



## TMS Funding NY & NJ Co-Op Guidelines

<b>1. Criteria</b> .....	2
Eligible States .....	2
Eligible Occupancy.....	2
Eligible Borrowers .....	2
Maximum LTV .....	2
High Balance.....	3
Secondary Financing .....	4
Flip Tax / Transfer .....	4
Pro Rata Share .....	4
Commercial Units.....	4
Negative Cash Flow .....	4
<b>2. Acceptable Projects</b> .....	4
Completion %.....	4
Age of the Project.....	4
Minimum Number of Units.....	5
Presale Occupancy .....	5
Max Investor.....	5
Ownership by a Single Entity .....	5
Maximum # of loans per Cooperative .....	5
Title Ownership Ground Leaseholds.....	5
Non-Elevator Buildings (Walkups) .....	5
Subsides, Abatements .....	5
<b>3. Unacceptable Projects</b> .....	6
<b>4. Insurance</b> .....	8
<b>Hazard</b> .....	8
Required Coverage.....	8
Deductible .....	8
Liability .....	8
Rent Loss .....	8
Boiler and Machinery .....	8
<b>Fidelity Bond</b> .....	9
<b>Flood</b> .....	9
<b>5. Pro Rata Share</b> .....	10
Pro Rata Share Calculation.....	10



## TMS Funding NY & NJ Co-Op Guidelines

### 1. Criteria

#### Eligible States

- New York:
  - Boroughs of Bronx, Kings (Brooklyn), Manhattan, Queens, Richmond (Staten Island) and counties of Nassau, Rockland, Suffolk, Westchester.
- New Jersey:
  - Counties of Bergen, Essex, Hudson, Middlesex, Monmouth, Morris, Passaic, Union

#### Eligible Occupancy

Owner-occupied primary residence or second homes. Refer to Matrix.

#### Eligible Borrowers

The corporation must have marketable title to the property and own the property in Fee Simple only.

#### Maximum LTV

<u>Conforming</u>	Fixed	
	LTV	Credit
<u>Purchase</u>		
Primary	90/90/90	720 <sup>45</sup> DTI 680 <sup>41</sup> DTI
	80/80	680
2 <sup>nd</sup> Home	80/80/80	720
<u>Rate and Term</u>		
Primary	90/90/90	680
2 <sup>nd</sup> Home	75/75/75	
<u>Cash Out</u>		
Primary	75/75/75	680



## TMS Funding NY & NJ Co-Op Guidelines

### High Balance

High Balance 30 year Fixed

<u>High Balance</u>	Fixed	
	LTV	Credit
<u>Purchase &amp; Rate and Term</u>		
Primary	90/90/90	720
	75/75/75	680
2 <sup>nd</sup> Home	65/65/65	740
<u>Cash Out</u>		
Primary	60/60/60	740
2 <sup>nd</sup> Home	N/A	N/A

**\*Note: Rate and Term refinance: Maximum LTV/CLTV is 80% for loan amounts > \$625,500**

Maximum loan amounts are determined by geographic area. High-cost loan limits are available at:

<https://www.efanniemae.com/sf/refmaterials/loanlimits/index.jsp>

<https://entp.hud.gov/idapp/html/hicostlook.cfm>

Underwriting Method:

- Loans must be underwritten through Desktop Underwriter® (DU®) and receive a DU “Approve/Eligible”

Reserves:

- Reserves are determined by the AUS
- Additional reserve requirements apply if the subject property is a second home and the borrower owns multiple financed properties.

Ratios:

- Maximum qualifying ratios are determined by the AUS.

Additional Restrictions:

- Unless otherwise noted, standard conforming guidelines apply.
- Borrower(s) must have owned the property for at least six months to be eligible for cash-out. Seasoning is calculated from the date the existing loan was closed to the application date of the new loan.



## TMS Funding NY & NJ Co-Op Guidelines

- A field review is required for LTV/CLTV > 75% and property value > \$1.0 Mil OR LTV/CLTV > 80% and loan amount > \$625,500. The lesser of the original appraised value, the Field Review review value, or the sales price must be used to calculate the maximum LTV/CLTV.

### **Secondary Financing**

Not Allowed

### **Flip Tax / Transfer**

Not Allowed

### **Pro Rata Share**

30% regardless of LTV

### **Commercial Units**

- The Commercial unit(s) should not be unique in its market
- At least 80% of the project's income must come from its Residential Shareholders
- Maximum 20% of the total space (Sq Ft) used for non-residential purposes

### **Negative Cash Flow**

Cannot exceed 5% of the projects annual operation budget

## **2. Acceptable Projects**

### **Completion %**

100% and the project may not be subject to any additional phasing or annexation

### **Age of the Project**

The corporation must have been in existence for three years



## TMS Funding NY & NJ Co-Op Guidelines

### **Minimum Number of Units**

Minimum of 5 units

### **Presale Occupancy**

90% presale of which 80% must be Primary regardless of LTV

### **Max Investor**

20% Including Sponsor (holder of unsold shares)

### **Ownership by a Single Entity**

No single entity may own more than 10% of stock shares other than the sponsor.

### **Maximum # of loans per Cooperative**

Maximum exposure in any single project may not exceed 30% of the total number of units in the project

### **Title Ownership Ground Leaseholds**

Not Allowed

### **Non-Elevator Buildings (Walkups)**

If the subject is on the 5<sup>th</sup> floor, it must be marketable for the area, which means be substantiated with at least two comps on the 5<sup>th</sup> floor of this project, or 5<sup>th</sup> floor of other non-elevator projects.

### **Subsides, Abatements**

Any subsidies, tax abatements, or similar benefits must remain fully in effect for at least three years.

Appraisal Requirements

Full 2090 is required



## TMS Funding NY & NJ Co-Op Guidelines

### 3. Unacceptable Projects

- Cooperative projects in which the developer or sponsor (the person or corporation that takes on the responsibility of managing the project, usually a board of directors) 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).
- Manufactured units
- Projects or units that are subject to resale restrictions or located on land owned by community land trusts.
- Houseboat projects: A project comprised of boats that have been designed or modified to be used primarily as dwelling units.
- Type 1 projects that are recipients of any subsidies or similar benefits (tax or assessment abatements) that will terminate partially or fully within the next three years.
- Projects where the corporation must have been in existence less than three years.
- Projects subject to additional phasing or annexation.
- Auctions properties
- Projects with non-incidentual business operations owned or operated by the cooperative corporation such as, but not limited to, a restaurant, spa, health club, etc.
- Projects with commercial units that are incompatible with the project's residential nature.
- Projects with non-residential commercial space(s) that exceed 20% of the total square footage of the project.
- Cooperative Hotels: Projects that have individual stock ownership and accompanying occupancy rights but which operate as commercial hotels. Physical characteristics indicating that the project has a hotel identity or hotel-like characteristics, or offers hotel-like services include but are not limited to the following:
  - Central telephone systems
  - Room service (food or beverage) is available to the unit owners
  - Units that do not contain full kitchens
  - Daily cleaning
  - Advertising of rental rates
  - Registration service
  - Restrictions on interior decorating or furnishings, or the units are sold "fully furnished," or the purchaser must choose from a list of "approved" furniture, floor and wall coverings for the unit
  - Franchise agreements
  - Central key systems
  - Owner occupancy density – the project may have few or even no owner occupants
  - Projects converted from a hotel or motel
  - Interior doors that adjoin other units
  - Lockable storage closets, cabinets, safes or mini-bars

## TMS Funding NY & NJ Co-Op Guidelines

- Timeshare or segmented (fragmented ownership projects): A real estate development in which a purchaser can buy the exclusive right to occupy a unit for a specified period of time each year. A form of property ownership under which a property is held by a number of people, each with the right of possession for a specified time interval. Timesharing is most commonly applied to resort and vacation properties. Timeshare projects are examples of segmented (fragmented) ownership projects.
- Projects that represent a legal but non-conforming use of land, when zoning regulations prohibit the rebuilding of the improvements to their current density in the event of their partial or full destruction.
- Multi-dwelling unit cooperatives: Projects that permit an individual or entity to hold title or individual stock ownership and the accompanying occupancy rights to more than one dwelling unit, with owned units or shares evidenced by a single deed and financed by a single share loan.
- Limited equity cooperatives: These are projects in which the cooperative corporation places a limit on the amount of return that can be received when stock or shares are sold.
- A tax-sheltered syndicate's leasing to a cooperative or "leasing" cooperative 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.
- Type 1 projects with four or fewer units
- Flip Taxes:
  - Type 1 Cooperative Program Only: Projects with units that are subject to resale restrictions that could have an adverse effect on the security of the cooperative share loan, sometimes referred to as flip taxes (except in NY)
  - Projects where the flip tax/ transfer fee does not have a stated value or if the value will be established by the cooperative board at a later date.

Note: This fee is either a certain percentage of the profits or a percentage of the gross sales price. Flip tax is paid by either the seller or the purchaser of the unit. The purpose of the flip tax is to build up reserve funds for the cooperative
- Projects that, in the previous year, the combined loss of the cooperative corporation and the sponsor exceeded 15% of the current or proposed operating budget.
- New cooperative projects in which the property seller offers sales or financing structures in excess of the maximum allowable contributions for individual loans.
- Studio units
- Investment units
- Investment securities: Projects that have documents on file with the U.S. Securities and Exchange Commission (SEC) or projects where unit ownership is characterized or promoted as an investment opportunity.
- Projects in Litigation



## TMS Funding NY & NJ Co-Op Guidelines

### 4. Insurance

#### Hazard

##### Required Coverage

100% of the insurable replacement cost of the project improvements, including individual units. Building ordinance or law endorsement must be included.

##### Deductible

The deductible related to the individual unit may not exceed 5% of the limit maintained for dwelling coverage. The cooperative corporation should show as the insured. Unless prohibited by state law, the maximum deductible amount for the common elements is the lesser of \$10,000 or 1% of the policy face amount. Funds to cover the deductible should be included in the cooperative corporation's operating reserve accounts.

##### Liability

- Commercial general liability that covers the entire cooperative project, including commercial spaces even when leased to others.
- \$1 million for any single occurrence of bodily injury and property damaged in a project that does not have an elevator.

Liability with Elevator: Requires an aggregate Umbrella policy with minimum of \$1 million as per above

- \$3 million per occurrence Aggregate Umbrella Policy

##### Rent Loss

Rent loss coverage is required when the owner occupancy is less than 70%. The following coverage amounts are required:

- Project has less than or equal to three stories: six months of annual maintenance
- Project has over three stories: Twelve months of annual maintenance.

##### Boiler and Machinery

\$2 million.



## TMS Funding NY & NJ Co-Op Guidelines

### Fidelity Bond

Is required for projects that have 20 or more units. This is required whether the project is professionally or self-managed. Coverage must include:

- The cooperative corporation must have a blanket fidelity 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.
- The insurance policy must name the cooperative corporation as the insured.
- Coverage must:
  - Meet the minimum coverage required by state law, or
  - If no state law exists, an amount sufficient to cover three months of homeowner's association dues plus the amount of annual dues allocated to reserves.

**Note:** A lesser amount of Fidelity Bond coverage is acceptable provided:

The coverage amount is sufficient to cover three months of homeowners' association dues and the project's legal documents require the cooperative corporation and any management company to adhere to one or more of the following financial controls:

- Separate bank accounts are maintained for the working and reserve accounts, each with appropriate access controls, and the bank in which the funds are deposited sends statements directly to the cooperative corporation: or
- The management company maintains separate records and bank accounts for each cooperative corporation that uses its services, and the management company does not have the authority to draw checks on or transfer funds from the cooperative corporation's reserve account: or
- Two or more board members must sign checks drafted against the reserve account

### Flood

If any part of the cooperative project's improvements is in an SFHA, the cooperative corporation must maintain coverage for the entire building and any common elements and property (including machinery and equipment) that are owned in common by the shareholders. A copy of the flood certificate for every cooperative share loan is required. The project must have a separate flood insurance policy for each building located in a Special Flood Hazard Area (SFHA)

- The flood insurance coverage must equal \$250k, the maximum amount of insurance currently available by (NFIP)



## TMS Funding NY & NJ Co-Op Guidelines

### 5. Pro Rata Share

#### Pro Rata Share Calculation

Pro Rata Share Calculation		
Step	Action	Result
1	Divide the Underlying Mortgage Balance by the Number of Shares Outstanding	Pro Rata Value Per Share
2	Multiply the Pro Rata Value Per Share by the Number of Shares Held by the Unit	Pro Rata Per Unit
3	Add the Pro Rata Per Unit and the Appraised Equity Interest	Encumbered Value
4	Divide the Pro Rata Per Unit by the Encumbered Value	Pro Rata Share of Underlying Mortgage

Internal Note; 2<sup>nd</sup> signature required if Citibank is only investor has offers project approval.