

VanDyk Mortgage Full Review Condominium Matrix

**For Attached Condominiums with over 4 units. Detached units and 1-4 unit projects do not require a review.
Copy of master insurance may be required but is cleared by the UW of the file.**

LTV/CLTV/HCLTV FOR ALL STATES AND ALL TRANSACTION TYPES

There is no reduction in LTV/CLTV or HCLTV due to the property being a condominium when it is approved under Full Lender Review or is approved by Fannie thru PERS (Project Review Eligibility Service). Follow the appropriate VanDyk Conventional Matrix for the maximum LTV/CLTV/HCLTV for your transaction.

To see if your transaction can be approved under Limited Review, please check the maximum LTV/CLTV/HCLTV limitations reflected on the Limited Review Matrix.

The project must not be an ineligible project for either Full or Limited Review. Below are the most common issues. To review the complete list and details, see Condo Ineligible Project Details in vdmc.net Underwriting Shared Files or in Allregs under B4-2.1-03 for Fannie or 5701.3 for Freddie.

Although recently added by FNMA, Manufactured Condos are an ineligible property type for VanDyk Mortgage

- Projects with mandatory fees for use of recreational facilities that are owned by an outside party. This also applies to the Master Association. Projects (including the master) must own all of their own facilities.
- Projects with litigation (or pre-litigation that is being arbitrated) that does not meet guidelines as "minor".
- Projects where a single entity owns more than 20%* of the units on projects with 21 units or more
*Freddie Mac allows up to 25%
- Projects where a single entity owns more than 2 units in projects with 5 - 20 units
- Projects where the total space used for non-residential or commercial purposes exceeds 35%
- Projects with non-incident business operations owned or operated by the HOA that exceeds 10% of its budget; including but not limited to, a restaurant, spa, or health club
- Projects that offer hotel type services (including those offered by or contractor through independent management companies), such as rentals of units on a daily or short term basis. Projects that have obtained a hotel or resort rating through hotel rating providers including but not limited to travel agencies, hotel booking websites and internet search

FULL REVIEW REQUIREMENTS: Below is a synopsis of the most common issues. For all requirements and additional details review Allregs: B4-2.2-02 for Fannie Mae and 5701.5 for Freddie Mac.

- No more than 15% of the total units in the project may be 60 days or more past due on HOA fees
- Project budget must be adequate and provide funding of reserves of at least 10% of the budget.
Budget evaluation can be complex. Forward financials to condoapprovals@vandykmortgage.com for review.
- The unit owners must have sole interest in, and rights to use the project's facilities. Exception exists if shared by an affiliated association. The amenities may not be subject to a lease between the unit owners and another party. Leased Parking may be acceptable with conditions.
- If our transaction is an Investment property at least 50% of the units must be conveyed to principal residence or second home purchasers. (Limited Review does not have this restriction)

➤ A conversion of a project that was legally created in the past three years that was a full gut rehab requires additional documentation. Contact Condo Department for assistance. A non-gut rehab project created in the last three years with more than four units can only be approved by Fannie under PERS. A conversion over 3 years ago requires nothing additional.

Project Eligibility Waivers (PEW)

Fanniemae may be willing to consider an exception to their guidelines on a loan by loan basis. They charge \$200 non-refundable regardless of the final decision. The file must be documented under Full Review even if the LTV qualifies it for a Limited Review. They will not consider more than one exception on any project. They will not consider any exceptions to their insurance guidelines. They will not consider any exceptions for reserves less than 10%.

ESTABLISHED: A project for which all the following is true is an Established Project. If any of the following is not true, then the project must be documented under New Construction below.

- The project is 100% complete including all units and common elements;
- The project is not subject to additional phasing or annexation;
- At least 90%* of the total units in the project have been conveyed to unit purchasers; and
- Control of the HOA has been turned over to the unit owners.

*Fannie Mae exception to the 90% exists if the deficit is the result of developer holding back units for rent provided: the rental units of the developer is no more than 20% of the total; developer is current on all dues & there are no active or pending special assessments. Freddie Mac has no exceptions to the 90% conveyed.

New Construction

A project that does not meet the criteria to be classified as ESTABLISHED above must be documented under Type R New Construction. All documents needed for Full Lender review are required, along with the additional documentation needed (if any) due to project being classified as new construction.

Projects located in the State of Florida that are New Construction can only be approved by Fannie Mae through PERS. Freddie Mac also requires Florida New Construction to be approved by Fannie Mae.

Projects located outside of the State of Florida are approved by a company with over 30 years experience evaluating condo projects, InterIsland. They charge \$500. This is in addition to the \$300 charged by the VanDyk Condo Department. The Condo Department will obtain and submit the docs to InterIsland.

The project, or subject legal phase, must be "Substantially complete" which means:

- A certificate of occupancy or similar document has been issued by the applicable government agency for the project or subject phase; and
- All the units and buildings in the legal phase of the subject property are complete.

At least 50% of the total units in the project, or the subject's legal phase must have been conveyed or be under contract to

principal residence or second home purchasers. For a specific legal phase, the subject's legal phase(s) considered together with all prior legal phases must meet this requirement.

Units must be available for immediate occupancy at the time of closing.

Master association must also be evaluated if unit owners pay more than \$50 per month to Master Assoc.

FHA-Approved Project

Fannie Mae and Freddie Mac require the lender ensures the project is established, and not ineligible; therefore a Full Review questionnaire is still required along with the Master Insurance. The advantage to having an FHA reciprocal review is the financials do not have to be evaluated.

INSURANCE

Walls In (H-06)	The borrower must purchase a Walls In (H-06) policy unless the HOA Master Policy reflects coverage is "All In", "All-inclusive" or "Walls in" AND it indicates that the coverage INCLUDES BETTERMENTS. If it is only to developer specifications, then an H-06 is still required. The amount of coverage required is determined by the insurance agent. Flood and wind coverage are not required on an H-06 policy. Max deductible is 5%.
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Crime/Fidelity Exemptions	Condo projects consisting of 20 units or less, projects approved under Limited Review, detached projects and projects that the needed coverage would be \$5000 or less are exempt.
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Crime/Fidelity Coverage Amount	<p><u>IF</u> the project maintains at least one Financial control noted below, <u>then</u> the minimum coverage required is three months worth of dues on all units.</p> <p><u>IF</u> the project does NOT maintain at least one Financial control noted below, then the minimum coverage is amount in the reserve account on the balance sheet, plus three months dues.</p> <p>Financial Control: HOA/Management company must adhere to one or more of the following:</p> <ul style="list-style-type: none"> ➤ The bank in which funds are deposited sends copies of the monthly bank statement(s) directly to the HOA. ➤ The management company does not have the authority to draw checks on, or transfer fund from the reserve account. ➤ Two members of the Board of Directors must sign any checks written on the reserve account.
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Hazard Coverage	The HOA must maintain an insurance policy that is at least 100% of the cost to reconstruct the project improvements, including individual units. Coverage does not need to include land, foundations, or other items that are usually excluded from coverage. If the HOA does not maintain 100% coverage the unit owner may NOT obtain "gap" coverage to meet this requirement. A policy that includes any of the following verbiage meets this requirement: *Guaranteed Replacement *Extended Replacement or *Replacement Cost.
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Endorsement - Agreed Amount	COINSURANCE: If the policy contains a coinsurance clause, an Agreed Amount Endorsement waives the coinsurance provision. If the policy does not have an Agreed Amount Endorsement evidence must be obtained verifying the coverage is at least 100% of the Insurable Reproduction Value. An insurance appraisal dated in the last 3 years can be obtained to document this. Additionally, it is acceptable if the insurance agent provides a written statement verifying the coverage is at least the amount of an insurance appraisal dated xx/20xx performed by (company name).
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Endorsement - Ordinance and Law	An Ordinance and Law endorsement provides the project with additional funds to cover extra costs in the event that the municipality has revised the building codes. It is mandatory that they purchase this coverage if it is available to them from their current carrier.