

CLASSIFICATION & TYPE (Must Be Complete On 1008)		DEFINITION	PRE-SALE	DOCUMENTATION & REQUIREMENTS
PUD	E	<ul style="list-style-type: none"> Established Attached: Unit is 100% complete 	None	<ul style="list-style-type: none"> Appraisal Control Of HOA: Homeowners Association turned over to unit owners \$1 million Master Insurance Policy for the Project (applies to attached type E PUDs only)
PUD	F	<ul style="list-style-type: none"> New or proposed Attached: Unit is 100% complete 	None	<ul style="list-style-type: none"> Appraisal Control Of HOA: No requirements \$1 million Master Insurance Policy for the Project (applies to attached type F PUDs only)
LIMITED REVIEWS:				
ATTACHED ESTABLISHED CONDO PROJECTS	Q	<ul style="list-style-type: none"> Established Unit & Common areas 100% complete No Additional phasing or annexation 	<ul style="list-style-type: none"> Must meet the requirements of "established" project 	<ul style="list-style-type: none"> Appraisal PCM Condo Questionnaire Master Insurance Policy for the Project DU Approve/Eligible & Limited Review Response Ineligible if Lender has targeted project with marketing Completed Conversions do not require Engineer's Report
SITE CONDOS: NEW	P	<ul style="list-style-type: none"> New or proposed 	None	<ul style="list-style-type: none"> Appraisal Master Insurance Policy for the Project Owner Occupied and Second Home Only Subject Unit must be a 100% complete detached dwelling Control Of HOA: No requirements
SITE CONDOS: ESTABLISHED	Q	<ul style="list-style-type: none"> Established 		
FULL REVIEWS:				
ESTABLISHED AND NEW 2-4 UNITS PROJECTS	Est-S	<ul style="list-style-type: none"> Units & Common areas 100% complete 	<ul style="list-style-type: none"> All but 1 unit must be primary or 2nd home No entity may own more than 1 unit 	<ul style="list-style-type: none"> Appraisal Master Insurance Policy for the Project Control Of HOA: No requirements
ESTABLISHED PROJECTS ≥ 5 UNITS	S	<ul style="list-style-type: none"> No Additional phasing or annexation Established Conversions must be completed 	<ul style="list-style-type: none"> 90% of project sold If subject is non-owner, 51% of project must be primary or 2nd home. 	<ul style="list-style-type: none"> Appraisal Master Insurance Policy for the Project PCM Condo Questionnaire Legal Document Review per Warranty Form Minutes from the last 2 HOA Meetings Current Budget Conversions in the last 3 years require an Engineers Report Control Of HOA: Homeowners Association turned over to unit owners
FHA REVIEWS:				
FHA APPROVED PROJECTS	U	<ul style="list-style-type: none"> New or proposed Established 	Per FHA	<ul style="list-style-type: none"> Only valid with FHA case numbers ordered prior to 2/1/10 Evidence project was approved by FHA Provide all conditions required by FHA approval Master Insurance Policy for the Project Eligible for USDA also
FHA SPOT CONDO APPROVAL	N/A	<ul style="list-style-type: none"> Established Units & Common areas 100% complete 	<ul style="list-style-type: none"> 90% sold or under contract 51% are owner-occ FHA concentration limit is not exceeded 	<ul style="list-style-type: none"> Only valid with FHA case numbers ordered prior to 2/1/10 Not eligible if project was ever submitted to FHA Master Insurance Policy for the Project PCM Full Review Condo Questionnaire Eligible for FHA or USDA loans only
OTHER REVIEW TYPES:				
FNMA PERS REVIEW	T	<ul style="list-style-type: none"> New or proposed 	Determined by FNMA	<ul style="list-style-type: none"> FNMA Forms: 1026, 1029, 1054, 1051, 1081, 1071, 1073A, 1030 Review fee must be paid in advance Refer to FNMA Announcement 08-34 for more information

UNDERWRITING INSTRUCTIONS

- A completed PCM Condo Warranty Certification completed and signed by the Underwriter is required for all condos reviewed by PCM
- Underwriter review of insurance coverage is required

FREDDIE MAC CONDOMINIUM PROJECT REQUIREMENTS

- Limited Review allowed with LP Accept Response and the following parameters
- Primary Residence <= 80% LTV/CLTV
 - Second Homes <= 75% LTV/CLTV
- All other loans require a Full Review
- Earthquake insurance may be required for California Condominiums

INSURANCE REQUIREMENTS
Liability

- \$1,000,000 Coverage minimum per any single occurrence (Except California)
- Not required on detached site condos

CA Liability Requirements

- \$2,000,000 Coverage minimum per any single occurrence (California-projects with 100 or fewer units)
- \$3,000,000 Coverage minimum per any single occurrence (California-projects with greater than 100 units)
- Additional liability coverage may be in the form of an "umbrella" or "additional liability"

Hazard

- 100% of the insurable value and include Replacement Cost Endorsement
- Deductible may be up to 5% of the face amount (Except 2-4 Unit projects)
- 2-4 Unit projects; deductible may be the lesser of \$10,000 or 1% of the policy face amount

HO-6 Requirements

HO-6 (Walls-in) insurance policies are required on all condominium loans, where the master HOA policy does not provide coverage of the interior of the unit. HO-6 policies must cover the fixtures, equipment, and replacement of improvements and provide betterment coverage to include any improvements that the borrower may have made or a minimum of 20% of the appraised value whichever is higher.

Impounds are mandatory on all loans (as required per standard LTV impound requirements of 80% or 90% depending on state)

- Borrowers are required to obtain a "walls-in" or "contents coverage" Hazard Insurance coverage policy (commonly know as HO-6 policy) . This is separate from the required hazard insurance master policy
- The HO-6 policy must provide coverage in the amount of at least 20% of the appraised value.
- The standard requirement for a maximum 5% deductible also applies.
- This can be waived if the HOA confirms the master insurance policy covers the interior of the unit.

Fidelity Bond Insurance

- Required for all projects over 20 units
- Coverage > = no less than the maximum amount of funds in custody of HOA or management company at any one time, OR
- An amount equal to 3 months HOA assessments, if financial controls are in place (separate accounts for reserves and operating budget)

Flood Insurance

- 100% of the replacement cost of the dwelling based on the hazard insurance
- Contents coverage that equals 80% or more of the insurable value of the common areas and machinery
- Unit coverage should be the lesser of: \$250,000 per unit or 80% of the replacement cost of each insured building in the project
- If the coverage exceeds the maximum available under the NFIP the coverage should be the maximum available
- Projects that consist of multiple high-rise buildings must have separate flood insurance policy for each building
- Master Policy deductible may not exceed a maximum of \$25,000 (Except 2-4 Unit projects)
- 2-4 Unit projects; Deductible may not exceed a maximum of \$5,000

Earthquake Insurance

- Required on California Condos using LP findings as determined by calling 800-373-3343
- "FHLMC EARTHQUAKE INSURANCE ANALYSIS ADDENDUM" is required (if applicable)

INELIGIBLE PROJECTS

- Projects with more than 15% of total units are 30 days or more past due on their HOA due
- New condominium projects in which the property seller offers sales/financing structures in excess of the maximum allowable contributions for individual loans.
- Projects in which a single entity (the same individual, investor group, partnership or corporation) owns more than 10% are ineligible for purchase.
- Commercial space(s) used for non-residential purposes that exceed 20% of the total space of the project are ineligible for purchase.
- Manufactured housing projects
- **Non-warrantable condominium projects**
- Condominium hotels/Condohotels including:
 - o Projects with physical characteristics indicating the project has a hotel identity, hotel-like characteristics, or offers hotel-like services.
 - o Projects with names including "hotel," "resort," "motel," "inn," or "lodge," has an affiliation with, and/or is managed by an entity, usually a chain or hospitality entity.
 - o Projects located at the same address as a hotel or resort, or within a hotel or resort, or has a hotel or hospitality identity.
 - o Projects publicly advertised as a condominium hotel or resort (for example, the project advertises on travel or hotel websites, or has a website on the internet and presents itself as a condominium hotel) or websites are available to determine room availability and reservations can be made online.
 - o The project shares facilities, common elements, or amenities with a hotel, resort, and/or lodge that is owned and managed by the developer or another third-party entity.
- Houseboat project.
- "Live-work" type condominiums; usually used for artist's studio, workshops, factories, or galleries.
- Multi-dwelling unit condominium: A condominium project that permits an individual to hold title to more than one dwelling unit with ownership of all units evidenced by a single deed of trust or mortgage.
- Non-conforming zoning project.
- Own Your Own property: This type of property can be identified by the legal description. Generally an 'Own Your Own' legal description will give the borrower the right to occupy a given unit, instead of actual ownership of the unit.
- Projects in litigation.
- Timeshare or segmented ownership.
- Projects with non-incidentual businesses operated or owned by the homeowner's association (for example, restaurant, health club, spa, etc.).
- **Projects with mandatory memberships (tennis, golf, health club, etc)**
- **Projects with mandatory rental pooling agreements or blackout periods**
- **FHA-approved condo projects for loans with Conventional and VA financing**
- Any project or building owned by several owners as tenants-in-common or by a HOA in which the individuals have an unidentified interest in a residential apartment building and have the right of exclusive occupancy of a specific unit in the building.
- Projects characterized as or promoted as an investment opportunity or have documents on file with the SEC.

GLOSSARY OF TERMS

New Project:

A new project is one in which (a) fewer than 90 percent of the total units in the project have been conveyed to the unit purchasers; (b) the project is not fully completed (for example, there is proposed construction, new construction, or the proposed or incomplete conversion of an existing building to a condominium); (c) the project is subject to additional phasing or annexation; or (d) control of the

Existing Project:

An established project is one in which (a) at least 90 percent of the total units in the project have been conveyed to the unit purchasers; (b) the project is complete (including all units and common elements); (c) the project is not subject to additional phasing or annexation; and (d) control of the homeowners' association has been turned over to the unit owners.

Condominium:

Ownership of property is limited to the space within the walls of the dwelling (does not include the ground).

The legal description for the property consists of a Unit number.

High Rise Condominium: Greater than or equal to 5 stories

PUD:

Ownership of the property is similar to that of a SFR, however the property has use of common areas that are owned by the HOA.

The legal description for the property consists of a Lot number.

Type F PUD: PUD in which the builder is still in control of the HOA

Type E PUD: PUD in which the association has been turned over to the HOA