



2510 Red Hill Ave., Santa Ana, CA 92705
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Subject- Condo Cheat Sheet- Note: Please review Agency guidelines for a list of all requirements

Project Definitions:

Established project:

- New project's may be reviewed as an "established" project if it meets all requirements of an established project other than the 90% unit conveyance policy.
- The project is 100% complete, including all units and common elements
- Is not subject to additional phasing or annexation
- Control of the HOA has been turned over to their unit owners
- Please refer to JMAC/Agency guidelines for a full list of requirements

New project:

- Fewer than 90% of the total units in the project have been transferred to the unit purchasers
- The project is not fully completed, such as proposed construction, new construction or the proposed or incomplete conversion of an existing building to a condo
- A newly converted Project
- The project is subject to additional phasing or annexation
- Please refer to JMAC/Agency guidelines for a full list

Site Condo:

- Project that consists of single family detached units where the unit owner own the land and the improvements
- Project has minimal common elements
- Project does not own or have any responsibility for maintaining its own infrastructure such as roads, utilities, etc.
- Project has minimal or no involvement with the HOA, including no or minor dues; no special assessments and no road, amenity or common element maintenance
- Unit Owners are required to carry their own individual hazard and other applicable insurance coverage
- Please refer to JMAC/Agency guidelines for a full list of requirements
- SFC 588 is required to identify project as a Detached/Site Condo

2-4 Unit Projects

- All Common areas must be completed
- All units must be conveyed
 - For New Projects- 3 of the 4 units must be conveyed
- All items under ineligible projects apply as well



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Ineligible Projects:

- Live/Work Projects
- New Conversions completed within the last 3 years
- New Condominium projects with any pending special assessments
- Gut Rehabs
- Total space that is used for nonresidential or commercial purposes that exceeds 35%
- No more than 15% of the total units may be 60 days or more past due on their HOA dues
- In the event a subject is acquired through foreclosure or deed in lieu- the mortgagee may not be responsible for more than the greater of six months or the maximum amount permitted under applicable state law, of delinquent HOA dues.
 - IE- Florida is acceptable at twelve months.
- Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns more than the following total number of units in the project:
 - projects with 5 to 20 units – 2 units
 - projects with 21 or more units – 25%- FHLMC
 - projects with 21 or more units- 20%- FNMA
- Less than 50% of the units are conveyed as primary or second homes when our subject is an Investment home.
 - Financial institution owned REO units, Units held by non-profits, affordable housing programs or institutions of higher education currently may be counted as owner occupied
- Project with mandatory upfront or periodic membership fees for the use of recreational amenities
- Please refer to agency guides for a list of all ineligible project characteristics

Limited Review Requirements:

- Project does not contain any manufactured homes
- If subject is detached, project must be 100% complete
- LTV/CLTV up to 90% on Principal Residences
 - Max LTV for a Limited review in Florida is 75%; CLTV max is 90%
- LTV/CLTV up to 75% on Second Home
 - Max LTV for a Limited review in Florida is 70%; CLTV max is 75%
- LTV/CLTV up to 75% on an Investment Transaction
 - Max LTV for a Limited review in Florida is 70%; CLTV max is 75%
- Project must be established by definition
- Please refer to JMAC/Agency guidelines for a full list of requirements



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Full Review Process: Established Attached Projects:

- PERS Approval is not eligible
- Please refer to JMAC/Agency guidelines for a full list of requirements

Full Review Process: New Attached Projects:

- New Projects in Florida are not acceptable unless project was approved through FNMA's PERS approval process.
 - Note: All New Condo projects will require a CPM (Condo Project Manager) completed by the Underwriting Manager or Team Lead.
- The project must be substantially complete
- A minimum of 50% of the total units in the project or subject's legal phase must have been transferred or be under contract for sale to primary or second home purchaser.
- Please refer to JMAC/Agency guidelines for a full list of requirements

Insurance Requirements:

- **Master Insurance**
 - Must cover 100% of the insurable replacement cost of the project improvements including individual units
 - Maximum deductible should be no greater than 5% of the replacement value of the policy
 - Pooled Insurance is not eligible
 - Policies that insure multiple projects, even if affiliated.
 - Please refer to JMAC/Agency guidelines for a full list of requirements
- **HO-6 Coverage**
 - Covers all "walls in" improvements or betterments when the master policy does not cover
 - Improvements and Betterments is defined as permanent changes, alterations or upgrades made to the subject property
 - Maximum deductible should be no greater than 5% of the replacement value of the policy
 - Coverage amount is determined by the Insurer
 - Please refer to JMAC/Agency guidelines for a full list of requirements
- **Liability Insurance**
 - Coverage minimum must be at least \$1 million for bodily injury and property damage for any single occurrence
 - Please refer to JMAC/Agency guidelines for a full list of requirements



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- **Flood Insurance**

- Coverage from the HOA is required. Individual policies are not eligible for projects with 5 or more units.
 - 2-4 Unit Projects will allow for Individual policies
- When the Commercial space within the project exceeds 25%, the HOA must obtain additional coverage either through a single private party or private supplemental policy through the National Flood Insurance Program (NFIP)

- **Fidelity Insurance**

- Not required for limited project reviews or when the total unit count in the project is 20 or less
- HOA must be named as the Insured
- Coverage policy must cover the maximum funds that are in the custody of the HOA or its management company
 - Must be equal to at least the sum of three months of assessments for all units within the project, unless this calculated amount is less than or equal to \$5,000
 - IE- 25 units x \$100=\$2,500- Fidelity Insurance is not required
 - IE- 100 units x \$100= \$10,000- Fidelity Insurance is required
- A lesser amount of coverage is acceptable if the project's legal documents require, or another source acceptable to the lender verifies, that the HOA or co-op corporation and any management company adheres to one or more of the following financial controls:
- Separate bank accounts are maintained for the working account and the reserve account, each with appropriate access controls, and the bank in which funds are deposited sends copies of the monthly bank statements directly to the HOA or co-op corporation.
- The management company maintains separate records and bank accounts for each HOA or co-op corporation that uses its services, and the management company does not have the authority to draw checks on, or transfer funds from, the reserve account of the HOA or co-op corporation.
- Two members of the Board of Directors must sign any checks written on the reserve account.
- Even then, the fidelity/crime insurance coverage must equal at least the sum of three months of assessments on all units in the project, unless this calculated amount is less than or equal to \$5,000, in which case fidelity/crime insurance is not required.



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Project Type Codes:

- Limited Review- New Project-Code P (FNMA)
 - FHLMC- Not permitted for New Projects
- Limited Review- Established- Code Q (FNMA)
 - FHLMC- Streamlined Review -Code H
- Full Project Review- New Project- Code R (FNMA)
 - FHLMC- New Project
- Full Project Review-Established- Code S (FNMA)
 - FHLMC- Established Project
- DU Refi Plus, Refi Plus loan or Open Access- Code V
- Established PUD Projects- Type E
 - New PUD Projects- Type F

Miscellaneous:

- Budget for the HOA must be provided and provide for adequate funding of replacement reserves of at least 10% of the total budget. The budget must also provide adequate funding for insurance deductible amounts
 - To calculate sufficient reserves, divide the annual budgeted replacement reserve allocation listed on budget by the annual budgeted assessment income.
- If project is within a leasehold (Condo leasehold) a copy of the ground lease agreement is required plus any payment due must be included in the DTI Calculations
- A minimum of 50% of the units must be owner occupied when our subject is an Investment home.
 - Financial institution owned REO units, Units held by non-profits, affordable housing programs or institutions of higher education currently may be counted as owner occupied

Documentation Requirements:

Limited Project Review:

Detached Condo (Site):

- Individual Homeowners Policy
- Master Insurance Policy if project has any common amenities that are managed by the HOA
 - IE Pool, Clubhouse
 - Subject address including the unit number must be reflected on policy

Attached Condo projects:

- Master Insurance Policy
 - Subject address including the unit number must be reflected on policy
- HO-6 Policy
 - If Master Insurance Policy includes "All In or Walls In" coverage, HO(6) coverage is only required if the subject unit includes "improvements and betterments" that are not covered under the Master Policy
- Appraisal to confirm occupancy percentage, litigation, percentage of ownership by individual, total delinquency percentage within project,
 - If appraisal does not address this information, a limited HOA Questionnaire is required



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Full Project Review:

Attached Condo projects:

- Master Insurance Policy
 - Subject address including the unit number must be reflected on policy
- HO-6 Policy
 - If Master Insurance Policy “All In or Walls In” coverage, HO(6) coverage is only required if the subject unit includes “improvements and betterments” that are not covered under the Master Policy
- Fidelity Insurance
 - Not required if total unit count within the project is 20 or less
- Liability Insurance
 - Coverage must be at least \$1 million for bodily injury and property damage for any single occurrence
- HOA Questionnaire
- Budget

Attached PUDS:

- Master Insurance Policy (If Applicable)
 - Subject address including the unit number must be reflected on policy
- Individual Insurance Policy if Master Policy does not provide coverage
- HO(6) Policy
- Project review is not required



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