

ORIGINATIONS

CHANNEL: DTC AND WHOLESAL

**TITLE: PROJECT REVIEW DEPARTMENT -
CONDOMINIUM AND CO-OP PROJECTS – DIRECT
TO CONSUMER AND WHOLESAL**

Revision Date: 10/2/2023

PROJECT REVIEW DEPARTMENT - CONDOMINIUM AND CO-OP PROJECTS – DIRECT TO CONSUMER AND WHOLESAL

Overview

The policies/procedures contained in this document apply to all employees of the Newrez family of companies (the Company).

The quality of loans secured by units in a Condominium or Co-op Project can be influenced by certain characteristics of the project as a whole. As a result, the Company performs a separate review of Condominium and Co-op Projects in addition to the standard credit underwriting review. The Company Project Review Department (PRD) is responsible for ensuring all Condominium and Co-op Projects meet Investor/Agency/Government entity requirements.

The Company does not impose a maximum project exposure for conventional conforming condo projects. The Company's maximum project exposure is limited to 25% for non-agency condo and all co-op projects. All Conventional loans within a project must be registered with the PRD. PUD projects, including attached PUD projects, do not require registration or review by PRD.

The Company requires that all condo projects must be approved for government products. All condo projects for all US Department of Housing and Urban Development (HUD)/Veteran's Affairs (VA) products must be approved by the applicable HUD/VA agency. US Department of Agriculture (USDA) products can be in compliance with either Fannie Mae, Freddie Mac, HUD, or VA guidelines.

The type of project review varies based on the Loan Product, Project Construction Type (New or Established), Occupancy Type, and Loan to Value.

Department Contacts

General questions, scenarios, litigation reviews and project review submissions are to be directed to the [Project Review Department](#) mailbox.

Project level questions should be directed to the PRD Analyst reviewing the project.

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1. Service Level Commitment

Service Level Agreements (SLAs)

Reviews are prioritized by the date they are received and then the earliest of financing contingency or closing date. Loans with financing contingencies or closing dates within 3 days or less of submission request are automatically prioritized. SLAs are as follows:

Review Type
FastTracks – one business day
The following review types are eligible for FastTrack: <ul style="list-style-type: none">• Detached waivers for conventional, FHA and VA detached in Michigan• Fannie RefiNow/Freddie RefiPossible• Fannie LCOR/Freddie NoCOR waivers• Fannie/Freddie 2-4 waivers• FHA Streamline Reviews• VA IRRRLs• VA Approved• Non-expired Fannie Mae Approved/PERS Approved projects
Limited/Streamline Reviews – two business days
Conditions – one business day
Full Reviews, Co-ops, and FHA Single Unit Approvals (SUA) – three business days
As we move to each date, reviews are prioritized by: <ul style="list-style-type: none">• 1st - Limited Reviews/FastTrack• 2nd - Conditions• 3rd - Full/CPM/Co-op reviews• 4th - HOAQs, Litigation, Miscellaneous• Then we will move to the next date
Fannie Mae Project Eligibility Waivers: <ul style="list-style-type: none">• Allow 3 – 5 business days for review (rush requests are NOT considered)

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Review Type

- \$200 non-refundable charge must be approved by the branch manager (Retail and Call Center) or sales manager (wholesale and correspondent) prior to submission
- ALL outstanding conditions are required prior to submitting the waiver request to Fannie Mae
- Loan Level Details are not considered in Project Eligibility Waivers
- Exceptions are NOT permitted on:
 - Limited Reviews
 - New Construction or Recently Converted Non-Gut Projects (Non-Gut conversions where the sponsor still owns more than 20% of the units)

Freddie Mac Condo Project Advisor (CPA) unit-level waivers:

- Allow 2 days for review, rush requests are NOT considered
- No fee for CPA unit-level waivers
- ALL outstanding conditions are required prior to submitting the waiver request to Freddie Mac
- Loan level details are not considered in (CPA) unit-level waiver
- Established Condominium Projects only, Exceptions are NOT permitted on:
 - Streamline Reviews
 - New Construction or Recently Converted Non-Gut Projects that do not meet established project guidelines as outlined in the [New and Established Condo and Co-op Project Comparison](#) section of this document.
 - Co-ops
- Waivers considered exclusively for one or more of the following categories:
 - Delinquent Assessments
 - Excessive Commercial Space
 - Pending Litigation
 - Owner Occupancy
 - Reserves for capital expenditures and deferred maintenance
 - Excessive single investor concentration
 - Rec Leases

Smart Products Exception Requests – three to five business days

All outstanding conditions are generally required prior to submitting the exception request.

All other Non-Agency Exceptions are not permitted

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Rush Requests

PRD will complete each review within the published turn times; however, there may be times when a request to expedite a review may be considered. In these instances, prior approval must be granted by the PRD Team Lead or Manager. The Project Review request should still be sent to the [PRD](#) mailbox for consideration; if approved, the PRD Team Lead or Manager will flag the request accordingly. Rush requests will be considered based on current capacity to retain service levels.

Once approved, the Rush request will be reviewed within 24 hours of the Rush approval.

Project Review Status

PRD will review the submission to determine eligibility. A decision of one of the following will be issued within the posted SLA:

APPROVED

- Project Review Waivers/Exempt From Review - Fannie RefiNow/Freddie RefiPossible, Fannie LCOR/Freddie NoCOR, Detached and 2-4 unit condos
 - Project review conditions are cleared.
 - The approval is communicated to the requestor.
- Limited/Streamline Condo Reviews:
 - Project review conditions are cleared.
 - The approval is communicated to the requestor.
- CPM/Full Condo and Co-op Reviews:
 - Record and issue the decision on the Project Approval Form.
 - Project review conditions are cleared.
 - Communicate the decision to the requestor.
 - The Final Decision letter will be uploaded to the loan file by PRD.
 - If applicable, the CPM Printout will be uploaded to the loan file by PRD.

INELIGIBLE

- Communicate the decision to the requestor.
- Issue a Notice of Project Ineligibility Letter if we have a valid loan number; pre-reviews without an active loan will be emailed only, no ineligible letter will be issued.
- The Notice of Project Ineligible Letter will be uploaded to the loan file and the loan will be decided as “Ineligible”.

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Note: If a project is deemed ineligible, the PRD Analyst must escalate the findings as **Second Review Required** to a PRD Team Lead or Manager prior to finalizing the decision.

CONDITIONS REQUIRED

- Conditions are communicated via email to all contacts on the review request.
- Complicated conditions will first be called out by the PRD Analyst.
- Project Review Conditions are added in the LOS and will print on the next generated CLA.
- The requestor (Processor/Client Relations Manager or Loan Officer/Business Partner) will be required to obtain any outstanding documentation requested.
 - Reply to conditions email to submit conditions to the [PRD](#) mailbox. Conditions should not be sent directly to the PRD Analyst as they must be logged and assigned.
 - Every effort should be made to submit all conditions to PRD at the same time; single conditions should not be submitted.

Note: There are instances when documentation for a single condition will be reviewed; generally, when that item could impact the eligibility of the project.

SECOND REVIEW REQUIRED

- If an ineligible decision is recommended or a decision cannot be made, the project review is escalated to a PRD Team Lead or Manager.
- PRD will notify the requestor of the escalation.

Escalations

If an ineligible decision is recommended or a decision or condition is disputed by Sales, Business Partner, or Operations, he/she may contact the PRD Team Lead or Manager to discuss the issue. Agencies may not be contacted directly via email or telephone.

2. Product/Review Types

The summaries below outline the review process by product type and required documentation for each Company product.

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Review Requirements - Fannie Mae and Freddie Mac Conforming Loan Products

Review Type	Review Process	Required Documentation
Fannie Mae LCOR Freddie Mac NoCOR Fannie Mae RefiNow Freddie Mac RefiPossible	<p>LCOR/NoCOR = DU/LP scored Limited Cash Out/No Cash Out Refinance 80% LTV or less (CLTV or HCLTV ratios may be higher) where applicable Fannie Mae or Freddie Mac own the current mortgage</p> <ul style="list-style-type: none"> • If Fannie Mae, Classification is Type V. • If Freddie Mac, Classification is Exempt From Review. • Product type and AUS decision match (Fannie = DU, Freddie = LP). • The project is not a condotel. • The project does not contain any manufactured homes. • For attached projects consisting of five or more units, project is not in need of critical repairs or financially unstable per Fannie B4-2.1-03 or Freddie 5701.3(n) and 5701.3(o). • Liability and Fidelity insurance are not required. • Property insurance per Fannie Mae Selling Guide, Section B7 or Freddie Mac Seller/Service Guide, Section 4703, as applicable. • Flood insurance, if in a flood zone, per Fannie Mae Selling Guide, Section B7 or Freddie Mac Seller/Service Guide, Section 4703. • Appraisal is consistent with all project review documents. • Preliminary Title Report is reviewed to verify project legal name and any exceptions that may affect project eligibility. • All other project review conditions are waived. 	<ul style="list-style-type: none"> • Conventional Condo Questionnaire or Homeowners Association (HOA) Certificate waiver per the Project Questionnaires section of this document • Last 6 months' HOA Meeting Minutes or Questionnaire Addendum, if full questionnaire not provided • Fannie/Freddie Loan Lookup, if LCOR/NoCOR • Fannie/Freddie Loan Lookup • HOA Master Property Insurance • Appraisal, when not waived • Flood Cert • Preliminary Title Report

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<p>Fannie Mae or Freddie Mac Detached Condo Project Waiver</p>	<ul style="list-style-type: none"> • Subject unit is a detached condo unit. • The project is not a condotel. • The project does not contain any manufactured homes. • An HOA Certificate is not required. • Liability and Fidelity insurance are not required. • Property insurance per Fannie Mae Selling Guide, Section B7 or Freddie Mac Seller/Service Guide, Section 4703, as applicable, individual unit property insurance is allowed without review of condo legals. • Appraisal, if applicable, is consistent with all project review documents, can be 1004 or 1073 Form. • If Fannie Mae, Classification is Type V. • If Freddie Mac, Classification is Exempt From Review. • All other project review conditions are waived. 	<ul style="list-style-type: none"> • Property Insurance (Master HOA or Unit) • Appraisal, when not waived • Flood Certificate • Preliminary Title Report
<p>Fannie Mae or Freddie Mac 2-4 unit Condo Project Waiver</p>	<ul style="list-style-type: none"> • Entire project consists of no more than four units. • The project is not a condotel. • The project does not contain any manufactured homes. • An HOA certificate is not required. • Liability and Fidelity insurance are not required. • Property insurance per Fannie Mae Selling Guide, Section B7 or Freddie Mac Seller/Service Guide, Section 4703, as applicable. <p>Note: Review of Declaration and Bylaws required if Property coverage is</p>	<ul style="list-style-type: none"> • Master HOA Property Insurance • Appraisal, when not waived • Flood Certificate • Preliminary Title Report

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	<p>by the individual unit owner in lieu of a Master HOA Insurance policy.</p> <ul style="list-style-type: none"> • Appraisal, if applicable, is consistent with all project review documents. • Flood Certificate is reviewed to determine flood insurance requirement, individual flood insurance is allowed. • Preliminary Title Report is reviewed to verify project legal name and any exceptions that may affect project eligibility. • If Fannie Mae, Classification is Type V. • If Freddie Mac, Classification is Exempt From Review. • All project review conditions are waived. 	
<p>Fannie Mae Limited (Type Q) or Freddie Mac Streamline Condo Review</p>	<p>A Limited/Streamline Review is permitted for:</p> <ul style="list-style-type: none"> • Attached Condo in an Established Project and <ul style="list-style-type: none"> ○ Primary ≤ 90% LTV/CLTV/HCLTV (FL ≤ 75/90/90%) ○ 2nd Home ≤ 75% LTV/CLTV/HCLTV (FL ≤ 70/75/75%) ○ Investor ≤ 75% LTV/CLTV/HCLTV (FL ≤ 70/75/75%) • Project is 100% complete including all units and common elements. • Project is not subject to phasing or annexation. • Control of HOA has been turned over to unit owners. • Project is not ineligible per Fannie Mae Selling Guide, Section B4-2.1-03 or 	<ul style="list-style-type: none"> • Conventional Condo Questionnaire or HOA Certificate waiver per the Project Questionnaires section of this document • Litigation Disclosure, if applicable • Master HOA Insurance • Appraisal, when not waived • Flood Certificate • Preliminary Title Report

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	<p>Freddie Mac Seller/Servicer Guide, Section 5701.3, as applicable.</p> <ul style="list-style-type: none"> • Property insurance per Fannie Mae Selling Guide, Section B7 or Freddie Mac Seller/Servicer Guide, Section 4703, as applicable. • Preliminary Title Report is reviewed to verify project legal name, fee title, and any exceptions that may indicate project has ineligibility characteristics. • If Fannie Mae, Classification is Type Q. • If Freddie Mac, Classification is Streamline Review. <p>The following are NOT eligible for Limited/Streamline Review:</p> <ul style="list-style-type: none"> • Newly Constructed attached condos • Newly Converted projects, defined as projects that do not meet established guidelines. <p>Note: If during the review it is determined that the project does not meet the criteria of a Limited/Streamlined review, if eligible, a recommendation to restructure the loan to another product may be made and applicable additional documentation will be required.</p>	
<p>Fannie Mae Type S – CPM/Full Review Established</p> <p>or</p> <p>Freddie Mac Established Condo Project</p>	<p>A CPM/Full Lender review is required for:</p> <ul style="list-style-type: none"> • Attached Condo in an Established Project; if: <ul style="list-style-type: none"> ○ Primary Residence > 90% LTV/CLTV/HCLTV (FL > 75% LTV, 90% CLTV/HCLTV) ○ Second Home > 75% LTV/CLTV/HCLTV (FL > 70% LTV, 75% CLTV/HCLTV) 	<ul style="list-style-type: none"> • Conventional Condo Questionnaire per the Project Questionnaires section of this document • Litigation Disclosure, if applicable • HOA Budget • Master HOA Insurance

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	<ul style="list-style-type: none">○ Investment Property > 75% LTV/CLTV/HCLTV (FL > 70% LTV, 75% CLTV/HCLTV)● Project is 100% complete including all units and common elements.● Project is not subject to phasing or annexation.● Control of HOA has been turned over to unit owners.● No more than 15% of the total units are 60 or more days delinquent on HOA dues.● At least 10% of the Budget is allocated toward replacement reserves annually.● At least 50% of the total units must be O/O or 2nd Homes for Investment transactions.● Project is not ineligible per Fannie Mae Selling Guide, Section B4-2.1-03 or Freddie Mac Seller/Servicer Guide, Section 5701.3, as applicable.● Project meets all guidelines per Fannie Mae Selling Guide B4-2.2-02 or Freddie Mac Selling Guide, Section 5701.5, as applicable● Property insurance per Fannie Mae Selling Guide, Section B7 or Freddie Mac Servicing Guide, Section 4703, as applicable.● Appraisal completed on Form 1073 and consistent with all project review documents.● Flood Certificate is reviewed to determine flood insurance requirement.● Preliminary Title Report is reviewed to verify project legal name, fee title, and	<ul style="list-style-type: none">● Appraisal, when not waived● Flood Certificate● Preliminary Title Report

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	<p>any exceptions that may indicate project has ineligibility characteristics.</p> <ul style="list-style-type: none"> • If Fannie Mae, Classification is Type S. • If Freddie Mac, Classification is Established Review. <p>Important! An <i>Established</i> Project must be complete and not subject to further phasing, control of the HOA must be turned over to the unit owners, and at least 75% (Freddie Mac)/90% (Fannie Mae) of the units must be conveyed to unit purchasers. Projects that do not meet all these criteria must be reviewed as a new project.</p>	
<p>Fannie Mae Type R CPM/Full Review New Project or Freddie Mac New Condo Project</p>	<p>A CPM/Full Lender review is required for:</p> <ul style="list-style-type: none"> • Attached Condo in a Newly Constructed or recently Converted Project. • Project or the subject legal phase, must be “substantially complete,” or subject building for Freddie Mac reviews. • At least 50% of the total units in the project or subject legal phase must have been conveyed or are under contract for sale to principal residence or second home purchasers. • Project must meet Condo Project Legal Review requirements, per B4-2.2-03 of the Fannie Mae Selling Guide or Section 5701.6 of the Freddie Mac Selling Guide, as applicable to the review type. • 1-Year Builder Warranty <ul style="list-style-type: none"> ○ If not included within the supporting documentation, the PRD will add "UW to Clear" condition for proof of a 1-Year Builder Warranty. 	<ul style="list-style-type: none"> • Conventional Condo Questionnaire per the Project Questionnaires section of this document • Litigation Disclosure, if applicable • HOA Budget • Master HOA Insurance • Declaration, Bylaws, public report, as applicable for new project reviews • Appraisal • Certification of substantial completion • Flood Certificate • Preliminary Title Report

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	<ul style="list-style-type: none">• Projects with a Master Association (MHOA):<ul style="list-style-type: none">○ If the subject property’s HOA is a sub-association of an MHOA, then the following is needed only IF the MHOA dues are greater than \$50/unit/month.<ul style="list-style-type: none">▪ MHOA Master Insurance Policy▪ Limited Review Questionnaire for MHOA▪ MHOA Budget• Project is not ineligible per Fannie Mae Selling Guide, Section B4-2.1-03 or Freddie Mac Seller/Servicer Guide, Section 5701.3, as applicable.• Project meets all guidelines per Fannie Mae Selling Guide B4-2.2-02 or Freddie Mac Selling Guide, Section 5701.5, as applicable.• Project also meets all guidelines per Fannie Mae Selling Guide B4-2.2-03 or Freddie Mac Selling Guide, Section 5701.6, as applicable.• Property insurance per Fannie Mae Selling Guide, Section B7 or Freddie Mac Servicing Guide, Section 4703, as applicable.• If Fannie Mae, Classification is Type R.• If Freddie Mac, Classification is New Condo Review. <p>Note: Newly converted, Non-Gut Rehabilitation Projects with more than 4 total units must go through Fannie Mae’s PERS approval process. Fannie Mae provides for some exceptions to single entity in these cases that may apply, refer to Section B4-2.1-03 of the Fannie Mae Selling Guide.</p>	

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<p>Fannie Mae PERS/Fannie Approved (Type T) or Freddie Mac Reciprocity</p>	<ul style="list-style-type: none"> • Project has an unexpired Final PERS approval. • For Freddie Mac Reciprocity, project meets requirements of Freddie Mac Seller/Service Guide, Section 5701.9. • All insurance per Fannie Mae Selling Guide, Section B7 or Freddie Mac Seller/Service Guide, Section 4703, as applicable. • Appraisal, if applicable, is consistent with all project review documents. • Flood Cert is reviewed to determine flood insurance requirement. • Preliminary Title Report is reviewed to verify project legal name. • LP Scored loans/products that meet all the above are eligible through Freddie Mac Reciprocity with additional LTV restrictions in FL. • If Fannie Mae, Classification is Type T. • If Freddie Mac, Classification is Reciprocal Review. <p>Note: Manufactured homes located in a condo project must be Fannie Mae Project Eligibility Review Service (PERS) approved.</p>	<ul style="list-style-type: none"> • Unexpired PERS/Fannie approval • Master HOA Insurance • Appraisal, when not waived • Flood Cert • Preliminary Title Report
<p>Fannie Mae or Freddie Mac Co-op Review</p>	<p>Full Lender Review is required for all Co-ops.</p> <ul style="list-style-type: none"> • Located in the eligible geographic locations: <ul style="list-style-type: none"> ○ New York: 5 Boroughs (Bronx, Brooklyn, Manhattan, Queens, and Staten Island), Nassau, Suffolk, Westchester, and Rockland Counties ○ New Jersey: Bergen, Essex, and Hudson Counties • Limited review is not permitted. 	<ul style="list-style-type: none"> • Co-op Project Questionnaire per the Project Questionnaires section of this document • Litigation Disclosure, if applicable • 2 years Audited Financials • Budget • Master Co-op Insurance

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	<ul style="list-style-type: none">• LCOR Freddie-to-Freddie permitted per Freddie Mac Seller/Servicing Guide, Section 5705.7• FastTrack is eligible for approved unexpired projects.• Confirm 90% of the units have been conveyed.• Project is 100% complete including all units and common elements.• Project is not subject to phasing or annexation.• Developer or sponsor is no longer in control of the co-op corporation.• Project is not ineligible per Fannie Mae Selling Guide, Section B4-2.1-03 or Freddie Mac Seller/Servicer Guide, Section 5705.3, as applicable.• Project meets all guidelines per Fannie Mae Selling Guide B4-2.3-02 or Freddie Mac Selling Guide, Section 5705, as applicable.• If project does not meet established guidelines per applicable agency, then project is not eligible for this type of review and must be reviewed as a new project.• Property insurance per Fannie Mae Selling Guide, Section B7 or Freddie Mac Servicing Guide, Section 4703, as applicable.• If Fannie Mae, Classification is Type 1.• If Freddie Mac, Classification is Established Review. <p>Additional requirements for new construction or newly converted full-gut Co-op projects.</p>	<ul style="list-style-type: none">• Appraisal• Offering Plan Amendment, if applicable• Co-op Lien Search• Stock Certificate, refi only

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	<ul style="list-style-type: none"> Not a newly converted non-gut Project or the subject legal phase, must be “substantially complete” Renewal terms of Proprietary Lease Budget is balanced Insurance is no longer in the Sponsor’s name 	

Review Requirements - Non-Agency Conventional Products

Review Type	Review Process	Required Documentation
Smart Series (SmartEdge, SmartSelf, and SmartVest)	<p>All Condos</p> <ul style="list-style-type: none"> Must be reviewed by Project Review Department (PRD). Leaseholds are Ineligible. Warrantable Condos must meet Fannie Mae or Freddie Mac published guidelines. <p>Non-Warrantable Condos (all Smart Products)</p> <p>All non-warrantable features are subject to Company approval. The Company will consider the following non-warrantable characteristics:</p> <ul style="list-style-type: none"> No more than two non-warrantable features are permitted. For projects ≤ 10 units, the Company will finance only one unit. For projects > 10 units, the Company will finance a maximum of 20% of the units in the project. Minimum 500 square feet with at least one separate bedroom and fully functioning kitchen (including sink, refrigerator, range/cooktop, and oven). 	<ul style="list-style-type: none"> Follow Required Documentation for applicable Fannie Mae/Freddie Mac Review Type for Warrantable Condos. <p>Non-Warrantable:</p> <ul style="list-style-type: none"> Conventional Condo Questionnaire per the Project Questionnaires section of this document Litigation Disclosure, if applicable HOA Budget Master HOA Insurance Declaration, Bylaws, public report, as applicable for new project reviews Appraisal Certification of substantial completion

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	<ul style="list-style-type: none">• Single Entity Ownership:<ul style="list-style-type: none">○ Maximum 49%○ Non-gut conversions maximum 65%<ul style="list-style-type: none">▪ Vacated units are not permitted to be re-leased (must be listed for sale)▪ Existing leases may not be extended▪ No bulk sales over 10%• Maximum 25% of total units are 60 days or more past due.• Mandatory memberships/recreational leases are eligible if there are no joining/annual membership fees and monthly fee is not greater than 25% of monthly HOA dues.• Maximum 50% commercial space and must be typical for the market and compatible with the use of the subject project.• HOA Replacement Reserves:<ul style="list-style-type: none">○ < 10% and > 7.5% if current reserve balance exceeds 10% of operating expenses○ < 7.5% and > 5.0% if current reserve balance exceeds 20% of operating expenses○ < 5.0% if current reserve balance exceeds 50% of operating expenses○ Project balance sheet must be provided within 120 days of Note date.	<ul style="list-style-type: none">• Flood Cert• Preliminary Title Report• Mandatory Membership Agreement (if applicable)

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	<ul style="list-style-type: none">• No maximum investor concentration on investor loans.• Non-Incidental Income may not make up more than 35% of total HOA budgeted income.• Pre-Sale Requirements:<ul style="list-style-type: none">○ Primary Residence<ul style="list-style-type: none">▪ 30% of the units must be sold or under contract as a primary residence or second home in the subject project or phase; or▪ 50% of the units must be sold or under contract as a primary residence or second home in the subject building.○ Second Home or Investment Property<ul style="list-style-type: none">▪ 30% of the units must be sold or under contract as a primary residence or second home in the subject project or phase.• Litigation will be considered on case-by-case basis. Litigation involving structural integrity will not be considered• FL new construction allowed without Fannie Mae PERS – must meet all other Fannie Mae or Freddie Mac published new condo project guidelines. Not eligible for any additional expanded eligibility guidelines.	
Condotels (SmartEdge and SmartVest only)	A condotel is a condominium project located in a resort or hospitality area that is transient in nature with vacation rentals. Condotels offer hotel type services or characteristics	<ul style="list-style-type: none">• Conventional Condo Questionnaire per the Project Questionnaires

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	<p>such as a registration desk, cleaning service, and more. The units are typically individually owned but often advertised and managed by resort management companies who facilitate unit rentals to guests. Condotels are typically sold as investment or secondary homes rather than as primary residences.</p> <p>Condotels must meet Fannie Mae or Freddie Mac published warrantable condo project guidelines with the following exceptions:</p> <ul style="list-style-type: none">• Must be in a resort area or metropolitan area with a project associated with nationally recognized high-end hotel brand (Hilton, Ritz Carlton, Four Seasons, etc.).• For projects ≤ 10 units, the Company will finance only one unit.• For projects > 10 units, the Company will finance a maximum of 20% of the units in the project.• Minimum 500 square feet with at least one separate bedroom and fully functioning kitchen (including sink, refrigerator, range/cooktop, and oven).• Borrower must have exclusive use of the unit with no primary occupancy limitations.• Occupancy restrictions or black-out dates are not permitted; must permit year-round occupancy.• Mandatory memberships/recreational leases may be eligible if there are no joining/annual membership fees and monthly fee is not greater than 25% of monthly HOA dues.• No maximum investor concentration on investor loans.	<p>section of this document</p> <ul style="list-style-type: none">• Litigation Disclosure, if applicable• HOA Budget• Master HOA Insurance• Declaration, Bylaws, public report, as applicable for new project reviews• Appraisal• Certification of substantial completion• Flood Cert• Preliminary Title Report• Mandatory Membership Agreement (if applicable)

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Review Type	Review Process	Required Documentation
	<ul style="list-style-type: none"> • 50% presale required on new projects, no owner occupancy requirements. • Single entity limited to 25%. • 10% HOA reserves required (Freddie working capital requirements in lieu of reserves are acceptable on new construction). • No rental pooling, mandatory or voluntary. • Non-incident income may not exceed 10% with warrantable exceptions to 15% . • No more than 15% of HOA dues may be 60 or more days delinquent. • Commercial space limited to 50% (parking is not included in the calculation). 	
All other Non-Agency	<ul style="list-style-type: none"> • All other Non-Agency products follow Fannie or Freddie guidelines with some additional restrictions, refer to Product Profile • Products where the Company is not delegated will require an additional 3 days for investor review <p>Note: Some products may have specific requirements to use applicable lender’s form(s).</p>	Follow Required Documentation for applicable project review type and Product Profile

Review Requirements - HUD/FHA Products

Review Type	Review Process	Required Documentation
FHA Streamline and Detached	<ul style="list-style-type: none"> • HUD Approval not required. • No HOA Questionnaire is required. • Subject unit is a detached unit and entire project consists of detached units. 	<ul style="list-style-type: none"> • Property Insurance (Master HOA or Unit) • Appraisal, when not waived • Flood Certificate

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Review Type	Review Process	Required Documentation
	<ul style="list-style-type: none"> • Project does not contain manufactured housing. • Insurance meets applicable project insurance requirements as required by HUD, individual HO3 policy is acceptable in lieu of master HOA insurance on detached units. • Appraisal, if applicable, is consistent with all project review documents. • Flood Certificate is reviewed to determine flood insurance requirement. • Preliminary Title Report is reviewed to verify project legal name. 	<ul style="list-style-type: none"> • Preliminary Title Report
FHA HRAP/DELRAP Approved	<ul style="list-style-type: none"> • Project must have an unexpired HRAP or DELRAP approval on HUD.GOV. • Project must meet requirements of HUD Handbook 4000.1, Section II.A.8.p.ii. • The HUD 9991 is no longer required to be completed by the HOA or property manager. However, the lender still must complete the HUD 9991 to order a case number and for insuring. Provide a standard HOA Questionnaire. PRD will transfer the information from the HOA Questionnaire to the HUD 9991 if requested. • Project or Subject Phase is complete. • Project is at least 50% owner occupied for established project or at least 30% presale and owner occupied for new projects. • No more than 15% of the total units are 60 or more days delinquent on HOA dues. 	<ul style="list-style-type: none"> • Unexpired HUD Approval • HOA Questionnaire per the Project Questionnaires section of this document • Litigation Disclosure, if applicable • HOA Master Insurance • Appraisal, when not waived • Flood Certificate • Preliminary Title Report

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Review Type	Review Process	Required Documentation
	<ul style="list-style-type: none">• No single entity owns more than 10% of the total units in the project.• Project is not subject to active or pending litigation.• Insurance meets applicable project insurance requirements as required by HUD.<ul style="list-style-type: none">○ Property insurance is not required to have Building Ordinance or Law.• Appraisal is consistent with all project review documents.• Flood Cert is reviewed to determine flood insurance requirements.• Preliminary Title Report is reviewed to verify project legal name.	
FHA Single Unit Approval (SUA)	<ul style="list-style-type: none">• Case number has been ordered as Single Unit Approval.• Must have TOTAL accept to get maximum loan-to-value (LTV) financing; if manual underwrite then LTV is limited to 90%.• Max Single Unit Approvals in a project is limited to 10% or 2 units for projects consisting of 10 units or less. This is tracked by FHA Connection.• Financing is not allowed in Coastal Barrier Resources System.• Leaseholds are ineligible.• Project must be established.• Project must have 5 or more units.• Project must not be an ineligible project per the requirements of HUD Handbook 4000.1, Section II.A.8.p.iii.• Project meets all guidelines for budget and insurance requirements per the	<ul style="list-style-type: none">• FHA Case Number Assignment• HOA Questionnaire per the Project Questionnaires section of this document• Current HOA Budget• Current Balance Sheet, dated within 90-days• Commercial Financials, if applicable. Refer to 9991 for details.• Master HOA Insurance• Recorded Condo Declarations/Master Deed and Bylaws• Litigation disclosure, if applicable• Appraisal• Flood Certificate

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Review Type	Review Process	Required Documentation
	<p>requirements of HUD Handbook 4000.1, Section II.A.8.p.iii.</p> <ul style="list-style-type: none">• The Condominium Association may not require that a prospective tenant be approved by the Condominium Association and/or its agent(s), including but not limited to meeting creditworthiness standards.• The HUD 9991 is no longer required to be completed by the HOA or property manager. However, the lender still must complete the HUD 9991 to order a case number and for insuring. Provide a standard HOA questionnaire. Refer to the Project Questionnaires section of this document PRD will transfer the information from the HOA Questionnaire to the HUD 9991 if requested.	<ul style="list-style-type: none">• Preliminary Title Report

Review Requirements - VA Products

Review Type	Review Process	Required Documentation
VA	<ul style="list-style-type: none">• Condo projects, including detached condos, must be VA Approved on US Department of Veterans Affairs.• Exceptions: The following reviews do not require VA approval:<ul style="list-style-type: none">○ Detached Units in Michigan per VA Circular 26-20-36, dated September 18, 2020○ VA IRRRLs• Insurance meets applicable project insurance requirements as required by VA.<ul style="list-style-type: none">○ Property insurance is not required to have Building Ordinance or Law and co-insurance is acceptable.	<ul style="list-style-type: none">• VA Condo Approval• HOA Master Insurance• Appraisal• Flood Certificate• Preliminary Title Report

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Review Type	Review Process	Required Documentation
	<ul style="list-style-type: none"> • If appraisal discloses HOA litigation, a litigation disclosure and copy of the claim must be sent to the applicable regional VA office for approval prior to loan approval • Appraisal is consistent with all project review documents and project is not subject to active or pending litigation. • Flood Certificate is reviewed to determine flood insurance requirements. • Preliminary Title Report is reviewed to verify project legal name. 	

Review Requirements - USDA Products

Review Type	Review Process	Required Documentation
USDA	<p>Condo Project must be approved under one of the following project review types:</p> <ul style="list-style-type: none"> • Fannie or Freddie Project Review Waiver for LCOR, Detached or 2-4 Unit Project • Fannie Mae Limited Review • Freddie Mac Streamline Review • Fannie Mae PERS (Type T) or Freddie Mac Reciprocity • Fannie Mae CPM/Type R or S • Freddie Mac Established or new Full Lender Review • HUD – unexpired HUD approval is acceptable for Condo projects, even with conventional financing • VA – unexpired VA approval is acceptable for Condo projects, even with conventional financing 	Follow Required Documentation for the applicable review process.

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Review Requirements – Bond Loans

Review Type	Review Process	Required Documentation
Bond Loans	<p>Condo Project must be approved under one of the following project review types:</p> <ul style="list-style-type: none"> • Fannie or Freddie Project Review Waiver for Detached or 2-4 Unit Project • Fannie Mae Limited Review • Freddie Mac Streamline Review • Fannie Mae PERS (Type T) or Freddie Mac Reciprocity • Fannie Mae CPM/Type R or S • Freddie Mac Established or new Full Lender Review • HUD – unexpired HUD approval • VA – unexpired VA approval 	Follow Required Documentation for the applicable review process.

3. Comparison Charts**Condo, PUD and Co-op Comparison**

Condo	PUD	Co-op
Unit owner owns the space inside the unit.	Property owner owns the interior and exterior of the structure and the land.	Unit owners own shares of stock in a corporation.
Unit owner owns an undivided interest in the common areas.	Property owner owns the lot including the ground beneath the structure and possibly the land in front or behind the structure.	No real estate is owned by an individual, the HOA owns the fee interest in the entire project, including the units.
Legal description includes a unit number and Declaration of Condominium is recorded on Title.	Legal description includes a lot number. Common areas are owned by the association of unit owners.	Owners get the right to occupy a unit in the building; subject to a long term proprietary lease or occupancy agreement.

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New and Established Condo and Co-op Project Comparison

Established Project: If <u>all</u> of the following are true	New Project: If <u>any</u> of the following are true
At least 90% Fannie/75% Freddie of the units have been conveyed to unit purchasers.	Fewer than 90% Fannie/75% Freddie of the total units have been conveyed to the unit purchasers.
Project is 100% complete (includes units and common areas).	Project is not fully completed or is newly converted.
Project is not subject to additional phasing and/or annexation.	Project is subject to additional phasing and/or annexation.
HOA control has been turned over to unit owners.	HOA control has not been turned over to unit owners.

4. Product Type Codes

PRD will validate the Project Review Classification in the LOS.

Fannie Mae

Product Type Code	Description
E	Established PUD Project
F	New PUD Project
Q	Limited Review – Established Condo Project
R	CPM/Full Review – New Condo Project
S	CPM/Full Review – Established Condo Project
T	Fannie Approved Condo, including those approved through Project Eligibility Review Service (PERS)
U	FHA approved condo project
V	Project Review Waived – Detached, 2-4 units, LCOR ≤ 80%, RefiNow
1	Full Review – Co-op project
2	Fannie Approved Co-op, including those approved through PERS

Freddie Mac

Product Type Code	Description
Streamline Review	Established condo project
Established Project	Full Review for established projects or Fannie Reciprocity
New Project	Full Review for new projects or Fannie Reciprocity
Exempt From Review	Detached, 2-4 Unit Projects, and Freddie-to-Freddie LCOR (LCOR includes Co-ops), RefiPossible
Reciprocal Project Reviews	<ul style="list-style-type: none"> • HUD HRAP Approved Established Projects are eligible for Freddie Mac delivery • Fannie Mae CPM & PERS review is eligible for Freddie Mac delivery <p>Note: Units located in FL approved under Fannie Mae CPM have additional LTV restrictions equivalent to Streamlined Review LTV restrictions in FL.</p>
Co-op	Full Review – Co-op project

5. Ineligible Project Characteristics

Condo and Co-op

PRD will review the project to ensure it is not ineligible per [Fannie Mae Selling Guide, Section B4-2.1-03](#) or [Freddie Mac Seller/Servicer Guide, Section 5701.3](#), as applicable to the project review type.

6. Project Insurance Requirements

Overview

PRD will review the HOA project insurance policy to ensure the HOA maintains a master or blanket type of insurance policy per [Fannie Mae Selling Guide, Section B7](#) or [Freddie Mac Seller/Servicer Guide, Section 4703](#), as applicable to the project review type. All conventional loan products must meet Fannie or Freddie guidelines, as applicable, including non-agency. FHA and VA loans follow similar guidelines; refer to the [Product/Review Types](#) section above for details.

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Flood Insurance

When flood insurance is required, a flood insurance declarations page is required to evaluate the percentage of coverage as related to the flood replacement cost. If it is determined that the flood replacement cost is less than 100% insurable replacement cost, a gap flood policy in the amount up to the lesser of the loan amount, 100% replacement cost, or \$250,000 per Condo unit or \$500,000 per Co-op building (maximum NFIP) will be required.

Loan Assessment

Occasionally, a project may have a master property insurance policy with a deductible that exceeds the 5% maximum, due to a higher per unit deductible for named perils specific to a geographic area (for example, ice damming). If the deductible of the project's master policy exceeds the 5% maximum due to a per unit deductible, a loss assessment policy on the borrower's homeowner policy will be required for the amount over the 5% per unit maximum.

7. Project Review Forms

Project Submission Request Forms

A completed Project Submission Request Checklist must be included with all initial submissions.

8. Project Questionnaires

Company Questionnaires

Questionnaire

- **Conventional Condo Questionnaire – Standard and Cooperative Project Questionnaire**
 - These forms have been revised to include questions to address the areas of additional concern regarding special assessments, building safety, structural integrity, soundness, and habitability.

Questionnaire – Addendum

- **Conventional Condo/Co-op Questionnaire - Addendum**
 - Can be used in lieu of Questionnaire on LCOR and RefiNow/RefiPossible if the Project Review Team does not have an appraisal. This form may also be used in lieu of a full Questionnaire if the Project Review Team has an unexpired Questionnaire per
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Questionnaire Policy below. Fannie Mae Form 1076A/Freddie Mac Form 476A is acceptable in lieu of the Company form.

Questionnaire Policy

- The HOA may utilize services from HomeWiseDocs.com, Condocerts.com, [First Service Residential](http://FirstServiceResidential), or like companies in lieu of the Company Project Questionnaire; however, the Project Analyst may condition for additional information if it could impact the eligibility of the project.
- Questionnaires completed by another bank, mortgage company, lender, broker, escrow company, etc., are generally accepted but the PRD Analyst may condition for additional information if it could impact the eligibility of the project.
- Expiration - Questionnaires are valid for 12 months for established projects and 6 months for new projects. If the HOA Questionnaire expires, a completely new Standard Condo Questionnaire must be obtained.
- An HOA Questionnaire may be waived for Limited/Streamline Reviews/LCOR ≤ 80% LTV/RefiNow/RefiPossible if the Project Information section of the Appraisal is completed. When using this policy to waive a questionnaire, evidence that the HOA is not subject to ineligible litigation and one of the three items below is required:
 - Newrez Questionnaire – Addendum
 - Fannie Mae Form 1076A/Freddie Mac Form 476A
 - 6 months HOA meeting minutes

If the loan does not have an appraisal, a full questionnaire is required.

- The HUD 9991 is no longer required to be completed by the HOA or property manager. However, the lender still must complete the HUD 9991 for insuring and to order a case number for an FHA SUA. Provide a standard HOA questionnaire per the [Questionnaire Policy](#) section of this document. PRD will transfer the information from the HOA Questionnaire to the HUD 9991 if requested.

9. Resources

Fannie Mae Selling Guide	
B4-2.1-01	General Information on Project Standards
B4-2.1-02	Waiver of Project Review
B4-2.1-03	Ineligible Projects

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Fannie Mae Selling Guide	
B4-2.2-01	Limited Review Process
B4-2.2-02	Full Review Process
B4-2.2-03	Full Review: Additional Eligibility Requirements for Attached Units in New and Newly Converted Condo Projects Property Insurance Coverage for Units in Project Developments
B4-2.2-04	Geographic-Specific Condo Project Considerations
B4-2.2-05	FHA-Approved Condo Review Eligibility
B4-2.2-07	Project Eligibility Review Service (PERS)
B4-2.3-02	Co-op Project Eligibility
B4-2.3-03	Legal Requirements for Co-op Projects
B4-2.3-04	Loan Eligibility for Co-op Share Loans
B4-2.3-05	Geographic-Specific Co-op Project Considerations
B7-3-04	Property Insurance Coverage for Units in Project Developments
B7-3-07	Flood Insurance Coverage
B7-4-01	Liability Insurance
B7-4-02	Fidelity/Crime Insurance
Selling Guide – Part B: Origination Through Closing	
FAQ – Project Insurance Requirements	
FAQ – Project Standards Requirements	

Freddie Mac Seller/Servicer Guide	
Selling Guide: Chapter 5701	Condominiums
Selling Guide: Chapter 5702	Planned Unit Developments
Servicing Guide: Chapter 4703	Insurance Requirements
Condominium Unit Mortgage FAQ	

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FHA

Condominium Resource Page: [HUD Approved Condos](#)

VA

Condominium Resource Page: [US Department of Veterans Affairs](#)

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Record of Revisions

The table below provides a brief description of changes to this document and the dates. Unless otherwise noted, the revision date of this document is also the effective date of the change. Management approved all published revisions.

Revision Date	Version Number	Description of Changes
10/2/2023	8.0	<ul style="list-style-type: none">Created doc for DTC and Wholesale.Updated the Fannie Mae and Freddie Mac Review Requirements to add the Questionnaire Addendum to several review types, remove references to Fannie LL 2021_14/Freddie Bulletin 2021_38 from several review types, add references to Fannie B4-2.1-03/Freddie 5703.3(n) and 57-1.3(o) to several review types, add additional states/counties to Co-op Review, remove 6 months HOA meeting minutes from Required Documentation from several review typesUpdated Questionnaire Policy to remove reference to temp guidance in the Expiration bullet and update the bullet for HOA Questionnaire.Removed resources from Fannie Mae and Freddie Mac.

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Revision Date	Version Number	Description of Changes
8/2/2023	7.0	<ul style="list-style-type: none">• Performed end-to-end review for Annual Certification• Rebranded and converted to enterprise template.• Removed ineligible property types note from Product Review Types.• Revised/replaced all product type tables.
01/04/2022		<ul style="list-style-type: none">• Added verbiage to reference RefiNow/RefiPossible and linked to Fannie/Freddie LL-2021-14/Bulletin 2021-38• Requested/Approved by G. Rowe
06/28/2021		<ul style="list-style-type: none">• Guideline updates for all products and brand change.• Requested/Approved by G. Rowe
10/15/2019		<ul style="list-style-type: none">• Added FHA SUA• Requested/Approved by G. Rowe
4/26/2019		<ul style="list-style-type: none">• Retail & TPO• Requested/Approved by G. Rowe
1/2/2019		<ul style="list-style-type: none">• Retired HARP• Requested/Approved by G. Rowe
12/6/2018		<ul style="list-style-type: none">• Initial creation• Requested/Approved by G. Rowe
