AGENCY CONDOMINIUM GUIDELINES

This information provides guidelines for evaluating existing condominium projects. The intent of the project review is to assess the marketability and long-term stability of the project. Current market conditions and comparable sales on the appraisal provide information on the subject property's marketability. The following condominium project guidelines and documentation requirements are applied in addition to the standard property appraisal review guidelines.

The condominium project must be covered for all types of insurance as required by Fannie Mae and Freddie Mac guidelines. <u>Projects without coverage for hazard, liability and fidelity insurance coverage will not be approved.</u>

The following review processes will be utilized to approve condominium projects. The review process for 100% complete established condominium projects is different from new condominium projects. The following tables should be reviewed thoroughly for determination of project acceptance. The review process options available are Limited Review for Established Projects and Full Review for Established and New Projects.

<u>LIMITED REVIEW – ESTABLISHED PROJECTS</u>

ESTABLISHED PROJECTS ONLY LIMITED REVIEW PROCESS CONDOMINIUM GUIDELINES		
Documentation Required for Review for Project Approval	Fully completed Condominium Questionnaire Form, HOA Master Insurance Policy, Appraisal (The appraiser must comment on the amenities and common areas and indicate all are completed)	
Eligible Projects	As defined by Fannie Mae or Freddie Mac	
Loan Products	**Fannie Mae Conforming**	**Freddie Mac Conforming**
Occupancy Type	Primary, Second Home & Investment	Primary, Second Home & Investment
Max LTV The maximum LTV as allowed by product guides	Primary – 90% Second Home – 75% Investment Property – 75% Max LTV subject to product guidelines LTV > 80% subject to MI Underwriting Guidelines	Primary – 90% Second Home – 75% Investment Property – 75% Max LTV subject to product guidelines LTV > 80% subject to MI Underwriting Guidelines
Established Projects in the State of Florida	Primary – 75% Second Home – 70% Investor – 70%	Primary – 75% Second Home – 70% Investor – 70%
Project Completion	All Units, amenities, and common areas must be 100% complete and cannot be subject to additional phasing, and HOA must be in control by unit owners	All Units, amenities, and common areas must be 100% complete and cannot be subject to additional phasing, and HOA must be in control by unit owners
Investor Owned Unit Limitation	For Investment property loans, 50% of the total units in the project must be primary or second homes	For Investment property loans, 50% of the total units in the project must be primary or second homes
Multiple Ownership	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 5 to 20 units – 2 units • projects with 21 or more units – 20%	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 5 to 20 units – 2 units • projects with 21 or more units – 25%
Commercial Use	Should not exceed more than 35% of the total square footage of the project	Should not exceed more than 35% of the total square footage of the project
Delinquent HOA Dues	No more than 15% of the HOA fee payments can be more than 60 days delinquent	No more than 15% of the HOA fee payments can be more than 60 days delinquent
Litigation	Provide details from HOA. Not acceptable if litigation impacts project's marketability and/or if the liability policy does not cover the potential loss.	

Insurance Requirements	(1) **<u>Hazard</u>**: blanket all risk policy with 100% replacement, deductible not to exceed 5% of policy face amount. If the policy carries a Coinsurance Clause doesn't have an Agreed Amount Endorsement or selection of the Agreed Value Option (which waives the requirement for coinsurance) we'll need one of the following: • Copy of independent project appraisal completed in accordance with applicable state requirement(s) ***<u>OR</u>*** • Copy of insurer's replacement cost evaluation (e.g. Marshall & Swift or proprietary software evaluation) prepared for the policy's current renewal period; ***<u>OR</u>*** • Copy of insurance carrier's proprietary chart for calculating the minimum RC required per square ft. and the project's improvements total square footage; ***<u>OR</u>*** • Email from insurance agent/carrier confirming one of the above evaluations were completed and the date performed. (2) **<u>Liability</u>**: Coverage must be $1 million per occurrence (3) **<u>Fidelity Bond (Employee Dishonesty)</u>:** Required for projects with over 20 units, coverage must be in amount sufficient to cover three months of HOA dues or meets requirements of state law. (4) **<u>Flood:</u>** Lesser of 100% of insurable value or maximum coverage allowed per NFIP; coverage of each unit should be the lesser of $250,000 or the amount of its replacement cost (i.e., the replacement cost of all units combined or the number of units x $250,000); deductible not to exceed $25,000 per building located in the flood zone (5) **<u>Special Endorsements</u>:** The requirements for endorsements for Condo, co-op and PUD projects are as follows: • Building Ordinance or Law Endorsement. The endorsement 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. Per accident to at least equal the lesser of 2 million or the insurable value of the building(s) housing the boiler or machinery. **<u>Borrower Insurance Requirements</u>** Borrowers are required to obtain a 'walls-in' Hazard Insurance coverage policy (commonly known as HO-6 policy) unless the lender can document the master insurance policy of the HOA covers the interior improvements and betterments of the unit. The HO-6 policy must provide coverage in the amount of the insurer's estimate of adequate coverage.
Projects with Four or Less Units	• Project cannot be subject to additional phasing or be part of a larger project that consists of multiple 2-to-4 unit buildings • All units, common areas, amenities, and recreational facilities must be complete • Appraisal must confirm this type project is typical for area • Only one unit may be non-owner (investment) occupied • Legal documents must comply with the following: ▪ All liens placed after first mortgage is recorded must be subordinate ▪ Each owner must pay a proportionate share of maintenance and replacement costs of common elements ▪ Architectural controls must be in place concerning exterior • Arbitration language must provide for settlement of disputes between unit owners • Must provide for use and maintenance of private roads, if applicable • Units must be separately metered for electricity and gas • No single entity may own more than one unit

FULL REVIEW ESTABLISHED PROJECTS

ESTABLISHED PROJECTS ONLY FULL REVIEW PROCESS CONDOMINIUM GUIDELINES		
Documentation Required for Review for Project Approval	Fannie Mae 1. Fully completed Condominium Questionnaire Form 2. Declarations Page of HOA Master Insurance Policy 3. Appraisal (The appraiser must comment on the amenities and common areas and indicate all are completed) 4. Current Project Budget 5. For non-gut rehab conversions created within the past three years, the architect's or engineer's report 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, cooling systems, electrical systems, elevators, boilers, roof etc.	Freddie Mac 1. Fully completed Condominium Questionnaire Form 2. Declarations Page of HOA Master Insurance Policy 3. Appraisal (The appraiser must comment on the amenities and common areas and indicate all are completed) 4. Current Project Budget 5. Engineer's Report required for project conversion less than three years old
Eligible Projects	As defined by Fannie Mae or Freddie Mac	
Loan Products	**Fannie Mae Conforming**	**Freddie Mac Conforming**
Occupancy Type	Primary, Second Home & Investment Properties	Primary, Second Home & Investment Properties
Max LTV The maximum LTV as allowed by product guides	Primary – 97% Second Home – 90% Investment Property – 85% Max LTV subject to product guidelines LTV > 80% subject to MI Underwriting Guidelines	Primary – 97% Second Home – 90% Investment Property – 85% Max LTV subject to product guidelines LTV > 80% subject to MI Underwriting Guidelines
Established Projects in the State of Florida	Primary – 97% Second Home – 90% Investor – 85% Max LTV subject to product guidelines LTV > 80% subject to MI Underwriting Guidelines	Primary – 97% Second Home – 90% Investor – 85% Max LTV subject to product guidelines LTV > 80% subject to MI Underwriting Guidelines
Project Completion	All Units, amenities, and common areas must be 100% complete and cannot be subject to additional phasing, and HOA must be in control by unit owners (no seasoning requirements for homeowner's control)	All Units, amenities, and common areas must be 100% complete and cannot be subject to additional phasing, and HOA must be in control by unit owners (no seasoning requirements for homeowner's control)
Pre-Sale	90% of the total units in the project must be sold and closed	90% of the total units in the project must be sold and closed
Investor Owned Unit Limitation	For Investment property loans, 50% of the total units in the project must be primary or second homes	For Investment property loans, 50% of the total units in the project must be primary or second homes
Multiple Ownership	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 5 to 20 units – 2 units	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 5 to 20 units – 2 units • projects with 21 or more units – 25%

<table>
<tr><td></td><td>• projects with 21 or more units – 20%</td><td></td></tr>
<tr><td>Commercial Use</td><td>Should not exceed more than 35% of the total square footage</td><td>Should not exceed more than 35% of the total square footage</td></tr>
<tr><td>HOA Reserve Requirements</td><td colspan="2">The HOA budget must be reviewed to determine that it provides for funding of replacement reserves for capital expenditures and deferred maintenance that is at least 10% of the budget.
To determine whether the association has a minimum annual budgeted replacement reserve allocation of 10%, must divide the annual budgeted replacement reserve allocation by the association’s annual budgeted assessment income (which includes regular common expense fees).
In lieu calculating the replacement reserve of 10%, an acceptable reserve study may be obtained. The study must demonstrate that the project has adequate funded reserves that provide financial protection for the project. The study must meet or exceed Fannie Mae / Freddie Mac’s requirements.</td></tr>
<tr><td>Delinquent HOA Dues</td><td>No more than 15% of the HOA fee payments can be more than 60 days delinquent</td><td>No more than 15% of the HOA fee payments can be more than 60 days delinquent</td></tr>
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• Copy of independent project appraisal completed in accordance with applicable state requirement(s) <u>OR</u>
• Copy of insurer's replacement cost evaluation (e.g. Marshall & Swift or proprietary software evaluation) prepared for the policy's current renewal period; <u>OR</u>
• Copy of insurance carrier's proprietary chart for calculating the minimum RC required per square ft. and the project's improvements total square footage; <u>OR</u>
• Email from insurance agent/carrier confirming one of the above evaluations were completed and the date performed.
(2) <u>Liability</u>: Coverage must be $1 million per occurrence
(3) <u>Fidelity Bond (Employee Dishonesty)</u>: Required for projects with over 20 units, coverage must be in amount sufficient to cover three months of HOA dues or meets requirements of state law.
(4) <u>Flood:</u> Lesser of 100% of insurable value or maximum coverage allowed per NFIP; coverage of each unit should be the lesser of $250,000 or the amount of its replacement cost (i.e., the replacement cost of all units combined or the number of units x $250,000); deductible not to exceed $25,000 per building located in the flood zone
(5) <u>Special Endorsements</u>: The requirements for endorsements for Condo, co-op and PUD projects are as follows:
• Building Ordinance or Law Endorsement. The endorsement 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. Per accident to at least equal the lesser of 2 million or the insurable value of the building(s) housing the boiler or machinery.

<u>Borrower Insurance Requirements</u>
Borrowers are required to obtain a ‘walls-in’ Hazard Insurance coverage policy (commonly known as HO-6 policy) unless the lender can document the master insurance policy of the HOA covers the interior improvements and betterments of the unit. The HO-6 policy must provide coverage in the amount of the insurer’s estimate of adequate coverage.</td></tr>
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Projects with Four or Less Units	• Project cannot be subject to additional phasing or be part of a larger project that consists of multiple 2-to-4 unit buildings • All units, common areas, amenities, and recreational facilities must be complete • Appraisal must confirm this type project is typical for area • Only one unit may be non-owner (investment) occupied • Legal documents must comply with the following: ▪ All liens placed after first mortgage is recorded must be subordinate ▪ Each owner must pay a proportionate share of maintenance and replacement costs of common elements ▪ Architectural controls must be in place concerning exterior • Arbitration language must provide for settlement of disputes between unit owners • Must provide for use and maintenance of private roads, if applicable • Units must be separately metered for electricity and gas • No single entity may own more than one unit

(C) NEW PROJECTS NOT IN THE STATE OF FLORIDA*

NEW PROJECTS ONLY NOT LOCATED IN FLORIDA FULL REVIEW PROCESS CONDOMINIUM GUIDELINES	
Project Completion	The project, or the subject legal phase (not construction phase), must be "substantially complete". 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 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. **TWO-TO-FOUR UNIT PROJECTS** All units, common elements, and facilities within the project must be 100% complete, and not subject to additional phasing even when the project is new or newly converted.
Pre-Sale Requirements	At least 50% of the total units in the project or subject legal phase (not construction 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.
Legal Review of Condo Project Legal Documents	A legal review of the projects recorded legal documents must be performed to determine compliance with Fannie Mae or Freddie Mac requirements.
Other Project Requirements	All other requirements for Full Project Review pertain to the New Project review

***PERS is required for new and newly converted condo projects consisting of attached units located in Florida.**

(C) GENERAL ELIGIBILITY REQUIREMENTS

1. Ineligible projects as listed below are not acceptable.
2. Live/Work Condo – May be considered on a case by case basis, but must be typical for the area and will require full project approval.
3. Site Condo- No project analysis is required
4. Age-Related Deed Restrictions – Allowed only for senior citizens, age 55 or older. All other types require prior approval.

5. Litigation - Provide details from HOA. Not acceptable if litigation impacts project's marketability and/or if the liability policy does not cover the potential loss.
6. Delinquent HOA Dues – If more than 15% of units are delinquent in paying HOA dues, the project may require full project approval.
7. Insurance Requirements –
   (1) Hazard blanket all risk policy with 100% replacement coverage, deductible not to exceed 5% of policy face amount. If the policy carries a Coinsurance Clause (penalty clause imposed by the carrier to ensure the Insured Value is set appropriately) the following is required:
      I. Policy must also include an Agreed Value / Agreed Amount endorsement (waives the potential penalty)
      II. OR, a Project Appraisal is provided which shows that the Insurance Value on the insurance policy is at least 100% equal to or greater than the Insured Reproduction Value on the Project Appraisal.

   (2) Liability: Coverage must be $1 million per occurrence.
   (3) Fidelity Bond (Employee Dishonesty): Required for projects with over 20 units, coverage must be in amount sufficient to cover three months of HOA dues or meets requirements of state law.
   (4) Flood: Lesser of 100% of insurable value or maximum coverage allowed per NFIP; coverage of each unit should be the lesser of $250,000 or the amount of its replacement cost (i.e., the replacement cost of all units combined or the number of units x $250,000); deductible not to exceed $25,000 per building located in the flood zone.
   (5)Special Endorsements: The requirements for endorsements for Condo, co-op and PUD projects are as follows:
      - Building Ordinance or Law Endorsement. The endorsement 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. Per accident to at least equal the lesser of 2 million or the insurable value of the building(s) housing the boiler or machinery.

8. Condominium Project with Four or Less Units -
   - Project cannot be subject to additional phasing or be part of a larger project that consists of multiple 2-to-4 unit buildings
   - All units, common areas, amenities, and recreational facilities must be complete
   - Appraisal must confirm this type project is typical for area
   - Only one unit may be non-owner (investment) occupied
   - Legal documents must comply with the following:
     - All liens placed after first mortgage is recorded must be subordinate
     - Each owner must pay a proportionate share of maintenance and replacement costs of common elements
     - Architectural controls must be in place concerning exterior
     - Arbitration language must provide for settlement of disputes between unit owners
     - Must provide for use and maintenance of private roads, if applicable
     - Units must be separately metered for electricity and gas
     - No single entity may own more than one unit

   Insurance Requirements:
     - Master Building Insurance Requirements
     - Master Liability insurance for common areas in the amount of $500,000 per occurrence
     - Master Flood Insurance, if applicable (see General Insurance requirements)
     - Only one (1) unit may be non-owner occupied (investment)
     - Lender concentration is limited to one unit
     - Flood certification is required

(D) INELIGIBLE PROJECTS

Condominium or cooperative hotels — Any project that is managed and operated as a hotel or motel, even though the units are owned individually. Projects with any of the following characteristics are considered to be hotel-type projects and therefore, ineligible:

- projects that include registration services and offer rentals of units on a daily basis
- projects with names that include the words "Hotel", "Motel", "Inn", "Resort", or "Lodge"; has an affiliation with, and/or is managed by an entity, usually a hotel chain or hospitality entity.
- the project is located at the same address as a hotel or resort, or within a hotel or resort
- the project provides any of the following services:
  - Management Desk
  - Bellman
  - Daily maid service

    - Food Service
    - Telephone Service
    - Centralized Utilities, for example, central telephone or cable
    - Centralized key system not in negotiated terms
  - project shares facilities, common elements or amenities with a hotel or motel, resort and/or lodge that is owned and managed by the developer or another third-party entity
  - project is in an area zoned primarily for transient accommodations other than residential
  - the unit is in a building that functions like a traditional condominium, yet the project contains additional resort type amenities or other buildings with resort type amenities
  - the unit is fully furnished
  - the unit does not have a full kitchen
  - projects that restrict the owner's ability to occupy the unit; and
  - projects with mandatory rental pooling agreements that require the unit owners to either rent their units or to give a management firm control over the occupancy of the units. These formal agreements between the developer, homeowner's association, and/or the individual unit owners, obligate the unit owner to rent the property on a seasonal, monthly, weekly, or daily basis. In many cases, the agreements include blackout dates, continuous occupancy limitations, and other such use restrictions. In return, the unit owner receives a share of the revenue generated from the rental of the unit.

Projects with non-incidental business operations owned or operated by the owners' association such as, but not limited to, a restaurant, spa, health club, etc

Investment securities – projects that have documents on file with the Securities and Exchange Commission, or projects where unit ownership is characterized or promoted as an investment opportunity

Common interest apartments or community apartment projects - any project or building that is owned by several owners as tenants-in-common or by a homeowners association in which individuals have an undivided interest in a residential apartment building and land, and have the right of exclusive occupancy of a specific apartment in the building.

Timeshare or segmented ownership projects

Houseboat projects.

Multi-dwelling unit condominiums or cooperatives—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).

Condominium or cooperative 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

A tax-sheltered syndicate's leasing to a cooperative or "leasing" cooperatives—projects that involve the leasing of the land and the improvements to the cooperative corporation, even if the cooperative corporation owns part of the building

Cooperative projects that are subject to leasehold estates

Limited equity cooperatives—projects in which the cooperative corporation places a limit on the amount of return that can be received when stock or shares are sold.

Cooperative projects with units that are subject to resale restrictions or located on land owned by community land trusts

Cooperative projects in which the developer or sponsor has an ownership interest (or other rights in the project real estate or facilities), other than the interest or rights it has in relation to unsold units

Any project for which the owner's association is named as a party to current litigation or, for any project that has not been turned over to the association or corporation, for which the project sponsor or developer is named as a party to current litigation that relates to the project.