



Determining the review type for Conventional Condo Loans

To determine the Condo review type, review the type of condo reviews and what the parameters of each type are. *Then use the “Condo Documentation” Instruction sheet to identify what documents will be needed for FSB to approve the condo.*

To assist the process of elimination, it is important to note that the following types of projects are **INELIGIBLE FOR FINANCING** on a conventional project:

- Project in which the unit owners do not have an undivided ownership interest or leasehold interest in the land on which the project is located
- Condominium Hotel
- A project required to be registered with the US Securities and Exchange Commission or any state securities agency
- Tenancy in common apartment project
- Project with multi-dwelling units
- Project with excessive commercial space or non – residential space
- Project in which the unit owners do not possess sole ownership of the Common Elements
- Timeshare project or project with segmented ownership
- Houseboat project
- Project that is legal nonconforming use
- Project in Litigation
- Project sold with excessive Seller contributions
- Project with excessive single investor concentration**
- Continuing Care Retirement Community (CCRC)
- Manufactured Homes
- Project with mandatory dues or similar membership fees for use of Amenities such as clubhouses or recreational facilities

Property Type	**Max # of Units owned by an individual or single entity
2-4 units	1 unit
5 – 20 units	2 units
21 or more units	10% of the total units

The options for Condo Reviews include: Streamline review (aka Limited Review), Established Condo Review (aka Full Review), New Condo Project Review, 2-4 Unit Condo Projects, and Reciprocal Project Review. Each review will be listed out and defined below.

Streamline Review (aka Limited Review)

To determine if you have a condo that will be eligible for a Streamline Review, the following parameters must fit the project:

- The project (all units and Common Elements & amenities) and related facilities are complete and not subject to any additional phasing

- At least 75% of the total units have been conveyed to unit purchasers other than the developer. Or, if a 2 – 4 unit condominium project, all units in the project have been conveyed to the unit purchasers, and
- The unit owners control the Homeowners Association (HOA)

It is important to note that Streamline Review does limit the LTV:

***Streamlined review for Condominium Units
in Established Condominium Projects
not located in Florida***

Occupancy Type	Maximum LTV/TLTV/HTLTV
Primary Residence	90%
Second Home	75%
Investment Property	75%

new

Florida Condominium Projects Only

**Streamlined review for Condominium Units in Established
Condominium Projects located in Florida**

Occupancy Type	Maximum LTV/TLTV/HTLTV
Primary Residence	75%
Second Home	70%
Investment Property	70%

new

Established Condo Review (aka Full Review)

If a Streamline Review cannot be completed, this is the option that must be followed. The following requirements must be met to use this review:

- Must comply with all requirements for Condo Project Review and General Condo Project Eligibility Requirements in FHLMC Seller Guide, Section 5701.2
- Meet the definition for an Establish Condo Project: The project (all units and Common Elements & amenities) and related facilities are complete and not subject to any additional phasing
- At least 75% of the total units in the project have been conveyed to the unit purchasers or if the project is a 2 to 4 unit condominium project, all units in the project have been conveyed to the unit purchasers, and
- The unit owners control the Homeowners Association (HOA)
- Owner-Occupancy Requirements:
 - Primary residence or second home* – no owner-occupancy requirements for the project
 - Investment Properties* – at least 50% of the total units in the project must be occupied as a primary residence or second home. This is inclusive of 2 to 4 unit projects and for 3 unit properties/projects, all but one unit in the Condo Project must have need conveyed to purchasers who occupy their units as a primary residence or second home.
- Project budget must be consistent with the nature of the project and appropriate assessments must be established to manage the project. At least 10% of the budget must provide funding for replacement reserves for capital expenditures, deferred maintenance, and replacement cost of major Common Elements. Adequate funding for insurance deductibles must be provided for. A Reserve Study may be used in lieu of the project budget providing a replacement reserve of at least 10%.
- No more than 15% of the total number of units in a project are 60 or more days delinquent on the payment of their HOA assessments

New Condo Project Review

This review applies to projects that fit this definition: All units in the Condo Project, Common Elements, Amenities and related facilities are not complete or are subject to additional phasing. Fewer than 90% of the total number of units in the project have been conveyed to the unit purchasers other than the developer or the developer has not turned control of the HOA over to the unit owners.

The following requirements must be met for financing:

- The Condo Project (all condo units, common elements and amenities) and related facilities owned by any Master Association are not complete or are subject to additional phasing, except for 2 to 4 unit condo projects that are complete and not subject to any additional phases.
- Fewer than 75% but at least 50% of the total units in the project have been conveyed to purchasers other than the developer (or its successor) who will occupy the units as their Primary Residence or Second Home.
- The HOA is still in the control of the developer.
- HOA assessment begins once Developer has ceased paying operating expenses attributable to the project

- The Developer must pay assessments attributable to the unsold units when any unit owner other than the Developer pays
- Project budget must be consistent with the nature of the project and appropriate assessments must be established to manage the project. At least 10% of the budget must provide funding for replacement reserves for capital, expenditures, deferred maintenance, and replacement cost of major Common Elements. Adequate funding for insurance deductibles must be provided for. For recently converted projects, the developer must initially fund the working capital fund.
- Along with the standard Condo Project review and general condo project eligibility requirements in Section 5701.2 of the FHLMC Seller Guide, the following must also be met:
 - Compliance with laws
 - Limitations on ability to sell/right of first refusal
 - Conversions
 - Mortgagee Consent
 - Rights of Condominium Mortgagees and Guarantors
 - First Mortgagee's Rights confirmed
 - Marketing Units in the Condominium Project
- No more than 15% of the total number of units in a project are 60 or more days delinquent on the payment of their HOA assessments

2-4 Unit Condo Projects

These consist of two, but no more than four, 1 – Unit dwellings that are each separately owned with separate legal descriptions.

- All units and Common Elements in the project and in any Master association must be completed.
- All but one unit in the condo project must have been conveyed to purchasers (other than the developer) who occupy their units as Primary Residences or second homes

This is the minimum needed to determine the review type that the project will fall under. For a full version of the guidelines regarding Condo Projects, please visit FHLMC's Seller Guide and review Sections 5701.0 through 5701.9.

If assistance is needed to determine the best review type, please contact mtgsupportcenter@flanagansstatebank.com. We will need the Condo Questionnaire completed to assist in the determination.