LP Condominium Project Standards

Project Risks

Assessment of Project Risk

- A condominium project review is required to address certain project risks including:
  - The marketability and condition of the project;
  - The marketability of the units within the project;
  - The financial stability and viability of the project;
  - Project-level litigation;
  - Restrictions on unit owners' rights to occupy the unit;
  - Ownership and use of the project common areas and amenities; and
  - The adequacy of insurance coverage to protect the project from damage and loss.
- The quality of a loan secured by a unit in a condominium project can be impacted by the financial stability and viability of the particular project among other project characteristics.
- The conclusion that a mortgage is acceptable must be based on the determination that the borrower is creditworthy and the subject property is adequate collateral for the loan transaction.

Condominium Project Review

General Condominium Project Eligibility Requirements

- The condominium project must comply with the following general condominium project eligibility requirements:
  - The project must not be an ineligible project;
  - The project must have insurance that complies with all applicable requirements;
  - The condominium unit must be covered by a title insurance policy that complies with all applicable requirements;
  - When control of the Homeowners' Association (HOA) has been or will be turned over to the unit owners, the unit owners must have an undivided ownership interest in the land on which the project is located.
  - The unit owners must be the sole owners of and have the right to the use of the common elements including all buildings, roads, parking, facilities and amenities except as specified below.
    - A project with shared amenities is eligible if two or more HOAs share the amenities, such as recreational or fitness facilities, swimming pools, and clubhouses, for the sole use of the unit owners and the HOAs have an agreement specifying:
      - ✓ A description of the shared amenities and the terms of the unit owners' permitted use of the shared amenities;
      - ✓ How the shared amenities will be funded, managed and maintained; and
      - ✓ The method for resolving disputes between the HOAs regarding the shared amenities.
  - The developer must not retain any ownership interest in the common elements, facilities and amenities, except as a unit owner. The common elements, including parking and amenities such as recreational facilities, must be subject to a lease between the unit owners or the HOA (as lessee) and any party (as lessor) with the exception of commercial leases for parking, or permit arrangements for parking entered into with parties unrelated to the developer.

Ineligible Projects

The Following Project Types are Ineligible

- **Projects Registered with the U.S. Securities and Exchange Commission**
  - Any project that is required to be registered with the U.S. Securities and Exchange Commission or any State securities agency, regardless of the project type.

  - A project or investment in a project, including condominium unit ownership that is characterized or promoted as an investment opportunity, that could be deemed to be an investment security is also an ineligible project.
- **Condominium Hotel**:
  - A condominium hotel is a project that is operated and managed as a commercial hotel or similar type of transient housing even when the units are individually owned.
  - Projects that have one or more or the following characteristics are considered a condominium hotel and are ineligible projects:
    - Projects that include hotel type services and characteristics such as registration services, rentals of units on a daily basis, daily cleaning services, central telephone services, central key systems and restrictions on interior decoration.
    - Condominium projects that are conversions of a hotel, or a conversion of a similar type of transient housing, unless the project was a gut rehabilitation and the resulting condominium units no longer have the characteristics of a hotel or similar transient housing.
    - Projects with mandatory or voluntary rental pooling and revenue sharing agreements, or similar agreements that restrict the unit owner's ability to occupy the unit, in order to assure an inventory of units for rent on a frequent basis such as daily, weekly, monthly or seasonally.
    - Projects with names that include the words "hotel", "motel", "inn", "lodge" or a branded hotel chain or name unless the project does not have the characteristics of a hotel or similar type of transient housing.
  - If owners of condominium units in projects located in resort areas rent their units, either individually or through a rental management company, on a short-term basis, this alone does not indicate that the project is to be considered a condominium hotel. Fully analyze all characteristics of the project and related information to determine if the project is a condominium hotel.

- **Projects with Multi-Dwelling Units**
  - A project where an owner may hold a single deed evidencing ownership of more than one dwelling unit.

- **Projects with Excessive Commercial or Non-Residential Space**
  - A project where more than 35% of the total above and below grade square footage of the project, or more than 35% of the total above and below grade square footage of the building where the project is located, is used as commercial or non-residential space.

- **Tenancy-in-Common Apartment Project**
  - A tenancy-in-common apartment project is owned by several owners as tenants-in-common or by a homeowners' association.
  - Individuals have an undivided interest in the residential apartment building, including the units, and land where the building is located, and may or may not have the right of exclusive occupancy of a specific apartment unit in the building.

- **Timeshare Projects or Projects with Segmented Ownership**
  - A project where there is an arrangement where a purchaser receives an interest in real estate and the right to use a unit or amenities, or both, for a specified period and on a recurring basis such as the 15th week of the year, or ownership that is for a limited period such as for the next five years.

- **Houseboat Project**
  - A project comprised of boats that have been designed or modified to be used primarily as dwelling units.

- **Projects that have a Legal Non-Conforming Use**
  - A condominium project with legal non-conforming use and the jurisdiction where the property is located does not allow the rebuilding of the improvements to current density in the event of their partial or full destruction.

- **Projects in Litigation**
  - A project where:
    - The HOA is named as a party to pending litigation; or
    - The project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, functional use or habitability of the project.
  - If it is determined that the reason for the pending litigation involves minor matters that do not affect the safety, structural soundness, functional use or habitability of the project, the project is eligible as long as the litigation is limited to one of the following:
    - **The litigation amount is known**, the insurance company has committed to provide the defense, and the litigation amount is covered by the insurance policy.
    - **When the litigation amount is unknown**, the file must be documented with a copy of the complaint or the most recent amended complaint, and with an attorney letter that supports the determination that the litigation involves minor matters.
      - ✓ The attorney letter must state the reason for the litigation and that the insurance company has committed to provide the defense.
      - ✓ The letter must also include the upper and lower limits of any potential monetary judgment against the HOA, or settlement with the HOA, and the likelihood that the amount of the judgment or settlement, including punitive damages, will be covered by the HOA's insurance policy.
      - ✓ If the attorney indicates the matter may not be fully covered by the HOA's insurance policy the **project is ineligible**.
    - The matters involve non-monetary neighbor disputes or rights of quiet enjoyment; or
    - The HOA is the plaintiff in the litigation and the matter is minor with insignificant impact on the financial status of the project.
      - ✓ For example: the HOA seeks reimbursement for expenditures made to repair the project's components which may have included items that related to the safety, soundness, functional use or habitability of the project, the repair permanently resolved the defect or issue and the expenditures did not significantly impact the financial stability or future solvency of the HOA.
  - Retain documentation in the file to support the analysis that the reason for the dispute meets the requirements for minor matters.

- **New Projects Sold with Excessive Seller Contributions**
  - A new condominium project where the builder, developer, or property seller is offering financing or sale arrangements for condominium unit mortgages. These individual mortgages have builder/developer contributions that do not comply with the seller contribution requirements of these guidelines.
  - Examples include:
    - Rent-back or leasebacks;
    - Payments of principal, interest, taxes and insurance (PITI); or
    - HOA assessments that exceed the allowable limitations; and
    - Undisclosed contributions that are not disclosed on the Settlement/Closing Disclosure Statement.

- **Projects with Excessive Single Investor Concentration**
  - Any project where an individual or a single entity such as an investor group, partnership, or corporation own more than the following total number of units in the project:

Number of Units in the Project	*Total Number of Units Owned by Individuals or Single Entities*
Two-to-Four Units	One
Five to Twenty Units	Two
21 or more Units	10%*****

  - Vacant units being actively marketed by the developer are not included in the calculation of the developer's percentage of ownership. Any units leased by the developer must be included in the calculation of the developer's percentage of ownership.
  - *****For projects with 21 or more units, a Housing Finance Agency (HFA), or similar entity based on state or local law or regulation, can own no more than 15% of the total number of units in the project without that ownership being considered an excessive single investor concentration provided that:
    - The units owned by the HFA, or similar entity based on state or local law or regulation, are used for low or moderate income rental purposes; and
    - The HFA, or similar entity based on state or local law or regulation, that owns the units must be current in paying unit assessments and any other financial obligations to the HOA with no delinquencies within the past 12 months.

- **Continuing Care Retirement Community (CCRC)**
  - A CCRC is a residential project designed to meet the health and housing needs of seniors as their needs change over time.
  - CCRCs are distinguished from age-restricted communities in that residents in CCRCs contract in advance for a lifetime commitment from the facility to care for them, regardless of their future health or housing needs.
  - CCRCs may also be known as life-care facilities.

- **Manufactured Homes**
  - Manufactured home projects are **not eligible**.

- **Projects with Mandatory Dues for use of Amenities**
  - Projects with mandatory dues or similar membership fees, including initiation or joining fees, which allow for the use of amenities such as clubhouses or recreational facilities, are ineligible unless the HOA and/or Master Association solely own the amenities and condominium unit owners within the HOA or master association are the only persons or entities eligible for membership.
  - Full rights and privileges to the use of these amenities are the primary benefit of membership.

Streamlined Reviews

General Requirements

- In addition to the project eligibility requirements above condominium unit mortgages must comply with all of the following requirements to be eligible for the streamlined project review type:
  - The condominium unit must be located in an **established condominium project** which is a project where:
    - The condominium project, all units, common elements and amenities, and related facilities owned by a Master Association are complete and not subject to any additional phasing.
    - At least 90% of the total units in the project have been conveyed to the unit purchasers other than the developer; and
    - The unit owners control the Homeowners' Association.

- There are no manufactured homes in the condominium project.
- The mortgage must not exceed the LTV/TLTV/HTLTV ratios for the occupancy type as indicated in the following charts:

Streamlined Review for Condominium Units in Established Projects Not Located in Florida	
Occupancy Type	**Maximum LTV/TLTV/HTLTV**
Primary Residence	90%
Second Home	75%
Investment Property	Not Eligible

Streamlined Review for Condominium Units in Established Project Located in Florida	
Occupancy Type	**Maximum LTV/TLTV/HTLTV**
Primary Residence	75%
Second Home	70%
Investment Property	Not Eligible

Established Condominium Projects

General Requirements

- An established condominium project is a condominium project where:
  - The condominium project, all units, common elements, and amenities, and related facilities owned by any master association are complete and not subject to any additional phasing.
  - At least 90% of the total units in the project have been conveyed to the unit purchasers other than the developer; and
  - The unit owners control the homeowners' association (HOA).
- If the mortgages secured by condominium units in established projects do not comply with the eligibility requirements for streamlined reviews, the mortgage must comply with all of the following eligibility requirements:
  - All units, common elements and amenities must be complete.
  - There are no manufactured homes in the condominium project.
  - If the property will be used as a primary residence or second home, there is no owner occupancy requirements for the project.
  - If the property will be used as investment property, at least 50% of the total number of units in the project must have been conveyed to purchasers who will occupy their units as a primary residence or second home.
- No more than 15% of the total number of units in a project may be 60 or more days delinquent on the payment of their HOA dues.

Project Budget Requirements for Established Projects

- The project's budget must be consistent with the nature of the project and appropriate assessments must be established to manage the project.
- There must be appropriate allocations for line items pertinent to the type and status of the condominium project.
- There must be adequate funding for insurance deductible amounts.
- At least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project's age, estimated remaining life and replacement cost of major common elements.
  - The replacement reserve percentage is determined by dividing the annual budgeted replacement reserve allocation by the HOA's annual budgeted assessment income including regular common expense fees.
  - The calculation may exclude:
    - Special assessment income;

  - Income in reserve accounts;
  - Incidental income not relied upon for maintenance operations or capital improvements; and
  - Amounts collected from unit owners, but usually paid individually by them, for items or utilities such as Internet access.
- A reserve study may be relied upon instead of the project budget provided the following conditions are met:
  - The reserve study must include:
    - An inventory of major components of the project;
    - A financial analysis and evaluation of current reserve fund adequacy; and
    - A proposed annual reserve funding plan.
  - A reserve study's financial analysis must validate that the project has appropriately allocated the recommended reserve funds to provide the condominium project with sufficient financial protection comparable to the standard budget requirements for replacement reserves.
  - The reserve study's annual reserve funding plan, which details total costs identified for replacement components, must meet or exceed the study's recommendation and conclusion.
  - The most current reserve study, or update, must be dated within 36 months of the underwriter's review of the condominium project.
  - The reserve study must be prepared by an independent expert skilled in performing reserve studies such as:
    - A reserve study professional;
    - A construction engineer;
    - A certified public accountant who specializes in reserve studies; or
    - Any professional with demonstrated experience and knowledge in completing reserve studies.
  - The reserve study must comment favorably on the project's age, estimated remaining life, structural integrity and the replacement of major components.
- If a reserve study is relied upon the project's budget must contain appropriate allocations to support the costs identified in the study.
- Perform an analysis of the study and retain the analysis in the loan file.

New Condominium Projects

General Requirements

- A new condominium project is a condominium project where:
  - The condo project, (all condominium units, common elements and amenities) and related facilities owned by any Master Association 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 Homeowners Association over to the unit owners.
- Mortgages secured by condo units in new condominium projects must comply with all of the following requirements:
  - The subject legal phase or the subject building and any prior legal phases in which units have been offered for sale are substantially complete. "Substantially complete" means that the common elements are complete and the units are complete subject to the selection of buyer preference items.
  - **There are no manufactured homes in the condominium project.**
  - At least **50%** of the total units in the project, or at least 50% of the sum of the subject legal phase and prior legal phases, must have been conveyed or must be under contract to purchasers other than the developer, or its successor, who will occupy the units as their primary residence or second home.

    - Legal phases are defined by the project documents. Construction phases developed for the convenience of the developer are not necessarily legal phases. For the purpose of calculating owner-occupancy, a project consisting of one building cannot have more than one legal phase and any one building in a condominium project comprised of multiple buildings cannot be subject to more than one legal phase.
- No more than 15% of the total number of units in a project may be 60 or more days delinquent in the payment of their HOA dues. Or, if the project is a 2 to 4 Unit Condominium Project, none of the units are 60 or more days delinquent in the payment of their HOA assessments.
- The condominium project has been created and exists in full compliance with the applicable state law, the requirements of the jurisdiction where the condominium project is located, and with all other applicable laws and regulations governing creation of the condominium project.

Project Budget Requirements for New Condominium Projects

- The HOA assessments must begin once the developer has ceased to pay operating expenses attributable to the condominium project whether or not all units have been sold. When any unit owner other than the developer pays assessments, the developer must pay the assessments attributable to the unsold units
- The project's budget, or its projected budget if the project has not been turned over to the unit owners, must be consistent with the nature of the project and appropriate assessments must be established to manage the project.
    - There must be appropriate allocations for line items pertinent to the type and status of the condominium project.
    - If the project was recently converted, the developer must have initially funded a working capital fund in an amount consistent with the estimated remaining life of the common elements.
    - There must be adequate funding for insurance deductible amounts.
    - At least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project's age, estimated remaining life, and the replacement cost of major common elements.
    - The replacement reserve percentage is determined by dividing the annual budgeted replacement reserve allocation by the HOA's annual budgeted assessment income including regular common expense fees.
    - The calculations may exclude:
        - Special assessment income;
        - Income in reserve accounts;
        - Incidental income not relied upon for maintenance, operations or capital improvements; and
        - Amounts collected from unit owners, but usually paid individually by them, for items or utilities such as Internet access.
    - A reserve study may be relied upon instead of the project budget. The reserve study must include:
        - An inventory of major components of the project;
        - A financial analysis and evaluation of current reserve fund adequacy; and
        - A proposed annual reserve funding plan.
    - A reserve study's financial analysis must validate that the project has appropriately allocated the recommended reserve funds to provide the condominium project with sufficient financial protection comparable to the standard budget requirements for replacement reserves.
    - The reserve study's annual reserve funding plan, which details costs identified for replacement components, must meet or exceed the study's recommendation and conclusion.
    - The most current reserve study, or update, must be dated within 36 months of the underwriter's review of the project.

  - The reserve study must be prepared by an independent expert skilled in performing reserve studies such as:
    - A reserve study professional;
    - A construction engineer;
    - A certified public accountant who specializes is reserve studies; or
    - Any professional with demonstrated experience and knowledge in completing reserve studies.
  - The reserve study must meet or exceed requirements set forth in any applicable state statutes.
  - The reserve study must comment favorably on the project's age, estimated remaining life, structural integrity and the replacement of major components.
  - If a reserve study is relied upon the project's budget must contain appropriate allocations to support the costs identified in the study.
  - Perform an analysis of the study and retain the analysis in the loan file.

Note: Mortgages secured by Condominium Units in 2 to 4 Unit Condominium Projects are not required to comply with the requirements in this section.

Right of First Refusal

- Any right of first refusal in the project documents will not adversely impact the rights of a mortgagee or its assignee to:
  - Foreclose or take title to a condominium unit pursuant to the remedies in the mortgage;
  - Accept a deed or assignment in lieu of foreclosure in the event of default by a mortgagor; or
  - Sell or lease a unit acquired by the mortgagee or its assignee.

Conversions

- For a condominium project that was created by conversion of a building(s) the following requirements must be met:
  - For a conversion involving a non-gut rehabilitation that was legally created within the past five years, the engineer's report must state that:
    - The project is structurally sound;
    - The condition and remaining useful life of the major project components are sufficient to meet the residential needs of the project; and
    - There is no evidence that any of these conditions have not been met.
    - Major components include the roof, elevators and mechanical systems such as heating, air conditioning, plumbing and electricity.
- All rehabilitation work involved in the conversion, both non-gut rehabilitation and gut rehabilitation, must be completed in a professional manner.
- A review of the engineer's report is not required for conversions involving:
  - A gut rehabilitation; and
  - Non-gut rehabilitation if more than five years have elapsed since the legal creation of the project.

Mortgagee Consent

- The project documents or applicable state law must provide that amendments of a material adverse nature to first lien mortgagees be agreed to by mortgagees that represent at least 51% of the unit votes, based on one vote for each first mortgage owned, subject to first lien mortgages.
- The project documents or applicable state law must provide that any action to terminate the legal status of the project or to use insurance proceeds for any purpose other than to rebuild, must be agreed to by first lien mortgagees that represent at least 51% of the unit votes, based on one vote for each first mortgage owned, that are subject to first lien mortgages.
- The project documents may allow implied approval to be assumed when the current mortgagee of record fails to submit a response to any written proposal for an amendment within 60 days after the current mortgagee of record actually receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested.

Note: Mortgages secured by Condominium Units in 2 to 4 Condominium Projects are not required to comply with the requirements in this section.

Rights of Mortgagees and Guarantors

- The project documents, applicable state law, or any applicable insurance policy must give the mortgagee and guarantor of the mortgage on any unit in a condominium project the right to timely written notice of:
  - Any condemnation or casualty loss that affects either a material portion of the condominium project or the unit securing its mortgage.
  - Any 60-day delinquency in the payment of assessments or charges owed by the owner of any unit for which it holds the mortgage.
  - A lapse, cancellation, or material reduction of any insurance policy maintained by the HOA.
  - Any proposed action that requires the consent of a specified percentage of mortgagees.
- The project documents must not give a condominium unit owner or any other party priority over any rights of the first mortgagee of the condominium unit pursuant to its mortgage in the case of payment to the unit owner of proceeds from termination, or insurance proceeds or condemnation awards for losses to or a taking of condominium units and/or common elements.

Note: Mortgages secured by Condominium Units in 2 to 4 Condominium Projects are not required to comply with the requirements in this section.

Marketing Units in the Condominium Project

- The sales program developed for marketing units in a project must recognize and provide 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.
- When the project documents allow the HOA to retain the right of first refusal, such as the right to provide a substitute buyer or to have the first option to purchase a unit, that right cannot be exercised in any way that constitutes unlawful discrimination or that is likely to impair the marketability of the units in the project.

Other Condominium Projects

Two-to-Four Condominium Projects

- In addition to the project eligibility requirements above, a mortgage secured by a condo unit in a two-to-four unit condominium project must comply with the following:
  - The condo project must comply with the definition of a two-to-four unit condominium project which is a project that is comprised of at least two, but no more than four, one-unit dwellings that are separately owned with separate legal descriptions.
  - All units and common elements in the project and in any Master Association must be completed and the unit owners control the Homeowners Association (HOA).
  - All of the units in the project must have been conveyed to purchasers, who occupy their units as a primary residence or second home.
  - The condo project must not include manufactured homes.
  -

Detached Condominium Projects

- Mortgages secured by condo units in detached condo projects must comply with the following eligibility requirements:
  - The Condominium Unit securing the Condominium Unit Mortgage meets the definition of a Detached Condominium Unit, which is a Condominium Unit that is completely detached from any other unit in a Condominium Project. A Detached Condominium Unit can be in

a Detached Condominium Project or in a Condominium Project that contains a mixture of attached, detached and/or semi detached units.
- The condo project must not include manufactured homes.
- The condo project must have insurance that complies with applicable insurance requirements.
- The condo unit must be covered by a title insurance policy that complies with applicable title insurance requirements.
- The Detached Condominium Projects review type may not be used for a project review related to a Mortgage secured by a Condominium Unit that is attached or semi detached regardless of whether the project also includes Detached Condominium Units.
- Detached Condominium Unites that meet the requirements of the Detached Condominium review type are required to prove the existens or adequacy of the project liability insurance and/or the fidelity or employee dishonesty insurance.

Note: If the requirements for Detached Condominium Projects in above section are met, then the requirements for any of the other project review types are not applicable.

Condominium Appraisal and Underwriting Requirements

Appraisal Requirements

- The appraiser must report the project name, the assessments, including special assessments and the property rights for each comparable sale and must compare them to the subject project.
- The appraiser must also identify the common elements including the amenities available to the unit owners, comment on their condition and analyze how they compare to the common elements and amenities of competing projects.
- Comparable sales must be from condominium projects in the same market, be similar to the subject project and compete for the same purchasers.

Additional Appraisal Requirements for Detached Condo Projects

- The appraiser must use similar detached condo comparable sales from the same project or from similar detached condo projects in the same market area.
- The appraiser may use detached comparable sales that are not located in the condominium project only if the appraiser supports the use of such sales in the appraisal report and reflects any effect that the condo form of ownership has on the market value and marketability of the subject property.

Underwriting Considerations

- The project's common elements, including amenities and limited common elements, must be consistent with the nature of the project and similar to competing condominium projects in the market area.
- Limited common elements are portions of common elements reserved for use by one or more unit owners but not all unit owners. Limited common elements are defined in the project documents and may include:
  - Balconies or patios;
  - Assigned parking spaces; or
  - Storage bins.
- Limited common elements that are purchased as part of the condominium unit may be financed as part of the mortgage, and the cost of such limited common elements may be included when determining the sales price and loan-to-value ratio.
- Only limited common elements may be financed along with the condominium unit. Facilities serving the condo unit which are made available to the condo unit by a permit, license or lease, must not be financed as part of a mortgage, and the cost of the use of such facilities may not be included when determining the sales price and LTV ratio.

Reciprocal Project Reviews

Fannie Mae Approved Projects

- Projects approved by Fannie Mae through the PERS process or projects that have been approved by lenders through the Fannie Mae full review process, submitted to Fannie Mae's Condo Project Manager and received a project acceptance certification are eligible if the mortgage complies with the following requirements:
  - The project complies with all applicable Fannie Mae eligibility requirements and lender warranties.
  - Any terms and conditions set forth in the acceptance have not expired, and have not been rescinded or modified in any way.
  - The loan file contains documentation of Fannie Mae's approval.
  - The condominium project complies with the project eligibility requirements in these guidelines.
- For loans approved through Condo Project Manager and that are secured by condo units located in **attached established condominium projects in Florida** the following must be complied with:
  - The maximum LTV, TLTV, HTLTV ratio is limited to 75% for a primary residence.
  - The maximum LTV, TLTV, HTLTV ratio is limited to 70% for a second home.
  - The property is not an investment property.
- Mortgages secured by attached condo units in new construction projects in Florida are only eligible if the project is approved through Fannie Mae's PERS process.*****
- Mortgages secured by condo units in a condominium project comprised of manufactured homes are not eligible.

  *Lenox/WesLend does not initiate the PERS process. The project must already have an unexpired PERS approval from Fannie Mae.

Ineligible Characteristics

Condominium Hotels

- To ensure that the project is not a condominium hotel, rely on sources of information such as the resources listed below to determine whether the project is eligible:
  - All project documents including but not limited to by-laws, project budgets and financial statements.
  - Any offering statements, or their equivalent, and marketing materials.
  - Internet websites, especially websites for the project itself, the project developer, the entity marketing the project if other than the project developer and press releases about the project.
  - The sales contract.
  - The appraisal report.

Characteristics of a Condominium Hotel

- Mandatory or voluntary rental pooling arrangements, or unit leasing programs, and revenue sharing agreements are generally between the individual unit owners, and/or the HOA, the developer, successor to the developer or a third party.
- These agreements may provide restrictions on the unit owner's use such as blackout dates and occupancy limits, thereby providing a ready supply of units for rent and a revenue share to the unit owners from the rental of the units.
- If the underwriting of the project indicates that the project is operated and managed as a hotel or similar type of transient housing, the project is a condo hotel and any mortgage secured by a unit in such project is not eligible.

Excessive Commercial or Non-Residential Space

- In calculating the amount of commercial or non-residential space determine:
  - The total square footage of the project or the building where the project is located;
  - The square footage of the commercial or non-residential space; and

    - The residential space square footage.
- Divide the total commercial or non-residential square footage by the total square footage of the project or building to calculate the total amount of commercial or non-residential space.
- Determine if the commercial or non-residential space in a project is more than 25% of the total above and below grade square footage of the project, or more than 25% of the total above and below grade square footage of the building where the project is located.
- Project amenities and facilities that are residential in nature, owned by the homeowners' association or unit owners, and allocated for the sole use of the residential unit owners are considered to be residential space.
- The following must be included as commercial or non-residential space:
    - Retail and other commercial or non-residential space such as restaurants and stores.
    - Parking space that is not owned by or allocated to the residential unit owners such as public parking facilities that are either free or fee based.
    - Residential rental payments, hotels, motels and other similar types of space, although such space may have residential characteristics.
    - Non-residential space that the HOA does not own, but that is owned by a private individual or entity outside of the HOA structure such as private fitness facilities that are membership based rather than owned by the HOA for the sole use of the residential unit owners, and
    - The total square footage of commercial or non-residential space even when the HOA representing the residential owners is different from the association representing the commercial owners.