

## Conventional Condo/Co-op Red Flag Check

|                          |  |
|--------------------------|--|
| <b>Project Name:</b>     |  |
| <b>Project Location:</b> |  |



If you answer NO to any of these questions, the Project MAY NOT be eligible for financing

| Characteristics   | Select One                   |                             | Applicable Reviews:    |     |       |
|---|------------------------------|-----------------------------|------------------------|-----|-------|
|   |                              |                             | Limited/<br>Streamline | CPM | Co-op |
| <b>PROJECT IS ESTABLISHED</b> <ul style="list-style-type: none"> <li>90% of the Units are conveyed to the Unit Purchasers</li> <li>Project is 100% complete and NOT subject to further expansion</li> <li>Control of the HOA has been turned over to the Unit Owners</li> </ul> | <input type="checkbox"/> YES | <input type="checkbox"/> NO | X                      | X   | X     |
| <b>LITIGATION</b> – The project is NOT subject to any current litigation in which the HOA or Developer is named as a party  | <input type="checkbox"/> YES | <input type="checkbox"/> NO | X                      | X   | X     |
| <b>SINGLE ENTITY</b> – No Single Entity owns more than 20% of the Units in the Project (2 units for projects with 5-20 units)?<br>NOTE: For co-ops, sponsors who own rent-controlled shares may exceed 20%, see “Sponsor Held Units/Shares” red flag below                      | <input type="checkbox"/> YES | <input type="checkbox"/> NO | X                      | X   | X     |
| <b>COMMERCIAL SPACE</b> – Total Non-Residential or Commercial Space does NOT exceed 35%   | <input type="checkbox"/> YES | <input type="checkbox"/> NO | X                      | X   | X     |
| <b>LEASEHOLD/GROUND LEASE</b> – Project is in fee and not subject to a leasehold  | <input type="checkbox"/> YES | <input type="checkbox"/> NO | X                      | X   | X     |
| <b>MANDATORY MEMBERSHIP</b> – Project is not subject to a Mandatory Membership such as a Clubhouse, Golf Club Fee, 3 <sup>rd</sup> Party Amenities, etc.  | <input type="checkbox"/> YES | <input type="checkbox"/> NO | X                      | X   | X     |
| <b>RESERVES</b> – Budget has a line item allocating a minimum of 10% to replacement reserves  | <input type="checkbox"/> YES | <input type="checkbox"/> NO | N/A                    | X   | X     |
| <b>DELINQUENCIES</b> – No more than 15% of the Unit Owners are 60 or more days delinquent on their HOA dues   | <input type="checkbox"/> YES | <input type="checkbox"/> NO | N/A                    | X   | X     |
| <b>INVESTOR CONCENTRATION</b> – At least 50% of the Total Units in the Project are conveyed to Principal Residences or 2 <sup>nd</sup> Homes<br>NOTE: Only required for investment transactions on all Freddie products and Fannie CPM/full reviews                             | <input type="checkbox"/> YES | <input type="checkbox"/> NO | N/A                    | X   | X     |
| <b>SUBLETTING</b> – Subletting is not prohibited  | <input type="checkbox"/> YES | <input type="checkbox"/> NO | N/A                    | N/A | X     |
| <b>FLIP TAX OR TRANSFER FEE</b> – Flip Tax or Transfer Fee is not greater than 5%   | <input type="checkbox"/> YES | <input type="checkbox"/> NO | N/A                    | N/A | X     |
| <b>BLANKET MORTGAGE TERM</b> – Underlying mortgage does not mature within 6 months of project approval  | <input type="checkbox"/> YES | <input type="checkbox"/> NO | N/A                    | N/A | X     |
| <b>SPONSOR HELD UNITS/SHARES</b> – Sponsor has provided evidence of positive cash flow on unsold shares/units, if applicable  | <input type="checkbox"/> YES | <input type="checkbox"/> NO | N/A                    | N/A | X     |



Any “NO” answer is a **RED Flag**. A **RED Flag** does not necessarily mean that a project is ineligible. Please submit the scenario along with any supporting documentation to the PRD mailbox at

[ProjectReview@NewRez.com](mailto:ProjectReview@NewRez.com)