Overview

NewLeaf will originate and fund mortgage loans secured by units in condominium projects that meet FNMA/FHLMC/NewLeaf eligibility criteria.

Condominium Definition

A condominium is a unit in a condominium project. A condominium project consists of two or more units legally established in compliance with applicable State laws where the project is located. A condominium unit is a one-unit residential dwelling in which each unit owner has title to his or her individual unit, an individual interest in the project’s common areas and in some cases the exclusive use of certain limited common areas.

General Requirements

NewLeaf must represent and warrant each condominium project that the condominium unit is located in. NewLeaf underwriting must determine that the project was reviewed within the three months that preceded the date of the mortgage Note and that they are not aware of any changes in circumstances since the review that would result in the project not satisfying FNMA/FHLMC/NewLeaf eligibility.

Eligibility Criteria

Condominium eligibility criteria vary depending on the project type as defined below. Project types are:

- **Established Project Eligibility**
  - 90% or more 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
  - Control of the homeowner’s association has been turned over to the unit owners
  - There are no manufactured homes in subject project

- **Established Project Underwriting Eligibility:**
  - Primary Residences and Second Homes – No owner occupancy requirements
  - Investment properties – at least 51% of the units in the project are occupied as primary residences or second homes
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• At least 10% of the budget is allocated annually and monthly to the reserve account to accommodate capital expenditures, deferred maintenance and replacement of major common elements
• Adequate reserves for insurance deductibles
• No Single entity (same individual, investor group, partnership or corporation) owns more than 10% of the total units in subject project.
• No more than 15% of the total number of units in the project are 30 days or more delinquent on the HOA assessments
• No litigation, see ineligible project section below for additional information

• New Project Eligibility
  • FNMA must approve all new projects and a copy of the FNMA approval letter must be retained in the loan file
  • Less than 90% of the total units in the project has been conveyed to the unit purchasers
  • The project is not fully completed, such as proposed construction, new construction, or incomplete conversion of an existing building to a condominium
  • The project is newly converted; or
  • The project is subject to additional phasing or annexation
  • Control of the homeowners association has not been turned over to the unit owners
  • At least 70% of the total units in the project must have been conveyed or must be under contract to purchasers other than the developer and will occupy the units as their primary residence or 2nd home
  • Subject legal phase and prior legal phases are substantially complete (Certificate of Occupancy or its equivalent has been issued) for the subject and previous phases; temporary C of O plus completed, signed job site card is acceptable if issued by county
  • There are no manufactured homes in the subject project
  • No litigation, see ineligible project section below for additional information

• New Project Underwriting Eligibility
  • Primary Residences and Second Homes – No owner occupancy requirements
  • Investment properties – at least 51% of the units in the project are occupied as primary residences or second homes
  • At least 10% of the budget is allocated annually and monthly to the reserve account to accommodate capital expenditures, deferred maintenance and replacement of major common elements
  • Adequate reserves for insurance deductibles
  • No more than 15% of the total number of units in the project are 30 days or more delinquent on the HOA assessments
  • No Single entity (same individual, investor group, partnership or corporation) owns more than 10% of the total units in subject project; developer may own more than 10% of project only if actively marketing remaining units for sale
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Two to Four Unit Project and Underwriting Eligibility
- No single (same individual, investor group, partnership or corporation) entity owns more than one unit in the project
- All units, common elements and facilities within the project including those that are owned by any master association must be 100% complete
- All but one unit in the project must have been conveyed to owner-occupant principal residences or second home purchasers; and
- The units in the project must be owned in fee simple or leasehold and the unit owners must be the sole owners of and have rights to the use of the project’s facilities, common elements, and limited common elements.
- Project must carry a total of $1,000,000 of liability insurance via a master policy or combined policies of unit owners.
- No litigation, see ineligible project section below for additional information

Condominium Review Type

Condominium review types are defined below:

Lender Full Review
- The project must not be an ineligible project as defined in this policy
- The project must not be a manufactured housing project
- The project must not be a new project with any units less than 400 square feet
- The project must meet insurance requirements as defined in this policy
- No more than 20% of the total square footage of the project can be used for commercial purposes
- The units in the project must be owned in fee simple
- No more than 15% of the total units in a project may be 30 days or more past due on their homeowner’s association dues
- Primary Residences and Second Homes – No owner occupancy requirements
- Investment properties – at least 51% of the units in the project are occupied as primary residences or second homes
- At least 10% of the budget is allocated annually and monthly to the reserve account to accommodate capital expenditures, deferred maintenance and replacement of major common elements
- Adequate reserves for insurance deductibles
- No Single entity (same individual, investor group, partnership or corporation) owns more than 10% of the total units in subject project; developer may own more than 10% of project only if actively marketing remaining units for sale
- No litigation, see ineligible project section below for additional information
• **Lender Full Review for Two-to-Four Unit Projects**

In addition to meeting all requirements listed above for a standard Lender Full Review the following is required:

- No single entity may own more than one unit in the project
- All units, common elements and facilities within the project including those that are owned by any master association must be 100% complete
- All but one unit in the project must have been conveyed to owner-occupant principal residence or second home purchasers
- The unit owners must be the sole owners of and have rights to the use of the project’s facilities, common elements and limited common elements
- Liability insurance in the amount of $1,000,000 is required. If the project does not carry master liability insurance, the combined amount of liability policies carried by each individual unit owner must meet Agency requirements of a minimum of $1,000,00

• **Lender Review for Detached Condominium Projects with DU Approval**

- The property is a single detached unit
- The property is not a manufactured home
- The project is not an ineligible project per this policy
- The unit is occupied as a principal residence, second home or investment property
- The appraiser commented on, and reflected in the appraisal report, any effect that buyer resistance to the condo form of ownership has on the market value of the individual unit.
- The type of hazard and flood insurance coverage required for single-family detached dwellings applies unless there is a master insurance policy that covers the dwelling

• **Lender Review for Detached Condominium Projects with LP Approval**

- The property is a single detached unit
- The property is not a manufactured home
- The project is not an ineligible project per this policy
- The unit is occupied as a principal residence, second home (investment properties not permitted)
- The appraiser commented on, and reflected in the appraisal report, any effect that buyer resistance to the condo form of ownership has on the market value of the individual unit.
- The type of hazard and flood insurance coverage required for single-family detached dwellings applies unless there is a master insurance policy that covers the dwelling
• **Limited Review**

A limited review may be performed depending on project type and certain loan characteristics as defined in NewLeaf underwriting guidelines. A limited review must meet the following criteria:

- The project must not be an ineligible project as defined in this policy
- The project must not consist of manufactured homes
- The project must be an established project as defined in this policy
- The project must be covered by insurance as defined in this policy

Mortgages that are secured by new condominium projects and investment properties are not eligible for Limited Review. Limited Review for attached condominium units applies to the following occupancy type and LTV/CLTV/HCLTV guidelines:

**Projects located in Florida are not permitted for Limited Review**

<table>
<thead>
<tr>
<th>Occupancy Type</th>
<th>Maximum LTV/CLTV/HCLTV w/DU</th>
<th>Maximum LTV/CLTV/HCLTV w/LP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Residence</td>
<td>=/&lt;80%</td>
<td>=/&lt;90%</td>
</tr>
<tr>
<td>Second Home</td>
<td>=/&lt;75%</td>
<td>=/&lt;75%</td>
</tr>
<tr>
<td>Investment Property</td>
<td>Not eligible</td>
<td>Not eligible</td>
</tr>
</tbody>
</table>

• **Reciprocal Project Review**

FNMA approved projects are eligible for FHLMC financing if the project has been approved by FNMA through PERS or CPM AND if the project complies with the following:

- The project complies with all applicable FNMA eligibility requirements and lender warranties
- Any terms and conditions of the PERS or CPM approval have not expired, and have not been rescinded or modified in any way
- The Mortgage file contains a copy of FNMA PERS approval or CPM project acceptance certification
- The project complies with project eligibility requirements in Section 42.2(b) of FHLMC’s Selling Guide
- NewLeaf is not aware of any circumstances that would make the project ineligible for FNMA acceptance

**CPM project approvals for FNMA are permitted**
• **Project Type Classification for FNMA Projects or Projects with a DU Approval:**
  - P – A project requiring limited review for new detached projects
  - Q – A project requiring limited review for established projects
  - R – A project requiring lender full review for new projects
  - S – A project requiring lender full review for established projects
  - T – A project that received final PERS approval
  - U – An FHA approved project (for FHA loans only)

• **Ineligible Projects**

Units located in the following project types are not eligible

  - Hotel/Motel/Resort Projects including Hotel or Motel conversions
  - Projects that offer registration services and rentals of units on a daily basis
  - Projects that restrict the owner’s ability to occupy the unit or that have rental pooling agreements giving a management control over the occupancy of the units
  - Projects with non-incidental business operations such as a restaurant, spa, health club
  - Projects subject to Federal or State Securities Regulations
  - Common-interest apartment projects AKA Own Your Own
  - Timeshares or projects with segmented ownership
  - Houseboats
  - Projects where more than 20% of the total space is used for non-residential purposes
  - Co-ops
  - Projects in which an owner may hold a single deed evidencing ownership of more than one unit
  - 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
  - Projects sold with excessive Seller contributions
  - Projects with fractured interest
  - Projects where a single investor/entity owns more than 10% of the total number of units in the project or more than one unit for projects that are less than 10 units
  - Continuing Care Retirement Community (CCRC)
  - Attached Projects that are legal non-conforming
  - Any project rendered ineligible by Fannie Mae
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- Mortgages secured by Manufactured Homes (unless PERS approved by FNMA)
- New and Newly Converted attached Condominium Projects located in Florida unless approved by FNMA
- Leaseholds
- Projects in litigation, arbitration, mediation or other dispute. However, if the litigation, arbitration, mediation or dispute is determined to be minor, the project may be deemed as eligible; provided NewLeaf concludes that the pending litigation has no impact on the safety, structural soundness, habitability, or functional use of the project. If it is determined that the circumstance is minor as per the following, 2nd signature from management is required. The following are defined to be minor matters:
  - Non-monetary litigation involving neighbor disputes or rights of quiet enjoyment
  - Litigation for which the claimed amount is known, the insurance carrier has agreed to provide the defense, and the amount is covered by the association’s insurance
  - The HOA is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due homeowner’s association assessments.

- **Financing of Limited Common Elements or Amenities**
  Parking spaces that are real property and purchased with the Condominium Unit may be financed as part of the mortgage. Non-realty amenities such as boat docs or cabanas cannot be financed as part of a mortgage.

- **Appraisal Requirements**
  - The appraisal must be completed on Form 465/1073.
  - An interior and exterior inspection of the subject property is required.
  - The appraiser must report the project name, the assessments and include any special assessments and the property rights for each comparable sale and must compare them to the subject project.
  - The appraiser must identify the common elements and the amenities available to the unit owners, comment on their condition and analyze how they compare to the competing projects.
  - Comparable sales must be from condominium projects in the same market and must be similar to the subject project and compete for the same buyers.
  - The appraiser should provide at least one comparable sale from within the subject project and one comparable sale from a competing project.
  - The appraiser should address if there is any pending litigation in the project or if one entity owns more than 10% of the project.
• **Insurance Requirements**

Please refer to the posted [Insurance Policy](#) for specific Condominium Policy Requirements.

• **Underwriter Responsibility**

NewLeaf’s underwriter is responsible for reviewing the Condominium project to ensure that it meets all eligibility requirements as described in this policy. The appropriate Condominium Checklist must be reviewed, along with other appropriate documentation to represent and warrant the project to the Agency. NewLeaf must not be aware of any change in circumstance since reviewing the project that would result in it no longer satisfying Agency requirements. The underwriter is required to:

- Review, complete and sign the appropriate Condominium Checklist and attach it to the eFolder Property Condo Warranty bucket.
- Complete the Project Type, Project Name and or ID# on the Transmittal Summary and Underwriter Summary

**Attachments:**

- **Exhibit A** - Conventional Condo Full Review Checklist
- **Exhibit B** - Conventional Condo Limited/Streamline Review Checklist
- **Exhibit C** – Conventional 2-4 Unit Condo Checklist