

Condo & PUD Matrix Reference Sheet

Classification & T (Must be Complete on		DEFINITION	PRE-SALE/OCCUPANCY	DOCUMENTATION & REQUIREMENTS
PUD: ESTABLISHED	E	<ul> <li>Established</li> <li>Attached: Unit is 100% complete</li> <li>Detached: No review required</li> </ul>	None	<ul> <li>Appraisal</li> <li>Control of HOA: Homeowners Association turned over to unit owners</li> <li>1 million Master Insurance Policy for the Project (applies to attached only)</li> </ul>
PUD: NEW	F	<ul> <li>New or proposed</li> <li>Attached: Unit is 100% complete</li> <li>Detached: No Review required</li> </ul>	50% Presale (as confirmed by appraiser on page 3 of appraisal).	<ul> <li>Appraisal</li> <li>Control of HOA: No requirements</li> <li>1 million Master Insurance Policy for the Project (applies to attached only)</li> </ul>
LIMITED REVIEWS	<b>;</b> :			
ATTACHED ESTABLISHED CONDO PROJECTS	Q	<ul> <li>Established</li> <li>Unit &amp; Common are 100% complete</li> <li>No Additional phasing or annexation</li> </ul>	If subject is non-owner, 51% of project must be primary or 2 <sup>nd</sup> home	<ul> <li>Appraisal</li> <li>IApprove Lending Limited Review Condo Questionnaire</li> <li>Master Insurance Policy for the Project</li> <li>Control of HOA: Homeowners Association turned over to unit owners</li> <li>Ineligible if Lender has targeted project with marketing</li> <li>Completed Conversions do not require Engineer's Report</li> </ul>
SITE CONDOS: NEW	Ρ	New	None	<ul> <li>Appraisal</li> <li>IApprove Lending Limited Review Condo Questionnaire</li> <li>Master Insurance</li> </ul>
SITE CONDOS: ESTABLISHED	Q	Established		<ul> <li>Subject Unit must be 100% complete detached dwelling</li> <li>Control of HOA: No requirements</li> </ul>
FULL REVIEWS:				
ESTABLISHED <u>AND</u> NEW <b>2-4</b> UNITS PROJECTS	Est- S	Units & Common area 100%     complete	<ul> <li>All but 1 unit must be primary or 2<sup>nd</sup> home</li> <li>No entity may own more than 1 unit</li> </ul>	<ul> <li>Appraisal</li> <li>IApprove Lending 2-4 Unit Condo Questionnaire</li> <li>Master Insurance Policy for the Project</li> <li>Control of HOA: No requirements</li> </ul>
ESTABLISHED PROJECTS ≥ 5 UNITS	S	<ul> <li>No additional phasing or annexation</li> <li>Established</li> <li>Conversions must be completed</li> </ul>	<ul> <li>90% of project sold and conveyed</li> <li>If subject is non-owner, 51% of project must be primary or 2<sup>nd</sup> home</li> </ul>	<ul> <li>Appraisal</li> <li>Master Insurance Policy for the Project</li> <li>IApprove Lending Condo Questionnaire</li> <li>Legal Document Review for FHLMC</li> <li>Current Budget</li> <li>Conversions in the last 3 years require Engineer's Report</li> <li>Control of HOA: Homeowners Association turned over to units owners</li> </ul>

FHA REVIEWS (ONLY FOR USE WITH FHA LOANS):							
FHA APPROVED PROJECTS		Refer to FHA condo information below					
OTHER REVIEW TYPES:							
FNMA PERS REVIEW	т	New or proposed	Determined by FNMA	<ul> <li>FNMA Forms: 1026, 1029, 1054, 1051, 1081, 1071, 1073A, 1030</li> <li>Review fee must be paid in advance</li> <li>Refer to FNMA Announcement 08-34 for more information</li> </ul>			
INVESTOR REIVEW	N/A	New Project or Projects     with litigation		On an exception basis IApprove Lending can utilize an investor review service for new construction projects and projects in litigation			

## UNDERWRITING INSTRUCTIONS

- A completed IApprove Lending Condo Warranty Certification completed and signed by the Underwriter for all condos reviewed by IApprove Lending
- Underwriter review of insurance coverage is require

### FREDDIC MAC CONDOMINIUM PROJECT REQUIREMENTS

Limited Review allowed with LP Accept Response and the following parameters

- Primary Resident ≤ 80% LTV/CLTV
- Second Homes ≤ 75% LTV/CLTV
- All other loans require a Full Review

#### INSURANCE REQUIREMENTS

#### Liability

• \$1,000,000 Coverage minimum per any single occurrence (Not required for Detached PUD)

#### <u>Hazard</u>

- 100% of the insurable value and include Guaranteed Replacement Cost Endorsement
- Deductible may be up to 5% of the face amount (Except 2-4 Unit projects)
- 2-4 Unit projects; deductible may be the lesser of \$10,000 or 1% of the policy face amount

#### HO-6 Requirements

HO-6 (Walls-in) insurance policies are required on all condominium loans, where the master HOA policy does not provide coverage of the interior of the unit. HO-6 policies must cover the fixtures, equipment, and replacement of improvements and provide betterment coverage to include any improvements that the borrower may have made or a minimum of 20% of the appraised value whichever is higher.

Impounds are mandatory on all loans (as required per standard LTV impound requirements of 90% in CA)

- The HO-6 policy must provide coverage in the amount of at least 20% of the appraised value
- The standard requirements for a maximum 5% deductible also applies
- This can be waived in the HOA confirms the master insurance policy covers the interior of the unit

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- Required for all projects over 20 units
- Coverage ≥ no less than the maximum amount of funds in custody of HOA or management company at any one time, OR
- An amount equal to 3 months HOA assessments, if financial controls are in place (separate accounts for reserves and operating budget)

### Flood Insurance

- 100% of the replacement cost of the dwelling based on the hazard insurance
- Contents coverage that equals 80% or more of the insurable value of the common areas and machinery
- Unit coverage should be the lesser or \$250,000 per unit or 80% of the replacement cost of each insured building in the project
- If the overage exceeds the maximum available under the NFIP the coverage should be the maximum available
- Projects that consist of multiple high-rise buildings must have separate flood insurance policy for each building
- Master Policy deductible may not exceed a maximum of \$25,000 (Except 2-4 Unit projects)
- 2-4 Unit projects; deductible may not exceed a maximum of \$5,000

## FHA CONDO APPROVAL

- 1. HRAP HUD review process system.
- 2. **DELRAP** Direct Endorsement Lender Review and Approval Process
- 3. **RECERTIFICATION** Direct Endorsement Lender updated of an already approved project

IApprove Lending does not currently support DELRAP or RECERTICICATION. However, IApprove Lending can approve individual condominiums from those projects already approved as a subsequent user. However, IApprove Lending must certify that the project complies with FHA requirements. A project must be fully approved, funded and insured prior to the project expirations date – this includes receipt of all condo documentation and the appraisal and Attachment C certification signed by IApprove Lending's DE Underwriter. (Not case assignment date driven)

## Projects must meet the following requirements:

- 50% presold
- 50% owner occupied
- No more than 10% owned by any one investor
- No more than 15% of unit more than 30 days delinquent (including REO)
- Any pending litigation or special assessments must be reviewed carefully and may/may not be acceptable
- No more than 25% of floor space can be commercial use

- Need budget to show that at least 10% is allocated to reserves
- Master Insurance must show at least 100% cost replacement and liability coverage for all common elements, commercial space and public ways of project
- HO-6 walls in coverage (if not included in master policy) required with 20% of appraised value and maximum of 5% deductible. This must be impounded
- Fidelity coverage for any projects over 20 units is required (HOA dues  $\times 3 \times$ #units + reserves)
- FHA concentration 30% or less (or 50% for case numbers ordered on or before 12/31/10)

#### **Required documentation**

- Condominium project must be either HRAP/DELRAP approved in FHA connection
- HOA Questionnaire completed in full
- Master Insurance and HO-6 coverage policy
- Budget

NOTE: If there is any doubt about the stability of the Homeowner Association in minutes from the last two HOA Meetings may be requested

### INELIGIBLE PROJECTS

- Projects with more than 15% of total unit are 30 days or more past due on their HOA due
- New condominium projects in which the property seller offers sales/financing structures in excess of the maximum allowable contributions for individual loans.
- Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns more than 10% are ineligible for purchase.
- Commercial space(s) used for non-residential purposes that exceed 20% of the total space of the project are ineligible for purchase.
- Manufactured housing projects
- Non-warrantable condominium projects
- Condominium hotel/Condotels including:
  - Projects with physical characteristics indicating the project has a hotel identity, hotel-like characteristics, or offers hotel-like services.
  - Projects with names including "hotel," "resort," "motel," "in," or "lodge," has an affiliation with, and/or is managed by an entity, usually a chain or hospitality entity.
  - o Projects located at the same address as a hotel or resort, or has a hotel or resort, or has a hotel or hospitality identity.
  - Projects publicly advertised as a condominium hotel or resort (for example, project advertise on travel or hotel websites, or has a website on the Internet and presents itself as a condominium hotel) or websites are available to determine room availability to determine room availability and reservations can be made online.

- The projects shares facilities, common elements, or amenities with a hotel, resort, and/or lodge that is owned and managed by the developer or another third-party entity.
- A condominium conversion originally constructed as a hotel or motel is not allowed.
- Any project or building owned by several owners as tenants-in-common or by a HOA in which the individuals have an unidentified interest in a residential apartment building and have the right of exclusive occupancy of a specific unit in the building.
- FHA-approved condo projects for loans with Conventional and VA financing
- Houseboat project
- "Live-work" type condominiums; usually used for artist's studio, workshops, factories, or galleries.
- Multi-dwelling unit condominium: A condominium project that permits an individual to hold title to more than one dwelling unit with own ship of all units evidenced by as single deed of trust or mortgage.
- New condo projects with units of less than 400 square feet.
- New converted, non-gut rehabilitation condo projects.
- Non-conforming zoning project.
- Own Your Own property: This type of property can be identified by the legal description. Generally an 'Own Your Own' legal description will give the borrower the right to occupy a given unit, instead of actual ownership of the unit.
- Projects in litigation.
- Projects with non-incidental businesses operated or owned by the homeowner's association (for example, restaurant, health club, spa, etc.).
- Projects with mandatory memberships (tennis, golf, health club, etc.).
- Projects with mandatory rental pooling agreements or blackout periods.
- Projects characterized as or promoted as an investment opportunity or have documents on file with SEC.
- Timeshare or segmented ownership.

## GLOSSARY OF TERMS

#### New Project:

A new project is one in which (a) fewer than 90 percent of the total units in the project have been conveyed to the unit purchasers; (b) the project is not fully completed for example, there is proposed construction, new construction, or the proposed or incomplete conversion of an existing building to a condominium; (c) the project is subject to additional phasing or annexation; or (d) control of the HOA has not been turned over to the unit owners.

## **Existing Project:**

An established project is one in which (a) at least 90 percent of the total units in the project have been conveyed to the unit purchasers; (s) the project is complete (including all units and common elements); (c) the project is not subject to additional phasing or annexation; and (d) control of the homeowners' association has been turned over to the unit owners.

## Condominium:

Ownership of property is limited to the space within the walls of the dwelling (does not include the ground).

- The legal description for the property consists of a Unit number.
- High Rise Condominium: Greater than or equal to 5 stories.

# PUD:

Ownership of the property is similar to that or a SFR, however the property has use of common areas that are owned by the HOA.

- The legal description for the property consists of a Lot number.
- Type F PUD: PUD in which the builder is still in control of the HOA.
- Type E PUD: PUD is which the association has been turned over to the HOA.

## Townhouse:

Townhouse is an architectural style that refers to an attached dwelling. Underwriter will refer to the legal description and Prelim to determine if the property is classified as a Condo, PUD or attached SFR.