

There are many layers of risk to consider when underwriting a Condominium Project. It is the responsibility of each Seller to assemble a complete project file and conduct a comprehensive underwriting analysis to determine that the Condominium Project meets Freddie Mac requirements. Use the following job aid to help you determine the minimum documentation you need to gather and review as documentation to ensure the project is acceptable.

This document is not a replacement or substitute for the information found in the *Single-Family Seller/Servicer Guide (Chapter 42: Special Warranties for Condominiums)* and/or the terms of your Master Agreement and/or Master Commitment. Each Seller is responsible for meeting the requirements contained in the Seller's Purchase Documents, as that term is defined in the Guide.

Recommended Documents to Assemble for Analysis	Streamlined Review	Full Project Review			
		Established	New	2- to 4-Unit	Detached
Legal documents: - By-Laws, as amended - Declaration, as amended - Master Deed, as amended - Articles of HOA Incorporation - Public Offering Statement (Prospectus), when available	■	■	■	■	■
Homeowner's Association (HOA) Questionnaire	■	■	■	■	■
Title Insurance Policy and ALTA Form 4 Endorsement	■	■	■	■	■
Insurance Policies and Endorsements or Certificates of Insurance (Servicers need to retain evidence of insurance per Guide Section 58.7)	■	■	■	■	■
Unit appraisal (Individual Condominium Unit Appraisal Report), photos, and location map; or automated valuation model (AVM) results, if applicable	■	■	■	■	■
Certification of Sales for owner occupancy information (from developer or HOA, if available)	■	■	■	■	■
Public record search for records that bind the subject project or unit owners	■	■	■	■	■
Internet search, including the developer's and project's website, for terms of the offers for sale if the developer (or successor to the developer) is offering units for sale	■	■	■	■	■
Project Site Plan, when available		■	■	■	■
Final Inspection Report, Certificate of Completion or Certificate of Occupancy for subject and prior phases (as applicable)			■		
If a conversion (within last three years), Final Inspection Report and Certificate of Completion for all repairs		■	■		

Note: Vertical revision bars "|" are used in the margin of this quick reference to highlight new requirements and significant changes

Recommended Documents to Assemble for Analysis	Streamlined Review	Full Project Review			
		Established	New	2- to 4-Unit	Detached
Floor plan for each unit type			■		
Budget - If New, proposed budget - If Established, prior year (actual) and current year (proposed or year-to-date)		■	■		*
Certification of Working Capital Fund for HOA (from developer), or as incorporated into the Purchase Agreement			■		
Sales brochures or literature for New Project, or for Established Project if builder has units available for sale (as applicable)		■	■	■	■
Management Contract or Agreement		■	■	■	
If a conversion (within last three years), Architect or Engineer’s Report on structure and systems		■	■	■	
If part of a Master/Umbrella Association, legal documents, association budget, and site plan		■	■	■	
Other _____					
Other _____					

* For Detached, investment property only

Project Underwriting Analysis

As part of your analysis of the project documents, you must determine and document that certain requirements and warranties are met. Documentation to support the requirements and warranties may vary across locations. You may need to obtain additional or equivalent documentation. Refer to Guide Section 17.22 for special delivery requirements for Mortgages secured by Condominium Units.

Use the following to determine which requirements would apply based on the status of the project and type of project review: streamlined, reciprocal or full project review. Acceptable reciprocal reviews must meet the General Warranties of Guide Section 42.2 and the Additional Warranties of Guide Section 42.11, unless the project type is excluded in Guide Section 42.11.

Requirement		Applicable To
6 months to Sell to Freddie Mac	All Condominium Unit Mortgages must be sold to Freddie Mac no later than 6 months after the Seller's determination that the Condominium Project meets Freddie Mac requirements.	<ul style="list-style-type: none"> ▪ All Condominium Unit Mortgages
Project Completion	All phases and amenities 100% complete. No additional phases. Documentation - Final Inspection Report, Certificate of Completion, unit appraisal (Individual Condominium Unit Appraisal Report), HOA Questionnaire, or an equivalent document showing completion	<ul style="list-style-type: none"> ▪ Streamlined Reviews ▪ Established Projects ▪ 2- to 4-Unit Projects
	Subject and all prior phases substantially complete – a certificate of occupancy or its equivalent for the legal phase has been issued. Documentation - Final Inspection Report, Certificate of Occupancy, unit appraisal (Individual Condominium Unit Appraisal Report), or an equivalent document showing completion	<ul style="list-style-type: none"> ▪ New Projects
Units Conveyed / Owner-Occupancy	90% of units conveyed to purchasers other than developer: <ul style="list-style-type: none"> • If primary residence or second home, no owner-occupancy requirement. • If investment, 51% of units in project conveyed and occupied as primary residence or second home. Not eligible for Streamlined Review. Documentation - Unit appraisal (Individual Condominium Unit Appraisal Report), Certification of Sales, HOA Questionnaire	<ul style="list-style-type: none"> ▪ Streamlined Reviews ▪ Established Projects
	Minimum of 70% of units in project conveyed and occupied as primary residence or second home. Refer to Guide Section 42.6 (b) for methods of meeting the 70% requirement. Documentation - Certification of Sales, HOA Questionnaire	<ul style="list-style-type: none"> ▪ New Projects
	All but one unit conveyed to purchasers other than the developer who occupy as primary residence or second home. No entity owns more than one unit. Documentation - Certification of Sales, HOA Questionnaire	<ul style="list-style-type: none"> ▪ 2- to 4-Unit Projects
Control of HOA	Unit owners in control of HOA. Documentation - Declaration, Master Deed, HOA Questionnaire	<ul style="list-style-type: none"> ▪ Streamlined Reviews ▪ Established Projects

NOTES:

Established projects that do not meet the requirements of a Streamlined Review may be eligible for a Reciprocal Review, and/or a full project review. Acceptable Reciprocal Reviews include:

- Fannie Mae-Accepted Project Review
- FHA-Approved Project Review for Condominiums if one of the following Mortgage types:
 - FHA Mortgages
 - VA Mortgages
 - Section 502 Guaranteed Rural Housing (GRH) Mortgages
 - U.S. Department of Housing and Urban Development (HUD) Guaranteed Section 184 Native American Mortgages.

Investment properties and units located in New Projects are not eligible for a Streamlined Review.

If a Detached Project and the subject Condominium Unit is an Investment Property, the Condominium Project must meet the requirements and warranties for an Established or a New Condominium Project, or a 2- to 4-Unit Condominium Project, as appropriate for the project status.

Requirement		Applicable To
Project Budget	<p>Consistent with nature of project:</p> <ul style="list-style-type: none"> For New project, developer responsible for assessments on unsold units. Appropriate assessments levied, a minimum of 10% of budget designated as replacement reserves for capital expenditures and deferred maintenance, a working capital fund in an amount consistent with the remaining life of Common Elements (if recently converted, and adequate funding for insurance deductibles For Established project, appropriate assessments levied, a minimum of 10% of budget designated as replacement reserves for capital expenditures and deferred maintenance, and adequate funding for insurance deductibles <p>Documentation - Proposed budget and Certification of Working Capital Fund for HOA (from developer) for New projects; prior year's actual and current year's proposed or year-to-date for Established projects</p>	<ul style="list-style-type: none"> Established Projects New Projects
Delinquencies in HOA Dues or Assessments	<p>No more than 15% of dues or assessments are delinquent more than 30 or more days.</p> <p>Documentation - Budget (prior and current year), HOA Questionnaire</p>	<ul style="list-style-type: none"> Established Projects New Projects
Single-investor Concentration	<p>No single entity owns more than 10% of total number of units in the project, or more than one unit if it is a 2- to 4-unit Project.</p> <p>Documentation - Developer Certification of Sales (listed by unit), HOA Questionnaire</p>	<ul style="list-style-type: none"> Established Projects New Projects Detached Projects 2- to 4-unit Projects
Streamlined Review	<ul style="list-style-type: none"> Established Project - Unit located in Established Condominium Project <p>Note: Established projects eligible for a streamlined review for which general warranties in Guide Section 42.2 are met, you may exclude the warranty regarding limitations on ability to sell/right of first refusal in Section 42.2(e).</p> <p>Documentation - Individual Condominium Unit Appraisal Report, HOA Questionnaire</p> <ul style="list-style-type: none"> Spot Loan - Mortgage originated on spot basis and not part of multiple originations and sold to Freddie Mac by the same Seller Maximum LTV/TLTV ratios: <ul style="list-style-type: none"> If primary residence: 90% and Loan Prospector Accept; 80% for all other mortgages If second home: 75% <p>Documentation - Loan Prospector Full Feedback Certificate</p> <p>Note: Seller is not required, in all cases, to review the Project Documents. Instead, the Seller may review alternative sources of project information, including, but not limited to, information from appraisers, Homeowners Associations, and management companies. Sellers warrant that any information obtained from alternative sources is accurate and complete.</p>	<ul style="list-style-type: none"> Streamlined Reviews

General Warranties (Guide Section 42.2)	Applicable to all project reviews
Ineligible Project	Project type is not eligible (for example, a Hotel/Resort Project (Condominium Hotel)). See Guide Chapter 42.3 for a complete list of ineligible properties and Guide Chapter 42.10 on Condominium Hotels. Projects in litigation, arbitration, mediation or other dispute resolution process are ineligible if due to safety, structural soundness or habitability of the project.
Manufactured Homes	Manufactured Homes eligible only when approved through an applicable reciprocal project review in accordance with Guide Section 42.9. Documentation - Unit appraisal (Individual Condominium Unit Appraisal Report)
New and Newly Converted Condominium Projects Located in Florida	New and Newly Converted attached Condominium Projects located in Florida eligible only when approved through an applicable reciprocal project review in accordance with Guide Section 42.9. Documentation - Unit appraisal (Individual Condominium Unit Appraisal Report)
Compliance with State and Local Laws and Regulations	Created and exists in compliance with State and Local Laws and Regulations in which project is located. Documentation - Title Insurance Policy and ALTA Form 4 Endorsement. Review the exclusions.
Title Insurance	Title Insurance Policy and ALTA Form 4 Endorsement cover unit. Review for permitted exclusions (see Guide Chapter 39 for details). Documentation - Title Insurance Policy and ALTA Form 4 Endorsement
Right of First Refusal	Will not adversely impact Mortgagee/Assignee right to foreclose, take title to, sell, lease, or accept deed in lieu Note: Established projects eligible for a streamlined review for which general warranties in Guide Section 42.2 are met, you may exclude the warranty regarding limitations on ability to sell/right of first refusal in Section 42.2(e). Documentation - Declaration, Master Deed
Project Ownership	Unit owner has undivided interest in the land in fee simple, or leasehold interest. Any ground lease must meet requirements of Guide Chapter 41. Documentation - Declaration, Master Deed, Title Policy, Ground Lease Analysis (Form 461) if leasehold interest
Common Elements	Common Elements (for example, parking and recreational facilities) are consistent with nature of project and competitive in local market: <ul style="list-style-type: none"> • Unit owners are sole owners of all common elements and developer retains no ownership interest in any of them • Common Elements are not subject to a lease between unit owners/HOA and any other party Documentation - Declaration, Master Deed, unit appraisal (Individual Condominium Unit Appraisal Report), HOA Questionnaire
Conversions	<ul style="list-style-type: none"> • Architect's/engineer's report comments favorably on structural integrity of project, condition and remaining useful life of major project components (for example, roof, elevators, HVAC, plumbing, electrical, boilers, etc.). • All work completed in a professional manner. • If partial rehabilitation, repairs affecting soundness and habitability are complete. Replacement reserves for all capital improvements are identified and sufficient. Documentation - Architect/Engineer's Report, unit appraisal (Individual Condominium Unit Appraisal Report), Final Inspection Report. If partial rehabilitation, Budget, Certificate of Completion

<p>General Warranties (Guide Section 42.2)</p>	<p>Applicable to all project reviews</p>
<p>Master Association (if applicable)</p>	<p>Complies with the requirements for the Master Association project type. Documentation - Declaration, Master Deed</p>
<p>Continuing Project Eligibility</p>	<p>Not aware of any change in circumstances since last review of project that would result in the project no longer meeting Freddie Mac requirements. Documentation - Unit appraisal (Individual Condominium Unit Appraisal Report), general project knowledge</p>
<p>Project Insurance</p>	<p>Project Insurance must meet the requirements of Guide Chapter 58. The bullets below are only intended to provide high-level guidelines to assist in determining appropriate insurance coverage. Seller must refer to the Guide Sections noted below for specific requirements for each category.</p> <ul style="list-style-type: none"> • Property (Guide Section 58.2): Replacement costs of all improvements including units; maximum deductible of 5%. Insured causes of loss must not exclude perils common to local market (for example, windstorm in coastal areas). • General Liability (Guide Section 58.4): PI/BI/PD at minimum \$1M/ occurrence. Check for additional requirement coverage (for example, elevators, mechanical breakdown, workers comp, etc.). • Fidelity (Guide Section 58.5): If > 20 units, for maximum dollar amount in custody of HOA; management firm must have coverage as well <p>OR</p> <ul style="list-style-type: none"> • 3 months HOA dues with proper financial controls including the following: separate accounts for operating and reserves with bank statements sent directly to HOA; management firm has separate accounts for each HOA and cannot draw checks on or transfer funds from the reserve fund; 2 or more board of director signatures on all checks drawn on reserve fund. • Flood (Guide Section 58.3): Either HOA Master Policy for lesser of project's replacement cost or # units X \$250,000, maximum deductible of \$25,000 (subject to National Flood Insurance Program (NFIP) change); contents coverage if HOA has "contents exposure" <p>OR</p> <ul style="list-style-type: none"> • Individual Unit ("Dwelling") Policy for lesser of (a) unpaid principal balance (UPB), (b) unit's replacement cost or (c) \$250,000; maximum deductible of \$5,000 (subject to NFIP change). • Earthquake (Guide Section 58.3.1): CA only, for all high-risk zip codes and some moderate-risk zip codes (call 1-800-FREDDIE to confirm). Mandatory delivery fee of 1% of UPB, which can be waived or reduced if the HOA maintains earthquake insurance. <p>Documentation - Insurance Policy and Endorsements, other evidence of insurance (Note: Servicers need to retain evidence of insurance per Guide Section 58.7)</p>
<p>Project Control</p>	<p>Control of HOA transferred or will be transferred to unit owners when 90% of units have been conveyed to unit owners other than developer, and within a maximum of four years to seven years subject to state law. Documentation - Declaration, Master Deed</p>

<p>Additional Warranties (Guide Section 42.11)</p>	<p>Applicable to all project reviews, unless:</p> <ul style="list-style-type: none"> ▪ Eligible under a streamlined review ▪ Unit is located in a Detached Condominium Project and occupied as a primary residence or second home ▪ Unit is located in a 2- to 4-unit Condominium Project
<p>Mortgagee Consent</p>	<p>51% of first-lien mortgagees (based on one vote for each first mortgage owned by the mortgagee) must approve:</p> <ul style="list-style-type: none"> • Any amendment adverse to first-lien mortgagees • Termination of legal status of project • Use of insurance proceeds other than to rebuild <p>Project documents may allow implied approval to be assumed if mortgagee fails to respond within 60 days of notice of proposal delivered via certified or registered mail with return receipt.</p> <p>Documentation - Declaration, Master Deed</p>
<p>Rights of Mortgagees and Guarantors</p>	<p>Project Documents must provide for timely written notification to mortgagees and guarantors for:</p> <ul style="list-style-type: none"> • Condemnation or casualty loss affecting project or unit secured by the mortgage • 60-day delinquency in payment of assessments or charges owed by the owner of unit secured by the mortgage • Lapse, cancellation, or material modification of any insurance policy maintained by HOA • Any proposed action requiring consent of a specified percentage of mortgagees <p>Documentation - Declaration, Master Deed</p>
<p>First Mortgagee's Rights Confirmed</p>	<p>No provision gives a unit owner or any other party priority rights over the first mortgagee pursuant to its mortgage in case of payment to unit owners of proceeds from termination, insurance proceeds, or condemnation awards for losses to/taking of units and/or common elements.</p> <p>Documentation - Declaration, Master Deed</p>
<p>Unpaid Homeowners Association Assessments</p>	<p>First mortgagee obtaining title to unit is liable for no more than 6 months of unpaid, regularly budgeted assessments or charges (for late fees and collection costs) accrued before acquisition.</p> <p>Documentation - Declaration, Master Deed</p>
<p>Project Configuration</p>	<p>Condo project is located on one contiguous parcel of land (public street may run through site). Structures are within reasonable distance from each other.</p> <p>Documentation - Project Site Plan</p>
<p>Developer Interest in Project</p>	<p>Once project control turned over to HOA, developer ownership interest limited to unsold units.</p> <p>Documentation - Declaration, Master Deed</p>
<p>Commercial Space</p>	<p>Must be compatible with residential nature of project. A maximum of 20% of total space (square footage) may be for nonresidential purposes.</p> <p>Documentation - Project Site Plan, Budget, By-Laws, Declaration, Master Deed, Marketing Brochures</p>

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<p>Project Management</p>	<p>Project is well managed and in good financial and physical condition (i.e., adequate budget, few delinquencies for dues and assessments, and good marketability). Any contract with an independent management firm must:</p> <ul style="list-style-type: none"> • Be for a reasonable period of time • Allow cancellation by either party, without cause, upon 90 days or less notification. <p>Documentation - Declaration, By-Laws, Budget, unit appraisal (Individual Condominium Unit Appraisal Report), Management Contract, HOA Questionnaire</p>
<p>Unit Occupancy</p>	<p>Subject unit is available for immediate occupancy at the time of closing of the mortgage.</p> <p>Documentation - Final Inspection Report, Certificate of Completion, Certificate of Occupancy for subject and prior phases, Purchase Agreement (as applicable)</p>
<p>Marketing Units in the Condominium Project</p>	<p>Sales program developed for marketing units in the project recognizes and provides procedures for complying with all laws pertaining to the advertising and sale of real estate, the form and content of sales contracts and the method for handling deposits connected with the sale.</p> <p>Documentation - Internet search, including the developer's and project's website, for terms of the offers for sale if the developer (or successor to the developer) is offering units for sale; Sales brochures or literature for New Project, or for Established Project if builder has units available for sale (as applicable)</p>

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