



## 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/ 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)? 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>SPECIAL ASSESSMENTS</b> – Must be reviewed to determine acceptability	<input type="checkbox"/> YES	<input type="checkbox"/> NO	X	X	X
<b>DEFERRED MAINTENANCE</b> – Ineligible until required repairs are made and documented	<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 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>MASTER INSURANCE</b> <ul style="list-style-type: none"> <li>• <b>Actual Cash Value (ACV)</b> – Master insurance with ACV is ineligible</li> <li>• <b>Coinsurance</b> – An insurance appraisal is required to determine acceptability if policy does not have an Agreed Value/Agreed Amount endorsement.</li> <li>• <b>Deductible &gt; 5% any peril</b> – Deductibles greater than 5% on any peril is ineligible</li> </ul>	<input type="checkbox"/> YES	<input type="checkbox"/> NO	X	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)