



TMS Condo Guidelines

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General Information

MAXIMUM LTV/CLTV

Refer to appropriate TMS product guidelines .

FLORIDA CONDOS

Max LTV for condos in Florida (purchase and refinance) is 75% for primary residence with AUS approval; 70% for second homes. No investment properties allowed.

New and newly converted attached projects in Florida require FNMA PERs approval.

CONDO REVIEW TYPES

Limited Review

- FNMA Limited Review for established projects ONLY, if allowed by AUS (Includes detached/site condos and 2-4 unit projects).
 - “Established Project” means 100% complete AND 90% conveyed AND control of HOA turned over to HOA.
 - Conversion projects must be fully converted at least three years.
 - Project cannot be subject to additional phasing or annexation
 - Investment properties not eligible
- Limited review is also acceptable for new and established detached/site condos, primary residence and second home only (no LP streamline review for new site condos, established site condos only).
- Maximum LTV/CLTV for limited review for conventional/conforming loans (see specific product guidelines for FHA, DU Refi Plus, LP Open Access and High Balance programs):
 - Primary residence: 90%/90%
 - Second home: ≤75% / 75%
 - Investment: Not permitted

Full Review – Established Condo Projects (excluding 2 to 4 unit projects)

- Full review required for all investment property condos (including DU Refi Plus and LP Open Access)
- Full review required for all Agency High Balance products
- All units, common elements, and facilities must be 100% complete and not subject to additional phasing or annexation.
- 90% of the total units in project must be sold and closed.
- HOA must have been turned over to unit owners.
- For Investment property transactions, at least 51% of the total units in the project or subject legal phase must have been sold and closed to owner-occupant primary residence or second home purchasers. REO units that are for sale (not rented) may be counted as owner-occupied units within the owner-occupancy ratio.
- No more than 15% of total units in a project can be 30 days or more past due on the payment of their condominium/association fee payments.
- No single entity (the same individual, investor group, partnership, or corporation) may own more than 10% of the total units in the project, or if the project has 5-10 units only one unit may be owned by a single entity.

- No more than 20% of the total project square footage can be used for nonresidential purposes.
- All facilities related to the project must be owned by the unit owners or the Homeowners Association. The developer must not retain any ownership interest in any of these facilities.
- Each individual unit should be separately metered, if not the project's plans should provide for the ready adoption of individual unit metering.
- All units in the project must be owned 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.
- A review of the Homeowner's association actual budget is required to determine: the budget is adequate, provides for the funding of replacement reserves for capital expenditures and deferred maintenance (at least 10% of budget), and provides adequate funding for insurance deductible amounts.
- If the project is a conversion that does not involve gut rehabilitation, an engineer's report (or similar report) is required to verify that all necessary repairs are complete. Gut rehabilitation is defined as the renovation of a property down to the shell of the structure, including the replacement of all HVAC and electrical components.
- 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.

Full Review – New Condo Projects (excluding 2 to 4 unit projects)

- The Project or the subject legal phase, must be substantially complete. This means that a Certificate of Occupancy (or similar document) has been issued for the building, project, or subject legal phase and that all units in building/phase are complete subject to the installation of "buyer selected items" such as appliances.
- At least 70% of the total units in the project or subject legal phase must be under a bona fide contract for purchase or conveyed to principal residence or second home purchasers. REO units that are for sale (not rented) may be counted as owner-occupied units within the owner-occupancy ratio.
- New construction and newly converted attached condominiums in the state of Florida must have Project Eligibility Review Service (PERS) approval.
- An attorney Opinion Letter is required issuing a written opinion based upon a review of the project's legal documents stating they are in compliance with the legal requirements described herein for all projects subject to PERS review.
- No single entity (the same individual, investor group, partnership, or corporation), other than the developer during the initial marketing period, may own more than 10% of the total units in the project, or if the project has 5-10 unit's only one unit may be owned by a single entity.
- No more than 20% of the total project square footage can be used for non-residential purposes.
- A review of the Homeowner's Association projected budget is required to determine: the budget is adequate, provides for the funding of replacement reserves for capital expenditures and deferred maintenance (at least 10% of budget), and provides adequate funding for insurance deductible amounts.
- All units in the project must be owned 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.

- No more than 15% of total units in a project can be 30 days or more past due on the payment of their condominium/association fee payments.
- If the project is a conversion that does not involve gut rehabilitation, an engineer's report (or similar report) is required to verify that all necessary repairs are complete. Gut rehabilitation is defined as the renovation of a property down to the shell of the structure, including the replacement of all HVAC and electrical components.

Full Review – 2 to 4 Unit Projects

- No single entity (the same individual, investor group, partnership or corporation) may own more than one (1) unit within the project.
- All units, common elements and facilities within the project – including those that are owned by any master association - must be 100% complete.
- Only (1) unit in the project can be conveyed to a non-owner occupied purchaser.
- All units in the project must be owned 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.

CPM Expedited Project Review

Expedited Project Review process is followed when the transaction does not meet the Limited Review criteria or Lender Full Review criteria and the project is not listed on the Fannie Mae Accepted Condominium Development list. The benefit of this is to allow for lower presale ratios and higher investor concentrations.

Projects that have been reviewed and accepted by Fannie Mae are on the Fannie Mae PERs list at www.efanniemae.com.

If the project is new, or if it is not on the list and the loan does not qualify under the Limited or Full 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 on line at www.eFannieMae.com.

PERS Approval

The following projects must be submitted to Fannie Mae's Project Eligibility Review Service (PERS) to determine eligibility:

- New and newly converted attached condo projects located in Florida
- Newly converted, non-gut rehabilitation condo projects
- New condo projects that contain one or more units with less than 400 square feet

The above are not eligible for Limited Review, Lender Full Review, or CPM Expedited Review.

PROJECT TYPES

New Projects:

New projects are projects in which less than 90% of the total units have been conveyed to the unit purchasers. New projects include projects that are not fully complete, such as proposed construction, new construction, or the proposed or incomplete conversion of an existing building to a condominium (also referred to as a Newly Converted Projects).

Established Projects:

Established projects are projects in which 90% or more of the total units have been conveyed to the unit purchasers, the project or conversion is 100% complete, including all units and common elements; the project is not subject to additional phasing or annexation; and control of the homeowners' association has been turned over to the unit owners by the developer.

Detached Condominium (a.k.a. Site Condo)

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 following eligibility criteria have been met:

- A single-family detached unit in the Condominium project secures the mortgage and it is not a manufactured home.
- The Condominium unit is occupied as a Primary Residence or Second Home
- The project is not an ineligible project.
- The appraiser has addressed the impact buyer resistance may have on market value as it relates to this form of ownership.
- If the project is new, the appraiser must have at least 1 comparable sale that is a detached condominium unit. The unit may be located in a competing project or in the same project as the subject. However, if unit is in the same project, the same builder as the subject may not have built it.
- Appraisals for detached condominium units can be documented with either the Individual Condominium Unit Appraisal Report (Form 1073), the Desktop Underwriter Quantitative Analysis Appraisal Report (Form 2055), or the Uniform Residential Appraisal Report (Form 1004). If the 1004 is utilized, the appraiser must include an adequate description of the project and information about the owners' association fees and the quality of the project maintenance)
- Standard single unit detached hazard and flood insurance requirements apply.
- HO-6 coverage is not required
- Condominium Rider is required

Condominium Projects with Four or Less Units:

- Project cannot be subject to additional phasing or be a part of a larger project that consists of multiple 2 to 4 unit buildings
- All units, common areas, amenities, and recreation facilities must be complete.
- Appraisal report must confirm this type project is typical for area.
- Units must be separately metered for electricity and gas.
- No Single Entity may own more than one unit.
- Only one (1) unit may be non-owner (investment) occupied
- Minimum presale as follows:
 - 2 unit project = 1 unit to owner/occupied or second home purchaser
 - 3 unit project = 2 units to owner/occupied or second home purchasers
 - 4 unit project = 3 units to owner/occupied or second home purchasers
- If new project or conversion, units must be sold, as evidenced by a fully executed contract
- If established project, units must be sold and closed
- A Budget is not required, and lender is not required to confirm no more than 15% of the project units have delinquent HOA dues

- Legal documents must comply with the following – (Note: Legal document review is not required if the loan and project comply with Fannie Mae Limited Project Review or Freddie Mac Streamline Project Review)
 - 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.

Underwriting Requirements

AGE-RELATED DEED RESTRICTIONS

Allowed only for Senior Citizens, age 55 or older. Must notify secondary if property has age-related deed restrictions. Completed TMS Form 38 Age Restrictions is required.

APPRAISAL

Follow AUS recommendations. In addition, provide FNMA Form 216 Operating Income Statement and FNMA 1007 Single Family Comparable Rent Schedule for all investment properties, even if rental income is not being used to qualify.

DELINQUENT HOA DUES – If more than 15% of units are delinquent, HOA to explain the reason and steps taken to correct.

FLOOD

Flood Certificate is required

If in a flood zone, the following is required:

- Master flood insurance policy using the lesser of 100% of replacement cost coverage or maximum coverage allowed per NFIP. Coverage of each unit should be the lesser of \$250,000 or the amount of its replacement cost (for example, the replacement cost of all units combined or the number of units x \$250,000).
- Individual flood insurance policies are allowed on 2- to 4-unit projects.
- Deductible not to exceed \$25,000 per building located in the flood zone, or \$5,000 for a unit owners policy
- When the project consists of high-rise or other vertical buildings, the homeowners association must obtain a Residential Condominium Building Association Policy for each building that is located in an SFHA. The policy must cover all of the common elements and property, as well as each of the individual units in the building.
- A separate policy is required for each dwelling unit when a homeowners association refuses to obtain a Residential Condominium Building Association Policy or when the Residential Condominium Building Association policy does not comply with Fannie Mae's insurance requirements.

INSURANCE REQUIREMENTS (>4 UNITS)

- Master hazard blanket all risk policy with 100% of the insurable replacement cost coverage and deductible not to exceed 5% of the policy.
 - Individual hazard insurance policies are allowed on 2- to 4-unit projects.
- Master Liability Insurance indicating a minimum of \$1,000,000 and the words “per occurrence”
- Master Fidelity Bond insurance (also known as Employee Dishonesty Insurance) is required on projects greater than 20 units and minimum coverage to equal at least 3 months of HOA dues on all units in project based on Appraisal.
- If a budget is obtained due to a deficiency in fidelity bond insurance based on the above requirements, then the minimum fidelity bond must equal at least 3 months of HOA dues on all units in project.
- Number of units insured must be noted on the Master Hazard and Flood Insurance Policy
- HO-6 (“walls in”) coverage – Borrower must obtain individual policy coverage unless it is documented that the master policy provides the same coverage for the interior of the condo unit. The HO-6 policy must provide 100% replacement cost coverage or guaranteed replacement or 100% of the insurable value (obtain insurance company’s cost estimator to determine insurable value). Standard 5% deductible and standard escrow waiver procedures apply.

INSURANCE REQUIREMENTS (≤4 UNITS)

- Master Hazard Insurance must indicate amount insured for as well as the words “Replacement Cost”. Individual Insurance policies are acceptable in lieu of a Master Policy.
- HO-6 coverage is not required as long as an individual insurance policy is in force
- Master Liability Insurance indicating a minimum of \$1,000,000 and the words “per occurrence”
- Number of units insured must be noted on the Master Hazard and Flood Insurance Policy

MORTGAGE INSURANCE

When Mortgage Insurance is required:

- The maximum investor concentration is 30%
- Minimum square footage is 600
- If there are fewer than 10 units:
 - No commercial space is permitted
 - An arbitration agreement is required

PROJECT LITIGATION

Any project, for which the homeowners’ association 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, is ineligible.

Note: Projects for which the underwriter determines that pending litigation involves minor matters are not considered ineligible projects, provided the underwriter concludes that the pending litigation has no impact on the safety, structural soundness, habitability, or functional use of the project. 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; or

- the homeowners' association is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due homeowners' association dues.

TITLE REQUIREMENTS

Borrower must have marketable title to condo unit and own the property in fee simple or an acceptable leasehold estate. Title must be for a single residential unit. Title that includes more than one unit is ineligible.

Ineligible Condominium Project Characteristics

Condominium projects that exhibit any of the following characteristics are ineligible for origination:

INVESTMENT SECURITIES

- Project documents are on file with the Securities and Exchange Commission
- Unit ownership is characterized as an investment security

LEGAL/FINANCIAL

- Project is legal, but does not conform to current zoning requirements and if damaged or destroyed cannot be rebuilt to replicate current design (e.g., cannot be rebuilt to current density)
- Project is in dispute either by litigation, arbitration or mediation where the reason involves the safety, structural soundness or habitability of the project
- Owners are permitted to hold title to more than one dwelling unit with ownership of all his or her units evidenced by a single deed and mortgage
- New projects where the sale/financing structures is in excess of market norms. These excessive structures include, but are not limited to, builder/developer contributions, sales concessions, HOA or principal and interest payment abatements, and/or contributions not disclosed on the HUD-1 Settlement Statement
- Projects that permit an owner to hold title to more than one dwelling unit, with ownership of all of his or her owned units evidenced by a single deed and financed by a single mortgage

OWNERSHIP

- Projects where a single entity (the same individual, investor group, partnership, or corporation) owns more than 10% of the total units in the project
- Common Interest Apartments where a building is owned by several owners as tenants in common or by a homeowners association where an owner has exclusive rights to a single unit

RENTAL AGREEMENTS

- Unit owners participate in rental-pooling, rental programs or other agreements, mandatory or voluntary, that restrict the unit owner's ability to occupy their unit on either a seasonal, monthly, weekly or daily basis, including but not limited to blackout dates, continuous occupancy limitations and other such use restrictions
- Rental agreements or rental programs exist between the developer (or an entity that is the successor to the developer), and/or the Homeowners' Association (HOA) and individual unit owners

- Recreational facilities are leased

MIXED OR COMMERCIAL USE

- Must not be part of an overall mixed-use project with multiple classes of unit owners and with a commercial entity as the manager over the entire project
- Projects with non-incidentual business operations owned or operated by the homeowners' association such as, but not limited to, a restaurant, a spa, a health club, etc.
- A project in which > 20% of the total square footage is used for non-residential purposes
- A project in which more than 20% of the total income is from sources other than dues and assessments

LIVE/WORK CONDO

A "live/work" condominium unit, in which the borrower lives in a loft area and runs a business on the ground floor, is not acceptable. A home office in a condominium unit is acceptable, if there are no employees. The mixed use must not be restricted by the condominium project's legal documents.

PROJECT WITH FRACTURED INTEREST

A project comprised of unit owners as well as unit renters who rent or lease units from the developer or a third party. Does not apply to a converted project in which unsold units are rented or leased by tenants under tenant-protection laws, and the developer or the developer's successor will sell the unit once they are vacated

IN-ELIGIBLE PROPERTY TYPES

- A houseboat project
- Manufactured housing
- Project is a Continuing Care Retirement Community
- Units are subject to timeshare or fractional ownership
- Hotel/Condotel
 - Project is managed and operated as a commercial hotel, even if the units are owned individually
 - Projects that restrict the owner's ability to occupy the unit
 - Project legal documents refer to "condominium hotel" or "condotel" (if the project name includes the name of a "branded" hotel, this is an indication that the project is likely a condotel)
 - Hotel type operations including but not limited to:
 - Access to individual units is controlled through a centralized key system
 - There are restrictions on interior decorating or furnishings, or the units are sold "fully furnished," or the purchasers must choose from a list of "approved" furniture, floor and wall coverings for the units
 - Units have interior doors that adjoin other units
 - Units contain lockable storage closets, cabinets, safes or mini-bars
 - Room service or food and beverage services are available to unit owners
 - Signage is present indicating whether there are vacancies
 - On-site hotel-type registration services supporting daily rentals
 - A central telephone system

- Daily unit-cleaning service
- Units in the project do not contain full-sized kitchen appliances
- Franchise agreements
- Owner-occupancy density where the project may have few or even no owner occupants
- Revenue-sharing agreements allow the unit owners to receive either a share of the net rental income applicable to the individual owner's unit, or a share of the income from the net aggregate income produced from the rental of the units in the project or rental pool (or other commercial activities of the project)