should be covered.</p> <p>Individual insurance policies are also required for each unit mortgage that Fannie Mae purchases in a PUD project. If the project’s legal documents allow for blanket insurance policies to cover both the individual units and the common elements, Fannie Mae will accept the blanket policies in satisfaction of its insurance requirements for the units.</p> <p>•Condo Requirements — The lender must review the entire condo project insurance policy to ensure the HOA maintains a master or blanket type of insurance policy, with premiums being paid as a common expense. The insurance requirements vary based on the type of HOA master or blanket insurance policy as follows: “Single Entity” policy: The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the HOA. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. The amount of coverage must be sufficient to restore the condo unit to its condition prior to a loss claim event. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event.</p> <p>“All-In” (sometimes known as an “all-inclusive”) policy: The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the HOA. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event.</p> <p>“Bare Walls” policy: This policy typically provides no coverage for</p>
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the unit interior, which includes fixtures, equipment, and replacement of interior improvements and betterments. As a result, the borrower must obtain an individual HO-6 policy that provides coverage sufficient to repair the condo unit to its condition prior to a loss claim event, as determined by the insurer.

**Amount of Coverage**

Insurance must cover 100% of the insurable replacement cost of the project improvements, including the individual units in the project. An insurance policy that includes any of the following coverage, either in the policy language or in a specific endorsement to the policy, is acceptable:

- Guaranteed Replacement Cost–the insurer agrees to replace the insurable property regardless of the cost,
- Extended Replacement Cost–the insurer agrees to pay more than the property’s insurable replacement cost, or
- Replacement Cost–the insurer agrees to pay up to 100% of the property’s insurable replacement cost.

**Policies with Coinsurance**

Policies with coinsurance provisions can create additional risk for an HOA in the event of a loss if the amount of insurance coverage is less than the full insurable value. Master property policies that provide coverage at 100% of the insurable replacement cost of the project improvements, including the individual units, alleviate the risk of a coinsurance penalty being applied in the event of a loss.

If the policy has a coinsurance clause, inclusion of an Agreed Amount Endorsement or selection of the Agreed Value Option (which waives the requirement for coinsurance) is considered acceptable evidence that the 100% insurable replacement cost requirement has been met. If an Agreed Amount/Agreed Value provision is used, the Agreed Amount must be no less than the estimated replacement cost.

If the policy includes a coinsurance clause, but the coinsurance provision is not waived, the policy is still eligible if evidence acceptable to the lender confirms that the amount of coverage is at least equal to 100% of the insurable replacement cost of the project improvements. This evidence (documentation) must be maintained by the lender.

**Maximum Deductible Amounts**

For policies covering the common elements in a PUD project and for policies covering condo or co-op projects, the maximum

deductible amount must be no greater than 5% of the face amount of the policy.

For losses related to individual units in a co-op project or for individual PUD units that are covered by the blanket policy for the project, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit. If, however, the policy provides for a wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

For blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

**Special Endorsements**

The requirements for endorsements for condo, co-op, and PUD projects are as follows:

- Inflation Guard Endorsement, when it can be obtained;
- Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land-use law would result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs to rebuild after a covered loss event occurs. The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction. The endorsement is not required if it is not applicable or the coverage is not obtainable in the insurance market available to the association; and
- Boiler and Machinery/Equipment Breakdown Endorsement, if the project has central heating or cooling. This endorsement should provide for the insurer’s minimum liability per accident to at least equal the lesser of \$2 million or the insurable value of the building(s) housing the boiler or machinery. In lieu of obtaining this as an endorsement to the commercial package policy, the project may purchase separate standalone boiler and machinery coverage.

**Special Requirements for Condo Projects**

Additional insurance policy requirements for condo projects are as follows:

- Any Insurance Trust Agreement is recognized.
- The right of subrogation against unit owners is waived.
- The insurance is not prejudiced by any acts or omissions of

individual unit owners that are not under the control of HOA.  
•The policy must be primary, even if a unit owner has other insurance that covers the same loss.

**Named Insured**

The table below provides the requirements regarding the name of the insured entity.

**Condo projects:** The policy must show the HOA as the named insured. If the condo’s legal documents permit it, the policy can specify an authorized representative of the HOA, including its insurance trustee, as the named insured. The “loss payable” clause should show the HOA or the insurance trustee as a trustee for each unit owner and the holder of each unit’s mortgage loan.

**PUD common areas:** The policy must show the HOA as the named insured.

**Notices of Changes or Cancellation**

**Condo:** The policy must require the insurer to notify in writing the HOA (or insurance trustee) and each first mortgage loan holder named in the mortgagee clause at least 10 days before it cancels or substantially changes a condo project’s coverage.

**Flood Insurance Requirements**

**Requirements for Project Developments**

If a first mortgage is secured by a unit in an attached condo, co-op, or PUD project and any part of the improvements are in an SFHA, the lender must verify that the HOA or co-op corporation maintains a master or blanket policy of flood insurance and provides for premiums to be paid as a common expense.

**Condo Individual condo units:**

Stand-alone flood insurance dwelling policies for an attached individual condo unit are not acceptable. A master condo flood insurance policy must be maintained by the HOA, subject to the coverage requirements below. (For detached units, refer to the requirements described in Coverage for First Mortgages above.)

**Condo projects:**

The HOA must obtain a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for each building that is located in an SFHA. The policy must cover all of the common elements and property (including machinery and equipment that are part of the building), as well as each of the individual units in the building.

The master flood insurance policy must be at least equal to the

	<p>lower of</p> <ul style="list-style-type: none"> <li>•80% of the replacement cost, or</li> <li>•the maximum insurance available from NFIP per unit (which is currently \$250,000).</li> </ul> <p>If the condo project master policy meets the minimum coverage requirements above but does not meet the one- to four-unit coverage requirements (described in Coverage for First Mortgages), a supplemental policy may be maintained by the unit owner for the difference.</p> <p>The contents coverage should equal 100% of the insurable value of all contents (including machinery and equipment that are not part of the building), owned in common by association members.</p> <p>If the condo project has no master flood insurance policy or if the master flood insurance policy does not meet the requirements above, mortgages securing units in that project are not eligible for delivery to Fannie Mae.</p> <p>Note: DU Refi Plus and Refi Plus loans secured by units in a condo project are not required to meet the flood insurance requirements for master flood insurance policies stated in this section. Rather, if no master policy is in place, a stand-alone dwelling policy may be maintained by the unit owner to meet the full one- to four-unit requirements. If the master policy is deficient (by any amount), a supplemental policy may be maintained by the unit owner for the difference between the master policy and the one- to four-unit requirements.</p> <p><b>PUD Individual PUD units:</b></p> <p>Fannie Mae requires the same flood insurance for individual PUD units that is required for other one- to four-unit properties (described in Coverage for First Mortgages above). A stand-alone dwelling policy may be maintained to meet these requirements.</p> <p><b>PUD projects:</b></p> <p>If a master policy is maintained, it must cover any common element buildings and any other common property located in an SFHA. The unit allocation from the master policy must meet the one- to four-unit coverage requirements (described in Coverage for First Mortgages above).</p>
<p><b>Fannie Mae Project Liability/Fidelity/Crime Insurance Requirements</b></p>	<p>Fannie Mae’s project liability insurance requirements for condo and PUD projects are as follows:</p> <ul style="list-style-type: none"> <li>•Liability insurance coverage is required and must be verified as part of the review of a condo or co-op project with the exception of condo projects reviewed under the Limited Review method. In addition, liability insurance coverage is also required and must be verified for attached units in new PUD projects.</li> <li>•The HOA must maintain a commercial general liability insurance</li> </ul>

	<p>policy for the entire project, including all common areas and elements, public ways, and any other areas that are under its supervision. The insurance must also cover commercial spaces that are owned by the HOA or co-op corporation, even if they are leased to others. The commercial general liability insurance policy must provide coverage for bodily injury and property damage that results from the operation, maintenance, or use of the project’s common areas and elements.</p> <ul style="list-style-type: none"> <li>•The amount of coverage must be at least \$1 million for bodily injury and property damage for any single occurrence.</li> <li>•If the policy does not include severability of interest/separation of insureds in its terms, Fannie Mae requires a specific endorsement to preclude the insurer’s denial of a unit owner’s claim because of negligent acts of the HOA or co-op corporation or of other unit owners.</li> <li>•The policy should provide for at least ten days’ written notice to the HOA or co-op corporation before the insurer can cancel or substantially modify it. For condo and co-op projects, similar notice also must be given to each holder of a first mortgage or share loan on an individual unit in the project.</li> </ul> <p><b>Projects Requiring Fidelity/Crime Insurance</b>  Fidelity/crime insurance is required for <b>all condos</b> with the following exceptions that do not require fidelity/crime insurance:</p> <ul style="list-style-type: none"> <li>•condo projects reviewed under the Limited Review method,</li> <li>•condo projects consisting of 20 units or less, or</li> <li>•condo projects that would need fidelity/crime insurance coverage of \$5,000 or less (based on the calculations described in the Amount of Coverage below).</li> </ul> <p>Note: In states that have statutory fidelity/crime insurance requirements, Fannie Mae accepts those requirements in place of its own.</p> <p><b>Requirements for Who Must Be Covered</b>  The HOA must have blanket fidelity/crime insurance coverage for anyone who either handles or is responsible for funds that it holds or administers, whether or not that individual receives compensation for services, including coverage for a management agent. The insurance policy must name the HOA as the insured and the premiums should be paid as a common expense by the association or corporation.</p> <p>A management agent that handles funds for the HOA should additionally be covered by its own fidelity/crime insurance policy, which should provide the same coverage required of the</p>
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	<p>HOA.</p> <p><b>Amount of Coverage</b>  The HOA policy must cover the maximum funds that are in the custody of the HOA or co-op corporation or its management agent at any time while the policy is in force. Fidelity/crime insurance is not required if the maximum estimated funds are less than or equal to \$5,000.  A lesser amount of coverage is acceptable if the project’s legal documents require, or another source acceptable to the lender verifies, that the HOA and any management company adheres to one or more of the following financial controls:</p> <ul style="list-style-type: none"> <li>•Separate bank accounts are maintained for the working account and the reserve account, each with appropriate access controls, and the bank in which funds are deposited sends copies of the monthly bank statements directly to the HOA.</li> <li>•The management company maintains separate records and bank accounts for each HOA that uses its services, and the management company does not have the authority to draw checks on, or transfer funds from, the reserve account of the HOA.</li> <li>•Two members of the Board of Directors must sign any checks written on the reserve account.</li> </ul> <p>Even then, the fidelity/crime insurance coverage must equal at least the sum of three months of assessments on all units in the project, unless this calculated amount is less than or equal to \$5,000, in which case fidelity/crime insurance is not required.</p> <p><b>Cancellation/Modification Requirements</b>  The fidelity/crime insurance policy for a condo or co-op project must include a provision that calls for at least ten days’ written notice to the HOA or insurance trustee before the policy can be canceled or substantially modified for any reason. This same notice also must be given to each servicer that services a Fannie Mae-owned or Fannie Mae-securitized mortgage in the condo project.</p>
<p><b>Freddie Mac Property/Flood Insurance Coverage</b></p>	<p>Minimum Property Insurance Types and Amounts</p> <p><b>PUDs</b>  Requirements for 1- to 4-unit properties apply to similar residential properties within a Planned Unit Development (PUD) or a ground lease community.  If the individual units are covered by insurance purchased by their respective owners or leasehold lessees, the PUD</p>



	<p>homeowners association or the fee simple landowner/lessor of the ground lease community must insure common areas and property for 100 percent of their replacement cost under a commercial package policy which covers, at a minimum, loss from causes identified in the Insurance Services Office's (ISO's) Commercial Property Causes of Loss — Special Form endorsement. The policy must provide for loss or damage settlement at replacement cost. A policy with a coinsurance clause, inclusion of an Agreed Amount Endorsement or selection of the Agreed Value Option (which waives the requirement for coinsurance) is considered acceptable evidence that the 100% replacement cost requirement has been met. If an Agreed Amount/Agreed Value provision is used, the Agreed Amount must be no less than the estimated replacement cost. If a coinsurance clause is included in the PUD's policy, the policy is still eligible if the amount of coverage is at least equal to 100% replacement cost. The association or fee simple landowner/lessor must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use, including the following where applicable and available:</p> <ul style="list-style-type: none"> <li>•Agreed Amount, Agreed Value, Replacement Guarantee or Extended Replacement</li> <li>•Inflation Guard</li> <li>•Ordinance or Law</li> <li>•Mechanical Breakdown and Equipment Failure with an Ordinance or Law endorsement</li> </ul> <p>The insurance limit per covered mechanical breakdown or equipment failure must equal the lesser of:</p> <ul style="list-style-type: none"> <li>•100 percent of the replacement cost of the building housing the property which is susceptible to mechanical breakdown or equipment failure, or</li> <li>•\$2 million</li> </ul> <p>If a higher limit is required by private mortgage investors for PUDs similar in construction, location and use, the PUD homeowners association must maintain the higher insurance limit.</p> <p>The deductible for fire, water (not caused by flooding) or wind damage to the insured improvements (generally designated as "building" in the insurance policy) may not exceed 5 percent of the limit maintained for building coverage.</p> <p>Freddie Mac will also accept blanket insurance covering all units in the PUD or ground lease community as well as insurable common areas and property, if called for in the PUDs governing</p>
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documents or in the lease. Such coverage must meet the requirements applicable to each PUD or ground lease community unit and those applicable to insurable common areas and property. Deductibles are allowed under this blanket coverage under the terms and conditions stipulated above.

The insurance policy of the PUD homeowners association or fee simple landowner/lessor of the ground lease community must name the insured in substantially the same language indicated below:

For PUDs: Association of Owners of the [Name of PUD] Planned Unit Development for the use and benefit of the individual owners (designated by name, if required by law or the governing documents).

For ground lease communities: [Name of the lessor] of the [Name of the ground lease community] for the use and benefit of the individual lessees (designated by name, if required by law or by the lease).

### **Condominiums**

The condominium owners association must insure common elements and property for 100 percent of their replacement cost under a Condominium Association Coverage Form of the ISO or equivalent commercial package policy which covers, at a minimum, loss from causes identified in the ISO's Commercial Property Causes of Loss — Special Form endorsement.

Common elements and property that must be insured under the condominium owners association's policy include the following:

- Building and structures in the Condominium Project
- Fixtures, machinery, equipment and supplies maintained for the service of the Condominium Project
- Fixtures, improvements, alterations and equipment within the individual Condominium Units, regardless of ownership, unless the Condominium Unit owners are required by the governing documents to insure these items

The insurance coverage must provide for loss or damage settlement at replacement cost.

A policy with a coinsurance clause, inclusion of an Agreed Amount Endorsement or selection of the Agreed Value Option (which waives the requirement for coinsurance) is considered acceptable evidence that the 100% replacement cost requirement has been met. If an Agreed Amount/Agreed Value provision is used, the Agreed Amount must be no less than the estimated replacement cost. Also, if a coinsurance clause is included in the Condominium Project's policy, the policy is still

	<p>eligible if the amount of coverage is at least equal to 100% replacement cost.</p> <p>The additional coverages required of PUD homeowners associations are also required of condominium owners associations where applicable and available.</p> <p>Mortgages secured by a Condominium Unit in a Condominium Project or a property in a PUD with a master or blanket insurance policy that combines insurance coverage for multiple unaffiliated Condominium Projects or PUDs are not eligible for sale to Freddie Mac.</p> <p>The deductible for fire, water (not caused by flooding) or wind damage to the insured improvements (generally designated as "building" in the insurance policy) may not exceed 5 percent of the limit maintained for building coverage.</p> <p>The insurance policy of the condominium owners association must name the insured in substantially the same language indicated below:</p> <p>Association of Owners of the [Name of Condominium Project] Condominium for the use and benefit of the individual owners (designated by name, if required by law or the governing documents).</p> <p>If the Mortgaged Premises are in a Detached Condominium Project and the condominium governing documents so permit, Freddie Mac will accept insurance for the Mortgaged Premises that meets the requirements of Sections 58.2 through 58.8 applicable to 1- to 4-unit properties. The condominium unit owners association must maintain all other applicable insurance coverages required in Sections 58.2 through 58.8.</p> <p><b><u>Flood Insurance Requirements</u></b></p> <p>PUD or ground lease community units  Flood insurance requirements for 1- to 4-unit properties apply to similar residential properties within a PUD or ground lease community. (c) Condominium Units  Flood insurance requirements for 1- to 4-unit properties apply to similar residential properties in a Detached Condominium Project.</p> <p>If the Condominium Unit securing a Mortgage sold to or serviced for Freddie Mac is in a building in a Condominium Project other than a Detached Condominium Project and all or part of the building is in an SFHA, the following flood insurance coverage, as applicable, is required:</p> <ol style="list-style-type: none"> <li>1. Condominium owners association's coverage</li> </ol>
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	<p>The condominium owners association must maintain building coverage on the building for the lower of (i) the building's replacement cost or (ii) \$250,000 multiplied by the number of residential units in the building.</p> <p>The condominium owners association must maintain contents coverage on the building for the lower of (i) the actual cash value of the contents in the building that are owned in common by the association members or (ii) the maximum amount of contents coverage sold by the NFIP for a condominium building.</p> <p>The deductible of the condominium owners association's coverage may not exceed the maximum deductible amount currently allowed under the NFIP for condominium association building coverage. The deductible for association building contents may not exceed the maximum deductible amount currently allowed under the NFIP for association building contents.</p> <p><b>2. Unit owner's coverage</b></p> <p>To the extent the condominium owners association's building coverage does not meet the requirements above, the Borrower must maintain supplemental coverage on the unit in an amount at least equal to the difference between the condominium associations' building coverage allocated to that unit and the amount required on a 1- to 4-unit property and with a deductible not exceeding the maximum deductible allowed for a 1- to 4-unit property. If the condominium owners associations' building coverage is not at least equal to the lower of 80% of the building's replacement cost or \$250,000 multiplied by the number of units in the building, the Mortgage is not eligible for sale to Freddie Mac, with the exception of Freddie Mac Relief Refinance Mortgages<sup>SM</sup> - Same Servicer or Freddie Mac Relief Refinance Mortgages - Open Access, which remain eligible for sale to Freddie Mac with supplemental coverage if applicable.</p>
<p><b>Freddie Mac Project Liability/Fidelity/Crime Insurance Requirements</b></p>	<p><b>Liability insurance for PUDs and condominiums</b></p> <p>The PUD or condominium owners association or the fee simple landowner/lessor of the ground lease community must maintain commercial general liability (CGL) insurance covering all common areas, common elements, commercial spaces and public ways in the PUD, condominium or ground lease community.</p> <p>If not already included in the terms of the CGL coverage, there must be a "severability of interest" endorsement precluding the insurer's denial of a unit owner's claim because of negligent acts by the association, the fee simple landowner/lessor or other unit owners.</p> <p>The association must also maintain any additional coverage commonly required by private mortgage investors for</p>

	<p>developments similar in construction, location and use, including the following where applicable and available:</p> <ol style="list-style-type: none"> <li>1. Comprehensive automobile liability; 2. Bailee's liability; 3. Elevator collision liability; 4. Garage keeper's liability; 5. Host liquor liability; 6. Workers' compensation and employer's liability; 7. Contractual liability</li> </ol> <p>The insurer's limit of liability per occurrence for personal injury, bodily injury or property damage under the terms of the above coverages must be at least \$1 million and the coverage must provide for claim settlements on an occurrence basis.</p> <p><b>Fidelity or Employee Dishonesty Insurance for Condominiums</b></p> <p>Freddie Mac requires all condominium homeowners associations in Condominium Projects that consist of more than 20 units to obtain and maintain fidelity or employee dishonesty insurance that meets the terms and conditions of coverage detailed in this section. If a Condominium Project is located in a State that requires condominium homeowners associations to obtain and maintain fidelity or employee dishonesty insurance on terms or conditions different from Freddie Mac's, Freddie Mac will deem compliance with the State's requirements to be compliance with Freddie Mac's requirements.</p> <p>The condominium homeowners association must maintain fidelity or employee dishonesty insurance covering losses resulting from dishonest or fraudulent acts committed by the association's directors, managers, trustees, employees or volunteers who manage the funds collected and held for the benefit of the Condominium Unit owners. A professional management firm must be insured to the same extent as an association that manages its own operation. The management firm must submit evidence of such coverage to the association or must be insured under the condominium homeowners association's policy.</p> <p>Fidelity or employee dishonesty insurance coverage must have all of the following characteristics:</p> <ul style="list-style-type: none"> <li>•The policy must name the condominium homeowners association as the insured, and premiums must be paid as a common expense by the association.</li> <li>•The coverage must equal no less than the maximum amount of funds in the custody of the condominium homeowners association or its management firm at any one time, unless the amount of the funds is less than or equal to \$5,000, in which case fidelity or employee dishonesty insurance is not required. A lower coverage limit is acceptable if the condominium's Project</li> </ul>
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	<p>Documents require the homeowners association and any management firm to adhere to certain financial controls. However, in such case, the coverage limit must at least equal the sum of three months of assessments on all units in the Condominium Project.</p> <p>Freddie Mac will accept reduced fidelity or employee dishonesty insurance coverage based on greater financial controls if such controls include at least one of the following provisions:</p> <ul style="list-style-type: none"> <li>•The condominium homeowners association or its management firm maintains separate accounts for the operating budget and the reserve fund. The depository institution in which funds are deposited sends copies of the monthly account statements directly to the association.</li> <li>•Separate records and accounts are maintained for each condominium homeowners association or other community association using the management firm's services. The management firm does not have the authority to draw checks on or to transfer funds from the reserve fund of the condominium owners association.</li> <li>•Two or more members of the board of directors must sign any checks drawn on the reserve fund.</li> </ul>
<p><b>Notification Requirements</b></p>	<p>The policy must require the insurer to notify in writing the homeowners' association (or insurance trustee) and each first mortgage loan holder named in the mortgagee clause at least 10 days before it cancels or substantially changes a condo project's coverage.</p>
<p><b>Title Insurance</b></p>	<p>The title insurance policy must include an ALTA Form 5 endorsement or equivalent.</p> <p>The Title Insurance policy for Condos and Planned Unit Developments (PUDs) must include coverage that provides protection by:</p> <ul style="list-style-type: none"> <li>•Insuring that the mortgage is superior to any lien for unpaid common expense assessments. In jurisdictions that give these assessments a limited priority over a first or second mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date;</li> <li>•Insuring against any impairment or loss of title of PRMG's first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. The title insurance policy must specifically insure against any loss that results from a violation that existed as of the date of the policy;</li> <li>•Insuring that the unit does not encroach on another unit or on</li> </ul>

	<p>any of the common elements, areas or facilities. This policy must also insure that there is no encroachment on the unit by another unit or by any of the common elements, areas or facilities;</p> <ul style="list-style-type: none"> <li>• Insuring that the mortgage is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes;</li> <li>• Insuring that real estate taxes are assessable and lien able only against the individual condominium unit and its undivided interest in the common elements, rather than against the project as a whole; and</li> <li>• Insuring that the owner of a PUD unit is a member of the homeowners association and that the membership is transferable if the unit is sold.</li> </ul> <p>Additionally, the title must be free and clear of any objectionable liens and encumbrances, including any statutory or mechanics' liens for labor or materials related to improvements on the common areas that began before the title policy was issued.</p>
<b>Other</b>	<p>If the homeowners association owns the common elements, areas/facilities of a project separately (or holds them in a leasehold estate), insurance on those areas is required to insure that ownership.</p>

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## Section 9: Fannie Mae Project Eligibility

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Loans secured by units within the following types of projects using Fannie Mae reviews are not eligible for origination or purchase by PRMG, regardless of the characteristics of the subject property mortgage transaction:

### Ineligible Projects

Eligible projects do not have any of the characteristics listed below. The below information applies to all attached and detached condo projects. With the exception of Priority of Common Expense Assessments, the restrictions below do not apply to attached or detached PUDs. See Fannie Mae Seller Guide for additional information.

- Investment securities (i.e., projects that have documents on file with the Securities and Exchange Commission (SEC) or projects where unit ownership is characterized or promoted as an investment opportunity).
- Timeshare, fractional, or segmented ownership projects.
- New projects where the seller is offering sale or financing structures in excess of Fannie Mae's eligibility policies for individual mortgage loans. These excessive structures include, but are not limited to, builder/developer contributions, sales concessions, HOA assessments, or principal and interest payment abatements, and/or contributions not disclosed on the HUD-1 Settlement Statement.
- Projects with mandatory upfront or periodic membership fees for the use of recreational amenities, such as country club facilities and golf courses, owned by an outside party (including the developer or builder). Membership fees paid for the use of recreational amenities owned exclusively by the HOA or master association are acceptable.
- Projects that are managed and operated as a hotel or motel, even though the units are individually owned. (See Seller Guide for additional detail.)
- Projects with covenants, conditions, and restrictions that split ownership of the property or curtail an individual borrower's ability to utilize the property. (See Seller Guide for additional detail.)
- Projects with property that is not real estate, such as houseboat projects. (See Seller Guide for additional detail.)
- Any project that is owned or operated as a continuing care facility. (See Seller Guide for additional detail.)
- Projects with non-incident business operations owned or operated by the HOA including, but not limited to, a restaurant, spa, or health club. (See Seller Guide for additional detail.)
- Projects that do not meet the requirements for live-work projects. (See Seller Guide for additional detail.)
- Projects in which the HOA or co-op corporation is named as a party to pending litigation, or for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project. (See Seller Guide for additional detail.)
- Any project that permits a priority lien for unpaid common expenses in excess of Fannie Mae's priority lien limitations. (See Seller Guide for additional detail.) Note: This restriction applies to



all PUD projects, whether the units are attached or detached. (Applies to attached and detached condos and attached and detached PUDs)

- Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns more than the following total number of units in the project: projects with 2 to 4 units – 1 unit; projects with 5 to 20 units – 2 units; projects with 21 or more units – 10%. Units currently subject to any lease arrangement must be included in the calculation. This includes lease arrangements containing provisions for the future purchase of the units such as lease-purchase and lease-to-own arrangements. Units are not included in the calculation if they are owned by the developer/sponsor and are vacant and being actively marketed for sale.
- Multi-dwelling unit projects that permit an owner to hold title (or stock ownership and the accompanying occupancy rights) to more than one dwelling unit, with ownership of all of his or her owned units (or shares) evidenced by a single deed and financed by a single mortgage (or share loan). (See Seller Guide for additional detail.)
- The total space that is used for nonresidential or commercial purposes may not exceed: 25% for condo projects (See Seller Guide for additional detail.)
- Projects containing manufactured housing that have not been approved by Fannie Mae through the PERS process, as required.
- Newly converted non-gut rehabilitation projects with more than four attached units that have not been approved by Fannie Mae through the PERS process, as required.
- New or newly converted projects in Florida with attached units that have not been approved by Fannie Mae through the PERS process, as required.
- Projects 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 partial or full destruction. (See B4-1.3-04, Site Section of the Appraisal Report.)

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## Section 10: Freddie Mac Project Eligibility

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Loans secured by units within the following types of projects using Freddie Mac reviews are not eligible for origination or purchase by PRMG, regardless of the characteristics of the subject property mortgage transaction:

- Project required to be registered with a federal or State securities agency: Any project that is required to be registered with the U. S. Securities and Exchange Commission or any State securities agency, regardless of the project type.
- A Condominium Hotel is a project that is operated and managed as a hotel or similar type of transient property, even though the units are individually owned. Projects that have one or more of the following characteristics are considered a Condominium Hotel or similar type of transient property, and are ineligible projects: (1) Projects that include hotel type services and characteristics such as registration services, rentals of units on a daily basis, daily cleaning services, central telephone service, central key systems and restrictions on interior decorating; (2) Projects that are conversions of a hotel (or a conversion of a similar type of transient housing); (3) Projects with mandatory or voluntary rental-pooling and revenue-sharing agreements (or similar agreements that restrict the unit owner's ability to occupy the unit) to assure an inventory of units for rent on a frequent basis, such as daily, weekly, monthly or seasonally (see Section 42.10(b) for further guidance), and (4) Projects with names that include the words "hotel," "motel," "inn," "lodge" or a branded hotel chain or name. If owners of Condominium Units in projects in resort locations rent their units (either individually or through a rental management company) on a short-term basis, this alone does not indicate that the project is to be considered a Condominium Hotel. Sellers must fully analyze all the characteristics of the project and related information to determine if the project is a Condominium Hotel. Section 42.10 provides additional details on determining whether a project is a Condominium Hotel.
- Project with multi-dwelling units: A project in which an owner may hold a single deed evidencing ownership of more than one dwelling unit.
- Project with excessive commercial or non-residential space. A project in which more than 25% of the total above and below grade square footage of the project (or more than 25% of the total above and below grade square footage of the building in which the project is located) is used as commercial or non-residential space.
- Tenancy-in Common apartment project: A tenancy-in-common apartment project is owned by several owners as tenants-in-common or by a Homeowners Association (HOA). Individuals have an undivided interest in the residential apartment building (including the units) and land on which the building is located, and may or may not have the right of exclusive occupancy of a specific apartment unit in the building.
- Timeshare project or project with segmented ownership: A project in which there is an arrangement under which a purchaser receives an interest in real estate and the right to use a unit or Amenities, or both, for a specified period and on a recurring basis such as the 15th week of the year, or ownership that is for a limited period such as for the subsequent five years.

- Houseboat project: A project comprised of boats that have been designed or modified to be used primarily as dwelling units.
- Project that is a legal nonconforming use: A Condominium Project with legal non-conforming use and the jurisdiction in which the project is located does not allow the rebuilding of the improvements to current density in the event of their partial or full destruction. This restriction does not apply to Detached Condominium Projects or if the jurisdiction in which the project is located allows the rebuilding of the improvements to their current density in the event of their partial or full destruction.
- Project in litigation, arbitration, mediation or other dispute: A project in which: (1) the HOA is named as a party to pending litigation, or (2) the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, functional use or habitability of the project. If the Seller determines that the reason for the pending litigation involves minor matters that do not affect the safety, structural soundness, functional use or habitability of the project, the project is eligible as long as the litigation is limited to one of the following: (a) The litigation amount is known, the insurance company has committed to provide the defense and the litigation amount is covered by the insurance policy, (b) The matters involve non-monetary neighbor disputes or rights of quiet enjoyment, or (c) The HOA is the plaintiff in the litigation and the matter is minor with insignificant impact to the financial status of the project. Must retain documentation to support its analysis that the reason for the dispute meets Freddie Mac's requirements for minor matters as described above.
- Project sold with excessive Seller contributions: Any project that complies with the definition of a New Condominium Project where the builder, developer or property seller is offering contributions that do not comply with the requirements of the Purchase Documents, including Section 25.3. Examples include, but are not limited to, rent-backs or leasebacks, payments of principal, interest, taxes and insurance (PITI) or HOA assessments for any period of time, and undisclosed contributions.
- Project with excessive single investor concentration: Any project in which an individual or a single entity such as an investor group, partnership or corporation owns more than the following of the total number of units in the project. Number of units in the project is two to four than total number of units owned by individual or single entity is one; if number of units in the project is five to 20 than total number of units owned by individual or single entity is two; Number of units in the project is 21 or more than total number of units owned by individual or single entity is 10%. Vacant units being actively marketed by the developer are not included in the calculation of the developer's percentage of ownership. Any units leased by the developer must be included in the calculation of the developer's percentage of ownership. If the project has fewer than 10 units, any project in which a single entity owns more than one unit.
- Continuing Care Retirement Community (CCRC): A CCRC is a residential project designed to meet the health and housing needs of seniors as their needs change over time. CCRCs are distinguished from age-restricted communities in that residents in CCRCs contract in advance for a lifetime commitment from the facility to care for them, regardless of the future health or housing needs. CCRCs may also be known as Life-Care Facilities.
- Manufactured Homes: Mortgages secured by Manufactured Homes, except when approved through the Fannie Mae Project Eligibility Service (PERS) process (refer to Section 42.9(a) for additional information).

- New Condominium Projects in Florida: Mortgages secured by attached units in New Condominium Projects in Florida, except when approved through the Fannie Mae Project Eligibility Service (PERS) process (refer to Section 42.9(a) for additional information).

## Section 11: FHA/VA/USDA Condo Approvals

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### FHA

<p><b>PLEASE REFER TO THE 4155 FOR ALL FHA GUIDELINES NOT COVERED IN THIS MANUAL:</b></p>	<p><a href="http://www.fhaoutreach.gov/FHAHandbook/prod/index.asp">http://www.fhaoutreach.gov/FHAHandbook/prod/index.asp</a> Refer to ML 2011-22, ML 2012-18 and the Condominium Project Approval and Processing Guide for condo approval process information.</p>
<p><b>Ineligibility Criteria</b></p>	<ul style="list-style-type: none"> <li>•PRMG will not participate in the DELRAP review process and will not fund loans that have been approved under the DELRAP review process if the DELRAP review process is completed for the specific loan transaction that is closing. The project must have been added to the FHA Condominiums List as a result of a prior transaction/approval (DELRAP approval for that prior transaction is acceptable) and not added based on the current transaction.</li> <li>•Spot approvals are not permitted.</li> </ul>
<p><b>Eligibility Criteria</b></p>	<ul style="list-style-type: none"> <li>•Condominium project approval is not required for detached site condominiums; however a Condominium Rider must be executed.</li> <li>•Condo must be on FHA's approved list.</li> </ul>
<p><b>Documentation Requirements</b></p>	<ul style="list-style-type: none"> <li>•As part of the new process, the FHA "Lender Certification for Individual Unit Financing" form must be signed and dated when the appraisal is reviewed for each transaction. Information to complete the certification should be obtained from PRMG's Condominium Project Questionnaire, HOA Budget and any other information that may be needed.</li> <li>•Printed copy of the FHA-Approved Project page must be retained in the loan file. Refer to: <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips</a></li> <li>•Insurance: Evidence the project is covered by appropriate hazard, liability, fidelity bond if more than 20 units and, if applicable, flood insurance. Refer to ML 2011-22 and the Condominium Project Approval and Processing Guide.</li> <li>•Appraisal</li> <li>•Appraisal form 1073 or 1004 may be used on site condos</li> </ul>

## VA

<b>PLEASE REFER TO THE VA LENDER HANDBOOK FOR ALL VA GUIDELINES NOT COVERED IN THIS MANUAL:</b>	<a href="http://www.benefits.va.gov/warms/pam26_7.asp">http://www.benefits.va.gov/warms/pam26_7.asp</a>
<b>Eligibility Criteria</b>	<ul style="list-style-type: none"><li>•Condo, including site condos must be on VA's approved list.</li><li>•Eligibility can be verified at: <a href="https://vip.vba.va.gov/portal/VBAH/Home?paf_portallId=default&amp;paf_dm=shared#">https://vip.vba.va.gov/portal/VBAH/Home?paf_portallId=default&amp;paf_dm=shared#</a></li></ul>

## USDA

<b>PLEASE REFER TO HANDBOOK 3555 FOR ALL VA GUIDELINES NOT COVERED IN THIS MANUAL:</b>	<a href="https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do">https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do</a>
<b>Eligibility Criteria</b>	<ul style="list-style-type: none"><li>• The condominium unit must be located in a project where the Homeowners' Association has assumed FULL management responsibility from the developer. The association must collect fees and administer the affairs of the complex.</li><li>•Units in condominium projects are eligible for USDA guarantee if the condominium has been approved or accepted by FHA, FNMA or FHLMC or VA.</li><li>•VA condo eligibility can only be used if the project has been submitted to VA for approval more than two years prior to the application date.</li><li>•For FHA Approved Projects provide a fully completed "Lender Certificate for Individual Unit Financing.</li><li>•For FNMA/FHLMC provide evidence of current project approval.</li></ul>

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## **Section 12: Condo/PUD Documents**

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See PRMG's Resource Center for following documents:

- Condo Review Submission Form
- HOA Condo Questionnaire
- HOA Attached PUD Questionnaire
- Limited Review Condo Questionnaire
- Condo Limited Review Checklist (Internal)
- Attached PUD Certification
- Project Pre-Sale Form

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