Condominium Questions and Answers

Question	Answer
What happens if a condo does not meet the requirements for any of the condo review processes or types?	Condos that do not meet any of the condo review processes or types are considered non-warrantable and are ineligible for purchase by Citizens.
Are condo hotels or condos located within a resort allowed?	No, if any condotel-like features or resort-like features are evident, then the project is not allowed. See Condo Definitions.
Are Fidelity and Liability insurance required for Limited Project Review?	Citizens follows standard Fannie Mae guidelines which do not require verification of existence or adequacy for these types of coverage on Limited Project Reviews.
When is an attorney opinion letter/legal memorandum required?	An attorney opinion letter/legal memorandum is required for all new projects that do not have a valid PERS approval.
What is an attorney opinion letter/legal memorandum?	A qualified attorney must review the legal documents for all new condominium projects that are not two-unit to four-unit projects and determine that the documents are in compliance with the Fannie Mae's legal requirements. The attorney may be the same person who prepared the legal documents, but he or she cannot be an employee, principal, or officer of the developer or sponsor of the project.
Is there an expiration date for the attorney opinion letter/memorandum?	No, unless the letter states an expiration date. If the letter is > 90-days old, the HOA must confirm there have been no changes since the attorney opinion letter/memorandum was written.
When is a budget required?	A budget is required on all loans utilizing CPM or a full manual project review, except for 2-4 units.
Are 2-4 multi-unit condos acceptable?	Citizens does not allow condos with 2-4 units (not to be mistaken for a single-family condo within a project consisting of ≤ 4 units. See Condo Definitions.
Will Citizens accept a single-family condo where the entire project contains 4 units or less?	Yes. For DU loans, no project review is required. LP loans must be reviewed under an applicable Freddie Mac review type and meet the requirements.
Does Citizens allow condo projects where the developer is still in control of the HOA?	Yes. If the Condo Project's HOA is still under the control of the builder, CPM, a full manual review, or PERS approval may be utilized.
What are Citizens requirements for reviewing projects for deferred maintenance or special assessments?	Lenders must comply with all requirements per Fannie Mae LL-2021-14, Freddie Mac 2021-38, and National Bulletins 2021-45 and 2021-57.

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Does the entire project have to be completed when doing a new project?	The project may be subject to additional phasing or annexation. The project may not be fully complete.
Is a Project Review required for detached condos?	A completely detached condo unit located with a project comprised of a mixture of detached, semi-detached and attached units is eligible for no project review utilizing either DU or LPA.
Is Project Review required for 2-4-unit projects?	Project review can be waived for new and existing 2-4-unit projects with DU or LPA if all applicable requirements are met.
Does Citizens allow gut rehab and non-gut rehab conversions?	Yes, these types of projects are permitted. Newly converted projects in Florida require a PERS approval. If the project is outside of Florida and does not have a valid PERS approval, a gut rehab under 3 years old and a non-gut rehab under 3 years old are not permitted.
Can the HOA to utilize their own questionnaire?	Yes, as long as the information on their questionnaire reflects the same information required on the agency standard questionnaires and includes a fully completed agency addendum for all projects with 5 or more units, regardless of the review type.
When reviewing a new construction condo or converted condo, what information should the appraisal address?	Appraisals for properties located in a new construction project or development may include pending sales from the subject's subdivision or project if no closed sales are available to establish marketability. If this option is utilized three closed sales outside the subject's subdivision or project must be included along with the pending sales.
How can a lender determine for purposes of limited/streamlined review whether a single entity owns more than 20 or 25% percent of the project?	The lender is responsible for contacting the HOA to determine whether a single entity owns more than 25% percent of the project.
If a condo project consists of less than 10 units, will a loan be ineligible because the borrower has ownership in >10% of the total units?	No. If a condo project has 5-20 units, the single entity ownership is limited to 2 units. Projects over 20 units the single entity concentration limit is 25% for LPA and 20% for DU
Why is Fannie Mae now requiring borrowers to purchase additional hazard insurance coverage ("walls-in coverage") beyond that provided by the association's Master Policy?	Many states have passed legislation that limit what an association's master policy must cover. Because many master policies do not provide, or may be prohibited from providing, coverage that includes "improvements and betterments" in the unit, the borrower must obtain this coverage, if the master policy does not provide similar coverage.
How should the lender calculate the condominium/association delinquent fee payments to determine if they are within the 15-percent guideline?	No more than 15 percent of the total units in a project may be 60 days or more past due on their HOA dues. For example, a 100-unit project may not have more than 15 units that are 60 days or more delinquent.
What are the requirements for the lender's project budget review?	The lender must determine that the budget is adequate, allocates a portion of the income (at least 10 percent) to replacement reserves, and adequately funds insurance deductibles. Refer to the Fannie Mae or Freddie Mac Selling Guides for additional guidance on reserves studies or contribution to a working capital fund (LPA).

Question	Answer
Can a seller, builder, or any other third party pay the HOA fees on behalf of the borrower?	Lenders can follow standard Fannie Mae/Freddie Mac interested party contribution limits. Payment of HOA fees by an interested party of up to 12 months is permitted as long as it is within IPC limits. Payment of HOA fees in excess of 12 months is not permitted even if within IPC limit as this is considered a payment abatement.
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When will the condominium project review checklists expire?	Condo documents are all documents that are part of project review. Project review must be completed within 180 days prior to the Note Date.
Does Citizens submit projects to Fannie Mae for Project Eligibility Review or complete requests for PERS extensions?	No. Citizens does not complete PERS submissions to Fannie Mae or complete requests for extensions. Citizens accepts projects that have an existing valid PERS approval.

Condo Definitions	
Common Elements (Areas)	Those portions of a building, land, and amenities owned by a condo project's homeowner's association that are used by all of the unit owners, who share in the common expenses of their operation and maintenance. Common areas may include swimming pools, tennis courts, and other recreational facilities, as well as common corridors of buildings, parking areas, and means of ingress and egress.
Fannie Mae Project Codes	A unit in a condo project. Each unit owner has title to his or her individual unit, an individual interest in the project's common areas, and in some cases, the exclusive use of certain limited common areas. Type P - Limited Review - New Project Type Q - Limited Review - Established Project Type R - Full/CPM review - New Project Type S - Full/CPM review - Established Project Type T - Project Eligibility Review Service (PERS) Type U – FHA approved condo project Type V – Fannie Mae not reviewed (Detached condos without a condo project review, eligible Fannie Mae-to-Fannie Mae limited cash-out, DU 2-4-unit projects)
Condominium Hotel/Resort	Condominium projects with any hotel-like features or resort-like features are ineligible. Examples of characteristics may include, but are not limited to: • Has a name that includes "hotel", "resort", "motel", "inn", or "lodge" • Publicly advertised as a condominium hotel or resort or websites are available to determine room availability and/or to make reservations. • Is located at the same address as a hotel or resort, or within a hotel or resort, or has a hotel or hospitality identity. • Has non-incidental businesses operated or owned by the homeowner's association (for example, restaurant, health club, spa, etc.). • Projects allowing short-term (less than 30 days) and seasonal rentals (as evidenced by CC&Rs). • Hotel-like amenities (such as front desk, maid service, concierge service, on site recreational activities, lifeguard on duty, towel, or linen service, etc.). • Has HOA budget red flags, such as housekeeping costs, business income, membership fee income, personnel costs (lifeguard, maid, concierge, front desk, shuttle service, internet service • fees, etc.) • Shares facilities, common elements, or amenities with a hotel, resort, and/or lodge owned and managed by the developer or another third-party entity (pool, spa, fitness center, parking, • business center, conference facility, etc.) • Has units that do not have full size kitchen appliances, or that have efficiency kitchens. • Has a revenue sharing arrangement between a rental management firm and the HOA. • Requires mandatory membership (tennis, golf, health club, etc.) • Requires a mandatory rental pooling agreement or has blackout periods.
Detached	A condominium project composed of individual units that are free-standing buildings.

Condo Definitions	
Multi-dwelling Unit Condo	A project in which an owner may hold title (or stock ownership and the accompanying occupancy rights) to more than one dwelling unit, with ownership of all of his or her units evidenced by a single deed and mortgage.
2-4-Unit Condo Project	A condo project that consists of no more than four dwelling units
High-rise	A multi-unit building with six or more floors.
Homeowners Association (HOA)	A nonprofit corporation or association that manages the common areas of a condo project. In a condo project, it has no ownership interest in the common areas.
Houseboat	A development that consists of houseboats that are afloat and not permanently affixed.
Non-conforming Land Use	A structure and/or use of land that is legal but does not comply with current and applicable land development regulations.
Leasehold Estate	A way of holding title to a property wherein the borrower does not own the property but has a recorded long-term lease on it.
Investor Concentration	The percentage of units in a condominium that are sold to investors compared to the number of units sold to all owners.
Pre-sale Percentage	The percentage of units in a condo project (or legal phase) that are under contract or sold compared to the total number of units in the project (or phase).
Gut Rehab	An existing structure which is gutted down to its shell and rebuilt with new HVAC and electrical components.
Non-Gut Rehab	Any structure that is not gutted down to its shell and rebuilt with new HVAC and electrical.
Row/Townhouse	A project composed of individual units that are attached buildings (sharing common walls).
Single Investor Concentration	The percentage of units in a project owned by a single entity (same individual, investor group, partnership, or corporations) other than the developer during the initial sales period compared to the total number of units in the project.
Time Share	A real estate development in which purchasers have the exclusive right to occupy a unit for a specified period of time each year, during which they have access to any amenities offered (such as swimming pool, tennis courts, putting greens, club house, etc.).
Segmented Ownership	A property right under which the purchase has access to a property “segment” for a specific time.
Critical Repairs	Repairs and replacements that significantly impact the safety, soundness, structural integrity, or habitability of the projects building(s) and/or that impact unit values, financial viability, or marketability of the project. These repairs and replacements include: • All life safety hazards • Violations of any federal, state or local law, ordinance or code relating to zoning, subdivision and use, building, housing accessibility, health matters, or fire safety. • Material deficiencies • Significant deferred maintenance

Condo Definitions	
Material Deficiencies	Unresolved problems that cannot reasonably be addressed by normal operation or routine maintenance and which include: • Deficiencies which, if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year • Deficiencies that will likely result in a significant escalation of remedial cost related to any material building components that are approaching, have reached or exceeded their typical expected useful life or whose remaining useful life should not be relied upon in view of actual or effective age, abuse, excessive wear and tear, poor maintenance and exposure to the elements • Any mold, water intrusions or potentially damaging leaks to the project's building(s)
Significant Deferred Maintenance	The postponement of normal maintenance, which cannot reasonably be resolved by normal operations or routine maintenance and which may result in any of the following: • Advanced physical deterioration • Lack of full operation or efficiency • Increased operating costs • Decline in property value
Routine Repairs and Maintenance	Repairs and maintenance that are expected to be completed by the project in the normal course of business and are nominal in cost. These repairs are not considered to be critical and include work that is: • Often preventative in nature • Accomplished within the project's normal operating budget • Typically completed by on-site staff • Focused on keeping the project fully functioning and serviceable