FNMA & FREDDIE MAC CONDO COMPARISON

General Requirements	FNMA Type Q Limited Review Established (Attached)	FNMA Type R CPM Expedited Review or Lender Full Review – New Project or Conversion (Attached)	FNMA Type S CPM Expedited Review or Lender Full Review Established (Attached)	FNMA Type T Review (Project Eligibility Review Service - PERS)		FHLMC Streamlined Project Review Established Projects	FHLMC Established Projects & 2-4	FHLMC New Project or Conversion
Review Process Requirements	DU Approve/Eligible with Limited Review findings	All Full Reviews are to be sent to the Condo Approval Group for review and approval. Refer to P&P	All Full Reviews are to be sent to the Condo Approval Group for review and approval.	PERS required: Newly converted non gut rehab projects that contain more than 4 units New or newly converted projects in Florida (Attached)		LP Approval required	Lender Full Review or FNMA Condo Project Manager (CPM) review Refer to P&P	Lender Full Review or FNMA Condo Project Manager (CPM) review. Refer to P&P New projects where any units are less than 400sf will require either FNMA approval or PERS submission & approval
Occupancy	Primary Residence, 2nd Home & N/O/O	Primary Residence, 2nd Home & N/O/O	Primary Residence, 2nd Home & N/O/O	Primary Residence, 2nd Home & N/O/O		Primary Residence & Second Home	Primary Residence, 2nd Home & N/O/O	Primary Residence, 2nd Home & N/O/O

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Eligibility	All units, common areas and facilities must be 100% complete and the project cannot be subject to additional phasing or annexation.	Legal phase must be substantially complete which means the unit and common elements in the building where the unit is located are complete except for the installation of buyer selected items in the remaining units Newly converted non-gut rehabilitated projects are not eligible. New projects where any units are less than 400sf will require either FNMA approval or PERS submission & approval	All units, common areas and facilities must be 100% complete and the project cannot be subject to additional phasing or annexation. See Fannie Mae guidelines for newly converted non-gut rehabilitation projects	Legal phase must be substantially complete which means the unit and common elements in the building where the unit is located are complete except for the installation of buyer selected items in the remaining units.		All units, common areas and facilities must be 100% complete and the project cannot be subject to additional phasing or annexation. Project containing a mix of attached and detached units is eligible if it meets all requirements for Streamlined Review.	All units, common areas and facilities must be 100% complete and the project cannot be subject to additional phasing or annexation.	Project or subject legal phase must be substantially complete Newly converted non-gut rehabilitated projects are not eligible. New projects where any units are less than 400sf will require either FNMA approval or PERS submission & approval

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Pre-sale Requirements	N/A, established projects	At least 50% must be sold or under contract to be sold in the project or subject legal phase. At least 50% of the total number of units in the legal phase + the total number of units in all prior legal phases must be conveyed or under contract as a primary residence or 2nd home.	≥90% of the units have been conveyed to the unit purchasers.	See FNMA Seller Guide	≥90% of the units have been sold & conveyed to the unit purchasers. Note: Multiple purchases by one owner are counted as one sale when determining presale requirements.	≥90% of the units have been conveyed to the unit purchasers. Multiple purchases by one owner are counted as one sale when determining presale requirements.	At least 70% must be sold or under contract to be sold in the project or subject legal phase. Multiple purchases by one owner are counted as one sale when determining presale requirements.
Maximum LTV	DU Approved: All states except FL: O/O ≤90% LTV/CLTV 2nd Home and N/O/O: ≤75% LTV/CLTV Florida Established projects: O/O: 75 / 90 / 90% LTV / CLTV/ HCLTV 2nd Home and N/O/O: 70 / 75 / 75% LTV / CLTV/ HCLTV	Maximum permitted for the program. Florida with CPM: available to maximum LTV/CLTV/HCLTV	Maximum permitted for the program. Florida with CPM: available to maximum LTV/CLTV/HCLTV	Maximum permitted for the program.	LPA Accept: All states except FL: O/O ≤90% LTV/CLTV/HCLTV 2nd Home: ≤75% LTV/CLTV/HCLTV Florida: O/O 75% LTV / CLTV/ HCLTV 2nd Home: 70% LTV / CLTV/ HCLTV NOO: Not Eligible	Maximum permitted for the program.	Maximum permitted for the program.
HOA Requirements	HOA has been turned over to unit owners.	Developer may not have terminated control over HOA.	HOA has been turned over to unit owners.	N/A	HOA has been turned over to unit owners.	HOA has been turned over to unit owners. (does not apply to 2-4 units) Note: for detached units, HOA must be turned over to unit owners only if subject is investment property.	Developer may not have terminated control over HOA. Control of HOA has transferred or will transfer in a reasonable time frame.

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% Owner Occupied Units	No occupancy requirements	50% of units in the project or subject phase must be conveyed or under contract to be conveyed as O/O primary residence or 2nd Home for a Lender Full Review. At least 50% of the total number of units in the legal phase + the total number of units in all prior legal phases must be conveyed or under contract as a primary residence or 2nd home.	No occupancy requirements if borrower will occupy the property as a primary residence or second home. If NOO, 50% of the units must be occupied as a primary residence or second home.	See FNMA Seller Guide		No occupancy requirements if borrower will occupy the property as a primary residence or second home. If NOO, 50% of the units must be occupied as a primary residence or second home.	No occupancy requirements if borrower will occupy the property as a primary residence or second home. If NOO, 50% of the units must be occupied as a primary residence or second home.	50% of the total units in the project must be conveyed or under contract as a primary residence or second home, If the project doesn't meet the requirement above both of the following criteria must be met: - At least 50% of the total units in the subject phase must be conveyed or under contract as a primary residence or 2nd home. AND - At least 50% of the total number of units in the legal phase + the total number of units in all prior legal phases must be conveyed or under contract as a primary residence or 2nd home.
Single Entity Concentration	Projects with 5-20 units: 2 units Projects with 21 or more units – 20% of the project	Projects with 5-20 units: 2 units Projects with 21 or more units – 20% of the project	Projects with 5-20 units: 2 units Projects with 21 or more units – 20% of the project	N/A		Projects with 2-4 units: 1 unit Projects with 5-20 units: 2 units Projects with 21 or more units – 10% of the project	Projects with 2-4 units: 1 unit Projects with 5-20 units: 2 units Projects with 21 or more units – 10% of the project	Projects with 2-4 units: 1 unit Projects with 5-20 units: 2 units Projects with 21 or more units – 10% of the project

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Lender Requirements	Certify project meets limited review requirements	Lenders must review the HOA budget to make sure it meets FNMA requirements and warrant the project meets FNMA's legal requirements.	Lenders must review the HOA budget to make sure it meets FNMA requirements and warrant the project meets FNMA's legal requirements.	The lender must warrant all outstanding conditions have been met. (1028) Attorney review of legal documents required.		N/A	The lender must warrant the project meets FHLMC requirements.	The lender must warrant the project meets FHLMC requirements.

FHLMC will accept FNMA approved projects & projects approved by FNMA CPM or PERS.

General Requirements (All Projects):

- Detached Condo: defined as any condo unit that is completely detached from other condo units in the project. The unit may share no adjoining walls, ceilings, floors, or other attached architectural elements (such as breezeways or garages) with any neighboring unit. Site condos in which the unit owner owns the detached condo unit and the land upon which the unit is built are a type of detached condo. Project review is not required. The following requirements must be met:
  - The project and unit must be in compliance with Fannie Mae requirements for eligibility and appraisal standards and must have the required insurance coverages.
  - Special Feature Code (SFC) 588 and project code V is required for all detached condo loans
- 2-4 Unit projects: Project review is not required the project and unit must be in compliance with Fannie Mae requirements for eligibility and appraisal standards and must have the required insurance coverages.
- Litigation: Must obtain details from HOA. Not acceptable if the litigation affects the safety, structural soundness, marketability or if the liability insurance does not cover any potential loss. Investor specific requirements may apply. All litigation reviews to be performed by the Kind Lending Condo Approval Group
- Delinquent HOA Dues: No more than 15% of the total units in the project may be 60 or more days past due on the condo/association fee payments. This applies to both new and established attached condo projects. The HOA must explain reason for delinquency and steps it will take to correct the situation.
- If a lender acquires a condo due to a foreclosure, they cannot be held liable for >6 months of the units unpaid monthly dues. Some exceptions apply, contact the Kind Lending Condo Approval Group
- The HOA budget must provide for funding of replacement reserves for capital expenditures and deferred maintenance of at least 10% of the budget and provide adequate funding for insurance deductible amounts.

Ineligible Projects:

- Timeshares, segmented, fractional or interval ownership
- Properties that are managed and operated as a hotel or motel, even though the units are individually owned.
- Projects with covenants, conditions, and restrictions that split ownership of the property or curtail an individual borrower's ability to utilize the property.
- Multi-dwelling unit projects that permit an owner to hold title (or stock ownership and the accompanying occupancy rights) to more than one dwelling unit, with ownership of all of his or her owned units (or shares) evidenced by a single deed and financed by a single mortgage (or share loan).
- Projects with a legal non-conforming use if land and if zoning regulation prohibit the rebuilding of the project to its current condition in the event of full or partial destruction
- Projects where the lender is held liable for >6 months delinquent HOA assessments at the time of foreclosure are not eligible. **This includes attached and detached condo projects.**

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- Projects with non-incidental business operations owned or operated by the HOA (i.e. restaurant, spa, health club, etc.), unless the budget shows that no more than 10% of the income comes from these business operations; 15% of the budget may also be from recreational amenities shared with another facility.
- Properties occupied as tenants-in-common are not permitted. Examples: common interest apartments (tenancy in common) or community apartment projects
- Investment securities
- Houseboat projects
- Any project that is owned or operated as a continuing care facility.
- Any project where the HOA is named as a party to current litigation or any project where the project sponsor or developer is named as a party to current litigation that relates to the project
    - Specific FHLMC ineligible projects: if the HOA or the project developer/sponsor is party in an ADR Proceeding (such as arbitration and mediation) the loan will be ineligible for sale. It may be eligible if the disclosed ADR proceedings are determined to involve a minor matter.
- New projects where the seller is offering sale/financing structures in excess of FNMA's eligibility policies for individual loans. These excessive structures include, but are not limited to builder/developer contributions, sales concessions, HOA or principal abatements and interest payment abatements, and/or contributions not disclosed on the settlement statement.
- Projects where >35% of the total space is used for non-residential purposes;
- Projects where a single entity (same individual, investor group, partnership or corporation) owns >20% of the total units in the project (for projects with 21 or more units). Projects with 5-20 units, single entity may own max 2 units.
- Projects that restrict the owner's ability to occupy the unit
- Projects that consist of manufactured housing units.
- Projects where >15% of the total units are more than 60 days past due on their HOA dues (**not applicable to Limited Review)**
- New or newly converted projects in Florida with attached units not approved by FNMA or PERS process
- Projects with mandatory upfront or periodic membership fees for recreational amenities (such as country club or golf courses) owned by an outside party. Membership fees paid for the use of amenities owned exclusively by the HOA or master association are acceptable.
- Any project that permits a priority lien for unpaid common expenses in excess of Fannie Mae's priority lien limitations.

Insurance Requirements (applies to all project types):

- **Hazard Insurance**: Project must be covered by a blanket all risk policy with 100% replacement. The master policy must include replacement of improvements and betterment coverage to cover any improvements the borrower may have made to the unit. Lenders must verify the hazard insurance policy for all projects with attached units, including 2-4 unit projects, covers fixtures, equipment and other personal property insured individual units if they will be financed by the mortgage. If the master or blanket policy does not cover the unit's interior, the borrower must obtain a "walls-in" coverage policy (HO-6 policy). The HO-6 policy must provide coverage in an amount, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event. If such coverage cannot be obtained the lender should contact the FNMA Projects Standards Department. Master hazard insurance policies that provide coverage for multiple unaffiliated projects in a single insurance policy are not allowed effective with applications dated on or after February 1, 2014.
- **Liability**: Coverage must be $1,000,000 per occurrence. Insure on 100% of replacement cost. **Liability Insurance is not required for projects under Limited Review**
- **Flood Insurance** (if applicable):
    - Projects with over 25% commercial space that maintain a master flood insurance policy must obtain coverage, either through a single private policy of a private supplemental policy in conjunction with a General Property Form flood master policy through NFIP, to equate to coverage available to projects maintaining a Residential Condo Building Association Policy.
    - A flood insurance declaration page cannot be used to verify that private insurance is equivalent to NFIP coverage; the full policy must be reviewed.
    - Flood insurance coverage for units in a project, the contents coverage for the building must be the lesser of 100% of the insurable value or the NFIP maximum available (not 100% of the insurable value).
    - A mortgagee clause is not required for NFIP master or private insurer policies.
    - Homeowners' associations do not have to maintain a master flood insurance policy for 2-4 units' projects. Individual policies covering a single unit is permitted.
    - Loans in a community in the Emergency Program of the NFIP is not required to maintain coverage to make up the difference between what is available through the Emergency
    - Program and the Regular Program. Coverage available under the Emergency Program through the NFIP or a private policy with equivalent coverage will be acceptable until the community is approved to participate in the NFIP Regular Program.

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- **Fidelity Bond:** Required for ALL new & established projects with >20 units. Coverage greater than or equal to 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, depository sends separate statements to HOA, etc.). **Fidelity/crime insurance is not required for projects with Limited Review**
- **Site/detached condo**: Either hazard & flood coverage for a single family detached dwelling if the unit consists of the entire structure and site and air space; OR $1M liability coverage minimum per occurrence if the unit consists only of the air space for the unit and improvements and site are common areas or limited common areas and insured on 100% of the replacement cost.